

**EARLY COLLEGE HIGH SCHOOL  
AT ARVADA**

**BASIC FINANCIAL STATEMENTS**

**June 30, 2016**



**RECEIVED**

*By Justin L. Smith at 2:08 pm, Jan 03, 2017*

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## JOHN CUTLER & ASSOCIATES

Board of Directors  
Early College High School at Arvada  
Arvada, Colorado

### INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of Early College High School at Arvada, 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 School, as listed in the table of contents.

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

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

#### Auditor's Responsibility

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

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

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

#### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Early Colleges High School, as of June 30, 2016, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, schedule of the school's proportionate share, and schedule of the school's contributions on pages 26-28 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*John Luttrell & Associates, LLC*

October 13, 2016

# **Early College of Arvada**

## Management's Discussion and Analysis

### Fiscal Year Ending June 30, 2016

As management of Early College of Arvada (ECA), we offer readers of ECA's basic financial statements this narrative and analysis of the financial activities of Early Colleges of Arvada for the year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information provided in the accompanying financial statements.

#### **Financial Highlights**

The year ended June 30, 2016 was the seventh year of operations for ECA. The general fund balance for fiscal year ending June 30, 2016 is \$165,492.

The operations of ECA are funded primarily by tax revenue received under the State School Finance Act (the Act). Tax revenue for the year from Per Pupil Revenue was \$2,442,664.

#### **Overview of Financial Statements**

This discussion and analysis are intended to serve as an introduction to ECA's basic financial statements. The basic 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 ECA's finances in a manner similar to a private-sector business.

The statement of net position presents information on all ECA's assets and liabilities, with the difference between the two being reported as net position. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial position of ECA is improving or deteriorating. The statement of activities presents information showing how ECA's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future periods (for example, salaries and benefits earned but unpaid as of year end).

The government-wide statement of activities distinguishes functions/programs of ECA that are primarily supported by per pupil operating revenue passed from the Colorado Charter School Institute. These activities include instruction and supporting services expense.

### ***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. ECA keeps track of these monies to ensure and demonstrate compliance with finance-related legal requirements. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements, except that the focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Both the balance sheet and the statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental fund and the governmental activities.

### ***Notes to Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

### **Government-wide Financial Analysis**

As noted previously, net position may serve over time as a useful indicator of ECA's financial position. For the year ended June 30, 2016, ECA's combined assets were less than liabilities by negative (\$2,379,451). Of ECA's net position, negative \$(2,633,299) is unrestricted. \$85,521 of the combined funds is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. \$168,327 is invested in capital assets.

<b>Net Position</b>	<b><u>2015-2016</u></b>	<b><u>2014-2015</u></b>
<b>Assets</b>		
Cash	\$237,427	\$303,647
Accounts Receivable	101,422	33,101
Prepaid Expenses	2,000	16,000
Capital Assets, Net of Accumulated Depreciation	<u>224,173</u>	<u>182,247</u>
<b>Total Assets</b>	<u>565,022</u>	<u>534,995</u>
<b>Deferred Outflows of Resources</b>		
Related to Pensions	<u>1,008,372</u>	<u>646,461</u>
<b>Liabilities</b>		
Accounts Payable	45,016	27,161
Accrued Salaries and Benefits	157,571	107,312
Non Current Liabilities		
Due in One Year	55,846	137,552
Due in More than One Year	-	55,846
Net Pension Liability	<u>3,642,781</u>	<u>3,302,463</u>
<b>Total Liabilities</b>	<u>3,901,214</u>	<u>3,302,463</u>
<b>Deferred Inflows of Resources</b>		
Related to Pensions	<u>51,631</u>	<u>166</u>
<b>Net Position</b>		
Invested in Capital Assets, Net of Related Debt	168,327	(11,151)
Restricted /Assigned	85,521	67,393
Unrestricted/Unassigned	<u>(2,633,299)</u>	<u>(2,177,415)</u>
<b>Total Net Position</b>	<u>\$ (2,379,451)</u>	<u>\$ (2,121,173)</u>

<b>Change in Net Position</b>	<b>2015-2016</b>	<b>2014-2015</b>
<b>Revenues</b>		
Charges for Services	\$350	\$9,592
Operating Grants and Contributions	338,553	199,707
Capital Grants and Contributions	137,215	48,417
Per Pupil Revenue	2,442,664	2,033,685
Other Revenue	<u>14,083</u>	<u>17,199</u>
Total Revenues	<u>2,844,067</u>	<u>2,308,600</u>
<b>Expenses</b>		
Current		
Instruction	1,709,809	1,052,630
Supporting Services	1,389,429	1,177,464
Interest on Long Term Debt	<u>3,107</u>	<u>12,170</u>
Total Expenses	<u>3,102,345</u>	<u>2,242,264</u>
<b>Change in Net Position</b>	<u>(258,278)</u>	66,336
<b>Net Position, Beginning</b>	<u>(2,121,173)</u>	<u>(2,187,509)</u>
<b>Net Position, Ending</b>	<u>\$(2,379,451)</u>	<u>\$(2,212,173)</u>

### **Financial Analysis of ECA's Funds**

Several items have impacted the bottom line of ECA during the 2015-2016 fiscal year. Active recruiting led to a 19% increase in overall enrollment over the previous year. Due to the number of students eligible for free and reduced lunches, the at-risk population remains high and PPR funding is adjusted accordingly as a result. Additionally, changes were made to ECA's staffing model in the 2015-2016 year which increased spending on salaries and benefits. Finally, ECA recognized expenses in 2015-2016 which were previously deferred but not properly recorded as such.

### **Governmental funds**

The focus of Early Colleges of Arvada's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing ECA's financing requirements. In particular, unassigned fund balance may serve as a useful measure of ECA's net resources available to spend at the end of the fiscal year.

As of the end of the 2015-2016 fiscal year ECA's general fund reported an ending fund balance of \$165,492.

## **General Fund Budgetary Highlights**

ECA budgeted for General Fund expenditures of \$2,871,860 for the year ended June 30, 2016. Actual expenditures were \$2,812,902.

There were budget amendments during the year, which reflected a slight increase in revenue with an expectation of more students and related expenditures.

## **Capital Asset and Debt Administration**

### **Capital assets**

ECA's investment in capital assets net of accumulated depreciation as of June 30, 2016 amounts to \$224,173 in machinery and equipment. The detail on capital assets is in Note 4 of the financial statements.

### **Long-term debt**

As of June 30, 2016 ECA had long term debt consisting of a loan payable to Great Western bank with the balance of \$55,846. This is described in Note 6 to the financial statements.

## **Economic Factors and Next Year's Budget**

The primary factor driving the budget for ECA is student enrollment. Enrollment for the 2015-2016 school year was 342. The expected enrollment for the FY16-17 school year is 365. This factor was considered in preparing ECA's budget for 2016-2017.

## **BASIC FINANCIAL STATEMENTS**

EARLY COLLEGE HIGH SCHOOL AT ARVADA

STATEMENT OF NET POSITION

As of June 30, 2016

	GOVERNMENTAL ACTIVITIES	
	2016	2015
ASSETS		
Cash and Investments	\$ 237,427	\$ 303,647
Accounts Receivable	101,422	33,101
Deposits	2,000	16,000
Capital Assets, Depreciated, Net of Accumulated Depreciation	224,173	182,247
TOTAL ASSETS	565,022	534,995
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	1,008,372	646,461
LIABILITIES		
Accounts Payable	45,016	27,161
Accrued Salaries and Benefits	157,571	107,312
Noncurrent Liabilities		
Note Payable		
Due in One Year	55,846	137,552
Due in More than One Year	-	55,846
Net Pension Liability	3,642,781	2,974,592
TOTAL LIABILITIES	3,901,214	3,302,463
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	51,631	166
NET POSITION		
Investment in Capital Assets	168,327	(11,151)
Restricted for Emergencies	85,521	67,393
Unrestricted	(2,633,299)	(2,177,415)
TOTAL NET POSITION	\$ (2,379,451)	\$ (2,121,173)

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

EARLY COLLEGE HIGH SCHOOL AT ARVADA

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2016

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
					2016	2015
<b>PRIMARY GOVERNMENT</b>						
<b>Governmental Activities</b>						
Instructional	\$ 1,709,809	\$ -	\$ 298,942	\$ -	\$ (1,410,867)	\$ (907,888)
Supporting Services	1,389,429	350	39,611	48,417	(1,301,051)	(1,064,490)
Interest on Long-Term Debt	3,107	-	-	-	(3,107)	(12,170)
Total Governmental Activities	<u>\$ 3,102,345</u>	<u>\$ 350</u>	<u>\$ 338,553</u>	<u>\$ 48,417</u>	(2,715,025)	(1,984,548)
GENERAL REVENUES						
					2,442,664	2,033,685
					129	281
					13,954	16,918
					<u>2,456,747</u>	<u>2,050,884</u>
TOTAL GENERAL REVENUES						
CHANGE IN NET POSITION					(258,278)	66,336
NET POSITION, Beginning					<u>(2,121,173)</u>	<u>(2,187,509)</u>
NET POSITION, Ending					<u>\$ (2,379,451)</u>	<u>\$ (2,121,173)</u>

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

EARLY COLLEGE HIGH SCHOOL AT ARVADA

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2016

	GENERAL FUND	BUILDING CORPORATION	TOTAL GOVERNMENTAL FUNDS	
			2016	2015
<b>ASSETS</b>				
Cash and Investments	\$ 236,330	\$ 1,097	\$ 237,427	\$ 303,647
Accounts Receivable	101,422	-	101,422	33,101
Deposits	2,000	-	2,000	16,000
<b>TOTAL ASSETS</b>	<b>\$ 339,752</b>	<b>\$ 1,097</b>	<b>\$ 340,849</b>	<b>\$ 352,748</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 45,016	\$ -	\$ 45,016	\$ 27,161
Accrued Salaries	157,571	-	157,571	107,312
<b>TOTAL LIABILITIES</b>	<b>202,587</b>	<b>-</b>	<b>202,587</b>	<b>134,473</b>
<b>FUND BALANCES</b>				
Nonspendable	2,000	-	2,000	16,000
Restricted for Emergencies	85,521	-	85,521	67,393
Restricted for Debt Service	-	-	-	-
Unassigned	49,644	1,097	50,741	134,882
<b>TOTAL FUND BALANCES</b>	<b>137,165</b>	<b>1,097</b>	<b>138,262</b>	<b>218,275</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 339,752</b>	<b>\$ 1,097</b>		

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.	224,173	182,247
Long-term liabilities and related assets are not due and payable in the current period and, therefore, are not reported in the funds. This is the loan payable.	(55,846)	(193,398)
Long-term liabilities and related assets are not due and payable in the current period and, therefore, are not reported in the funds. This liability includes net pension liability of (\$3,642,781), deferred outflows relates to pension of \$1,008,372, and deferred inflows related to pensions of (\$51,631).	(2,686,040)	(2,328,297)
<b>Net Position of governmental activities</b>	<b>\$ (2,379,451)</b>	<b>\$ (2,121,173)</b>

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

## EARLY COLLEGE HIGH SCHOOL AT ARVADA

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

	GENERAL FUND	BUILDING CORPORATION	TOTAL GOVERNMENTAL FUNDS	
			2016	2015
REVENUES				
Local Sources	\$ 2,468,676	\$ 28,327	\$ 2,497,003	\$ 2,087,409
State Sources	238,176	-	238,176	104,367
Federal Sources	137,215	-	137,215	116,824
<b>TOTAL REVENUES</b>	<b>2,844,067</b>	<b>28,327</b>	<b>2,872,394</b>	<b>2,308,600</b>
EXPENDITURES				
Current				
Instruction	1,382,977	-	1,382,977	974,077
Supporting Services	1,314,128	519	1,314,647	1,018,891
Capital Outlay	114,124	-	114,124	77,800
Debt Service				
Principal	30,000	107,552	137,552	124,342
Interest	-	3,107	3,107	12,170
<b>TOTAL EXPENDITURES</b>	<b>2,841,229</b>	<b>111,178</b>	<b>2,952,407</b>	<b>2,207,280</b>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,838	(82,851)	(80,013)	101,320
OTHER FINANCING SOURCES (USES)				
Transfers In	-	82,844	82,844	117,557
Transfers Out	(82,844)	-	(82,844)	(117,557)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(82,844)</b>	<b>82,844</b>	<b>-</b>	<b>-</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>(80,006)</b>	<b>(7)</b>	<b>(80,013)</b>	<b>101,320</b>
FUND BALANCES, Beginning	217,171	1,104	218,275	116,955
FUND BALANCES, Ending	\$ 137,165	\$ 1,097	\$ 138,262	\$ 218,275

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

EARLY COLLEGE HIGH SCHOOL AT ARVADA

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

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

Net change in fund balances - total governmental funds	\$ (80,013)
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount capital outlay \$110,566 exceeded depreciation expense (\$68,640), in the current year.	41,926
Repayment of long-term principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of the principal payment for the year.	137,552
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>(357,743)</u>
Change in net position of governmental activities	<u><u>\$ (258,278)</u></u>

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

EARLY COLLEGE HIGH SCHOOL AT ARVADA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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

Early College High School at Arvada (the “School”) was formed pursuant to the Colorado Charter Schools Act to form and operate a charter school under the guidance of the Charter School Institute. The accounting policies of the School conform to generally accepted accounting principles as applicable to governmental units. Following is a summary of the more significant policies.

**Reporting Entity**

The financial reporting entity consists of the School and organizations for which the School is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the School. In addition, any legally separate organizations for which the School is financially accountable are considered part of the reporting entity. Financial accountability exists if the School appoints a voting majority of the organization’s governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on the School.

The Early College High School at Arvada Building Corporation (the “Building Corporation”) is considered to be financially accountable to the School. The purpose of the Building Corporation is to provide a mechanism to issue and pay debt on behalf of the School. The Building Corporation is considered to be part of the School for financial reporting purposes because its resources are entirely for the direct benefit of the School. The Building Corporation is blended into the School’s financial statements as a debt service fund. Separate financial statements are not available for this entity.

**Government-Wide and Fund Financial Statements**

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

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

EARLY COLLEGE HIGH SCHOOL AT ARVADA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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

**Government-Wide and Fund Financial Statements** (Continued)

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

Intergovernmental revenues, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the School.

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

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

EARLY COLLEGE HIGH SCHOOL AT ARVADA

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)

The School reports the following major governmental funds:

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

*Building Corporation* – This fund is used to account for the activities of the Building Corporation.

**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**

*Prepaid Expenses* – Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses. An expenditure is reported in the year in which the services are consumed.

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

EARLY COLLEGE HIGH SCHOOL AT ARVADA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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

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

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: Leasehold improvements over 7 years.

*Long-term Debt* – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are recognized in the current period. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond 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 fund financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted. Investment in capital assets is intended to reflect the portion of net position which is associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost. Restricted net position is liquid assets, which have third party limitations on their use. Unrestricted net position represents assets that do not have any third party limitations on their use.

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

- Nonspendable – amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact. The School reports its deposits and prepaid amounts as nonspendable.

EARLY COLLEGE HIGH SCHOOL AT ARVADA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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

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

- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The School has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The School did not have any committed resources as of June 30, 2016.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The School would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned fund balances.

**Compensated Absences**

The School's policy allows employees to accumulate Paid Time Off (PTO) during the year. Upon termination of employment, no payment is made to the employee for accrued but unpaid PTO, therefore no liability has been recorded in the government-wide financial statements.

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

EARLY COLLEGE HIGH SCHOOL AT ARVADA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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

**Comparative Data**

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

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

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

**Budgets and Budgetary Accounting**

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

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

Accountability – The Building Corporation has a deficit fund balance of \$27,230 which is expected to be eliminated with future revenues.

**NOTE 3: CASH AND INVESTMENTS**

**Deposits**

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations.

EARLY COLLEGE HIGH SCHOOL AT ARVADA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

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

At June 30, 2016, State regulatory commissioners have indicated that one of the financial institutions holding deposits for the School is an eligible public depository. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The School also had deposits with a credit union which is not an eligible public depository. This may be a violation of State statute. The School has no policy regarding custodial credit risk for deposits.

At June 30, 2016, the School had deposits with financial institutions with a carrying amount of \$237,427. The bank balances with the financial institutions were \$212,053. All of these balances were covered by federal depository insurance.

**Investments**

Interest Rate Risk

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

Credit Risk

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

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

The School does not have any investments as of June 30, 2016.

EARLY COLLEGE HIGH SCHOOL AT ARVADA

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>				
Leasehold Improvements	\$ 684,586	\$ 28,327	\$ -	\$ 712,923
Machinery and Equipment	<u>-</u>	<u>82,239</u>	<u>-</u>	<u>82,239</u>
Total Capital Assets	<u>684,596</u>	<u>110,566</u>	<u>-</u>	<u>795,162</u>
Accumulated Depreciation				
Leasehold Improvements	502,349	62,766	-	565,115
Machinery and Equipment	<u>-</u>	<u>5,874</u>	<u>-</u>	<u>5,874</u>
Total Accumulated Depreciation	<u>502,349</u>	<u>68,640</u>	<u>-</u>	<u>570,989</u>
Net Capital Assets	<u>\$ 182,247</u>	<u>\$ (41,926)</u>	<u>\$ -</u>	<u>\$ 224,173</u>

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

**NOTE 5: ACCRUED SALARIES AND BENEFITS**

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from August to July, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, as of June 30, 2016, were \$157,571. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements of the General Fund.

EARLY COLLEGE HIGH SCHOOL AT ARVADA

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

**NOTE 6: LONG-TERM DEBT**

Following is a summary of the School'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>
Loan – Great Western	\$ 163,398	\$ -	\$ 107,552	\$ 55,846	\$ 55,846
Loan – CSI	<u>30,000</u>	<u>-</u>	<u>30,000</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 137,552</u>	<u>\$ -</u>	<u>\$ 137,552</u>	<u>\$ 55,846</u>	<u>\$ 55,846</u>

**Loan Payable – Great Western**

In May 2013, the School refinanced the loan payable to Tatonka with a loan from Great Western Bank in the amount of \$368,500. This loan carries an interest rate of 3.0% per year. The School is required to make monthly principal and interest payments in the amount of \$9,253 through November 2016.

**Loan Payable – Charter School Institute**

In April 2014, the School obtained a loan from the Charter School Institute in the amount of \$50,000. The loan carries no interest and is due twenty months after the disbursement of funds.

**Line of Credit**

In March 2010 the School opened a line of credit with a bank in the amount of \$48,000. The line of credit carries an interest rate of the prime rate plus 2%. As of June 30, 2016 the prime rate was 3.25%. No amounts were drawn on the line of credit as of June 30, 2016.

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ <u>55,846</u>	\$ <u>502</u>	\$ <u>56,348</u>
Total	<u>\$ 55,846</u>	<u>\$ 502</u>	<u>\$ 56,348</u>

EARLY COLLEGE HIGH SCHOOL AT ARVADA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

**NOTE 7: DEFINED BENEFIT PENSION PLAN**

**Summary of Significant Accounting Policies**

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

**General Information about the Pension Plan**

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

EARLY COLLEGE HIGH SCHOOL AT ARVADA

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:

EARLY COLLEGE HIGH SCHOOL AT ARVADA

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 \$233,485 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 \$3,642,781 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.

EARLY COLLEGE HIGH SCHOOL AT ARVADA

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 .02382%, which was an increase of .00187% from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016 the School recognized pension expense of \$591,228. 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	\$ 48,103	\$ 152
Changes in assumptions or other inputs	N/A	\$ 51,479
Net difference between projected and actual earnings on pension plan investments	\$ 309,738	N/A
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$ 525,532	N/A
Contributions subsequent to the measurement date	\$ 124,999	N/A
Total	\$ 1,008,372	\$ 51,631

EARLY COLLEGE HIGH SCHOOL AT ARVADA

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)

\$124,999 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	\$ 321,182
2018	\$ 321,209
2019	\$ 125,834
2020	\$ 63,517

*Actuarial assumptions.* The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions and other inputs:

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

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

EARLY COLLEGE HIGH SCHOOL AT ARVADA

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.

EARLY COLLEGE HIGH SCHOOL AT ARVADA

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%.

EARLY COLLEGE HIGH SCHOOL AT ARVADA

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.

EARLY COLLEGE HIGH SCHOOL AT ARVADA

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	\$4,722,107	\$3,642,781	\$2,744,981

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

EARLY COLLEGE HIGH SCHOOL AT ARVADA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

**NOTE 7: DEFINED BENEFIT PENSION PLAN** (Continued)

**Other Post-Employment Benefits** (Continued)

*Funding Policy* – The School is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the School are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2016, 2015, and 2014, the School’s contributions to the HCTF were \$12,562, \$9,493 and \$8,572 respectively, equal to their required contributions for each year.

**NOTE 8: COMMITMENTS AND CONTINGENCIES**

**Operating Lease**

In July, 2008 the School entered into an operating lease for its building. Monthly lease payments ranging from \$8,333 to \$42,085 are due through June 2032.

In November 2014 the School entered into an operating lease for energy equipment. Monthly lease payments of \$912 are due through December 2020.

Future minimum lease payments are as follows:

Year Ended	
<u>June 30</u>	
2017	\$ 335,088
2018	344,808
2019	354,828
2020	359,676
2021	364,836
2022-2026	1,995,072
2027-2031	2,312,844
2032	<u>505,020</u>
Total	<b><u>\$ 6,572,172</u></b>

Total rent expense for the year ended June 30, 2016 for this lease was \$362,724.

EARLY COLLEGE HIGH SCHOOL AT ARVADA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

**NOTE 8:** **COMMITMENTS AND CONTINGENCIES** (Continued)

**Claims and Judgments**

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

**Tabor Amendment**

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The School believes it has complied with the Amendment. As required by the Amendment, the School has established a reserve for emergencies. At June 30, 2016, the reserve of \$85,521 was recorded as a reservation of fund balance in the General Fund. The School has designated their deposits and prepaids as assets to cover this reserve.

**NOTE 9:** **INTERFUND TRANSFERS**

The General Fund transferred \$82,844 to the Building Corporation for rent payments.

**NOTE 10:** **DEFICIT NET POSITION**

The Net Position of the government type activities is in a deficit position of \$2,379,451 due to the School including the Net Pension Liability per GASB No. 68

**REQUIRED SUPPLEMENTARY INFORMATION**

EARLY COLLEGE HIGH SCHOOL AT ARVADA

GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
Year Ended June 30, 2016

	2016			VARIANCE	2015
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Positive (Negative)	ACTUAL
<b>REVENUES</b>					
Local Sources					
Per Pupil Revenue	\$ 1,805,806	\$ 2,400,000	\$ 2,442,664	\$ 42,664	\$ 2,033,685
Tuition and Fees	19,990	15,000	350	(14,650)	9,592
Contributions			11,579	11,579	26,933
Interest	123	90	129	39	281
Other	32,421	13,421	13,954	533	16,918
State Sources					
Grants and Donations	94,990	198,738	238,176	39,438	104,367
Federal Sources					
Grants and Donations	48,626	125,996	137,215	11,219	116,824
<b>TOTAL REVENUES</b>	<b>2,001,956</b>	<b>2,753,245</b>	<b>2,844,067</b>	<b>90,822</b>	<b>2,308,600</b>
<b>EXPENDITURES</b>					
Salaries	893,689	1,330,557	1,328,615	1,942	999,785
Employee Benefits	245,674	405,046	411,148	(6,102)	278,162
Purchased Services	676,891	912,716	819,115	93,601	586,766
Supplies and Materials	103,614	112,765	127,980	(15,215)	123,894
Property	77,517	76,500	114,124	(37,624)	77,800
Other	2,214	34,276	10,247	24,029	4,255
Debt Service					
Principal	-	-	30,000	(30,000)	20,000
<b>TOTAL EXPENDITURES</b>	<b>1,999,599</b>	<b>2,871,860</b>	<b>2,841,229</b>	<b>30,631</b>	<b>2,090,662</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>					
	<b>2,357</b>	<b>(118,615)</b>	<b>2,838</b>	<b>121,453</b>	<b>217,938</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Debt Proceeds	50,000	-	-	-	-
Transfers In	225	2,000	-	(2,000)	-
Transfers Out	-	(2,000)	(82,844)	(80,844)	(117,557)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>50,225</b>	<b>-</b>	<b>(82,844)</b>	<b>(82,844)</b>	<b>(117,557)</b>
<b>NET CHANGE IN FUND BALANCES</b>					
	<b>52,582</b>	<b>(118,615)</b>	<b>(80,006)</b>	<b>38,609</b>	<b>100,381</b>
FUND BALANCE, Beginning	123,010	217,171	217,171	-	116,790
FUND BALANCE, Ending	<b>\$ 175,592</b>	<b>\$ 98,556</b>	<b>\$ 137,165</b>	<b>\$ 38,609</b>	<b>\$ 217,171</b>

See the accompanying independent auditors' report.

EARLY COLLEGE HIGH SCHOOL AT ARVADA

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE  
SCHOOL DISTRICT TRUST FUND

Years Ended December 31,

	<u>2013</u>	<u>2014</u>	<u>2015</u>
School's proportionate share of the Net Pension Liability	0.018%	0.022%	0.024%
School's proportionate share of the Net Pension Liability	\$ 2,291,293	\$ 2,974,591	\$ 3,642,781
School's covered-employee payroll	\$ 724,182	\$ 914,575	\$ 1,028,981
School's proportionate share of the Net Pension Liability as a percentage of its covered-employee payroll	316.4%	325.2%	354.0%
Plan fiduciary net position as a percentage of the total pension liability	64.1%	62.8%	59.2%

See the accompanying independent auditors' report.

EARLY COLLEGE HIGH SCHOOL AT ARVADA  
 SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS  
 SCHOOL DISTRICT TRUST FUND

Years Ended June 30,

	2014	2015	2016
Statutorily required contributions	\$ 142,957	\$ 168,129	\$ 233,485
Contributions in relation to the Statutorily required contributions	142,957	168,129	233,485
Contribution deficiency (excess)	\$ -	\$ -	\$ -
School's covered-employee payroll	\$ 840,426	\$ 930,694	\$ 1,231,521
Contributions as a percentage of covered-employee payroll	17.01%	18.06%	18.96%

See the accompanying independent auditors' report.