

**EXPEDITIONARY LEARNING SCHOOL
BOARD OF COOPERATIVE EDUCATIONAL
SERVICES D/B/A ROCKY MOUNTAIN SCHOOL
OF EXPEDITIONARY LEARNING**

FINANCIAL STATEMENTS

JUNE 30, 2016

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING
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YEAR ENDED JUNE 30, 2016**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Expeditionary Learning School Board of
Cooperative Educational Services d/b/a
Rocky Mountain School of Expeditionary Learning
Denver, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Expeditionary Learning School Board of Cooperative Educational Services d/b/a Rocky Mountain School of Expeditionary Learning (the School), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the entity'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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 the major fund of the School as of June 30, 2016, and the respective changes in financial position 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, budgetary comparison for the General Fund, and pension information on pages III-VII and 25-28 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The Auditor's Integrity Report is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Auditor's Integrity Report is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Auditor's Integrity Report is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



CliftonLarsonAllen LLP

Greenwood Village, Colorado
February 22, 2017

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

The discussion and analysis of the Rocky Mountain School of Expeditionary Learning's (the School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2016. The intent of this discussion and analysis is to look at the School's financial performance as a whole. Readers should also review the financial statements and the accompanying footnotes in order to broaden their understanding of the School's financial performance. Certain comparative information between the current year and the prior year is required to be presented in the Management's Discussion and Analysis.

Financial Highlights

- Due the effect of GASB No. 68, *Accounting and Financial Reporting for Pensions*, the School has a negative net position. The School's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by (\$3,568,759) (net position).
- The School has unrestricted net position of (\$4,199,547).
- In comparison to the previous year, the School's net position increased by \$38,640 or 1.07%.

Overview of the Financial Statements

Management's discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The basic financial statements, presented on pages 1-23 are comprised of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. This report also contains other required supplementary information and supplementary information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader of the School's basic financial statements a broad overview of the financial activities in a manner similar to a private sector business. The government-wide financial statements include the statement of net position and the statement of activities.

The statement of net position presents information about all of the School's assets, liabilities and deferred outflows and inflows of resources. The difference between assets, liabilities and deferred outflows and inflows of resources is reported as net position. Over time, changes in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The statement of activities presents information showing how the net position of the School changed during the current fiscal year. Changes in net position are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flow may be recorded in a future period.

The government-wide financial statements consolidate governmental activities that are supported from taxes and intergovernmental revenues. Governmental activities consolidate governmental funds including the general fund. The government-wide financial statements can be found on pages 1-2.

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

Fund Financial Statements

Fund financial statements are designed to demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for special objectives. The School uses governmental funds to account for its activity.

Governmental funds account for essentially the same information reported in the governmental activities of the government-wide financial statements. However, unlike the government-wide statements, the governmental fund financial statements focus on near-term financial resources and fund balances. Such information may be useful in evaluating financing requirements in the near term.

Since the governmental funds and the governmental activities report information using the same functions, it is useful to compare the information presented. Because the focus of each report differs, reconciliations are provided on the fund financial statements to assist the reader in comparing the near-term requirements with the long-term needs.

All of the School's activities are reported in a single governmental fund, the general fund, which focuses on how money flows into and out of that fund and the balance left at year-end available for spending in future periods.

The School adopts an annual budget for the governmental fund. A budgetary comparison schedule for the general fund is included in the required supplementary information.

The governmental fund financial statements can be found on pages 3-6 of this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes can be found on pages 7-23 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information concerning the School's budgetary comparisons. Required supplementary information can be found on pages 24-28 of this report.

Government-wide Financial Analysis

Government-wide Net Position

The assets of the School are classified as current assets and capital assets. Cash and investments, receivables, prepaid expenses, other assets, and inventories are current assets. These assets are available to provide resources for the near-term operations of the School.

Capital assets are used in the operations of the School. These assets represent the modular building, leasehold improvements, minibuses, HVAC installation, and furniture, fixtures and equipment of the School. The increase in capital assets during the current year relates to the completion of the east schoolyard, resurfacing of all blacktops, installation of sinks, countertops and shelving in classrooms as well as renovation of the Community Room stage.

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

Current and noncurrent liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued salaries and benefits and unearned revenue. The liquidation of current liabilities is anticipated to be either from current available resources, current assets, or new resources that become available during fiscal year 2017. The increase in current liabilities is related to an increase in accrued salaries and benefits.

The School has no long-term liabilities such as long-term debt obligations. However, the School's proportionate share of the collective pension liability per GASB No. 68 is reflected as a long-term liability.

The current assets of the primary government activities exceed current liabilities by \$1,448,248 with unrestricted net position of (\$4,199,547). The School has an investment in capital assets of \$538,314. The School's overall net position increased by \$38,640 during this fiscal year.

Condensed Statements of Net Position

	June 30,	
	2016	2015
Assets:		
Current	\$ 1,733,001	\$ 1,507,283
Capital Assets, Net of Depreciation	538,314	508,671
Total Assets	2,271,315	2,015,954
Deferred Outflow of Resources:		
Deferred Pension Outflows of Resources	758,288	273,976
Liabilities:		
Current	284,753	265,048
Long-term	6,040,112	5,478,315
Total Liabilities	6,324,865	5,743,363
Deferred Inflow of Resources:		
Deferred Pension Inflows of Resources	273,497	153,966
Net Position		
Net Investment in Capital Assets	538,314	508,671
Restricted	92,474	53,334
Unrestricted	(4,199,547)	(4,169,404)
Total Net Position	\$ (3,568,759)	\$ (3,607,399)

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

Government-wide Activities

All of the School's programs and services are reported as governmental activities including instruction, support services, operations and facility maintenance. Government activities increased the net position of the School by \$38,640. The details of this increase are shown in the following schedule:

Condensed Statements of Activities

	Year Ended June 30,	
	2016	2015
Revenues:		
Program Revenue:		
Charges for Service	\$ 434,954	\$ 428,913
Operating Grants and Contributions	169,790	131,386
General Revenue:		
Per Pupil Funding	2,942,592	2,814,152
Other	235,562	223,220
Total Revenue	3,782,898	3,597,671
Expenses:		
Governmental Activities:		
Instructional	2,634,462	2,473,134
Support Services	780,171	763,193
Building	329,625	292,206
Total Expenses	3,744,258	3,528,533
Change in Net Position	38,640	69,138
Net position - Beginning of year	(3,607,399)	(3,676,537)
Net position - End of year	\$ (3,568,759)	\$ (3,607,399)

The key element of the increase in net position for governmental activities is due to the increase in per pupil funding.

Financial Analysis of the School's Governmental Funds

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

All of the School's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School's general government operations and the basic services it provides. Governmental fund information helps determine where there are more or fewer financial resources that can be spent in the near future to finance educational programs. Such information is useful in assessing the School's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the School's one governmental fund, the general fund, reported an ending fund balance of \$1,445,418.

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED JUNE 30, 2016**

Unassigned fund balance for the School at the end of the fiscal year was \$987,849.

The School is not subject to the requirements of TABOR; however, the Board has specified that the School must maintain a non-appropriated reserve fund balance equal to 15% of the general fund ending fund balance or a 10% general reserve of \$445,000 and a 5% contingency fund of \$223,000 of the general fund ending fund balance to be used in the event of an emergency. The School's net position is invested in U.S. Bank and CSAFE, a governmental investment pool.

The general fund is the chief operating fund of the School. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Actual expenditures of the general fund amounted to \$3,576,884. Unassigned general fund balance represents 28% percent of expenditures while total general fund balance represents 40% percent of expenditures.

General Fund Budgetary Highlights

The fund balance for the general fund increased by \$208,360, resulting in an ending fund balance of \$1,445,418. While the actual expenditures were less than the adopted budgeted expenditures by \$281,733, the actual revenue was greater than budgeted revenue by \$68,128 resulting in a net positive variance of \$349,861 for the year. The positive variance is due to an increase in fee income, facility use rental income and fundraising revenue compared to budget and a reduction in support services, supplies and materials and administrative expenses compared to budget.

Economic Factors and Next Year's Budgets and Rates

The economic outlook for the 2016-2017 school year is expected to remain consistent with an anticipated minimal funding decrease and increased employee insurance and PERA benefits. The School has planned for decreases in other expense line items to maintain current reserves.

- The year ending June 30, 2016 is the 23rd year of operations for the Rocky Mountain School of Expeditionary Learning.
- The School opened at its location at 1700 South Holly Street in November 2000. The School has a 440 student capacity (including the two modular units). We anticipate an enrollment of 390 students for the 2016-2017 school year.
- For 2016-2017, the School will be receiving \$7,626.05 per pupil (FTE basis), which is a decrease of 0.0965% over the 2015-2016 funding of \$7,633.42 per pupil.
- The operations of the School are funded primarily by tax revenue received under the State Finance Act by Denver Public Schools. Per pupil revenue for the year ended June 30, 2016 was \$2,942,592 as compared to \$2,814,152 for the year ended June 30, 2015.

Requests for Information

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

Rocky Mountain School of Expeditionary Learning
Julie L. Stelzer
1700 South Holly Street
Denver, CO 80222

BASIC FINANCIAL STATEMENTS

ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING
STATEMENT OF NET POSITION
JUNE 30, 2016

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES

ASSETS

Cash and Investments	\$	1,580,802
Accounts Receivable		9,894
Inventory		3,379
Other Assets		4,980
Prepaid Expenses		133,946
Capital Assets Net of Accumulated Depreciation:		
Computer Equipment		24,728
Modular Building		42,705
Leasehold Improvements		408,634
Vehicles		62,247
Total Assets		2,271,315

DEFERRED OUTFLOWS OF RESOURCES

Deferred Pension Outflows of Resources		758,288
Total Deferred Outflows of Resources		758,288

**LIABILITIES, DEFERRED INFLOWS OF
RESOURCES AND NET POSITION**

LIABILITIES

Accounts Payable		53,043
Accrued Salaries and Benefits		158,579
Unearned Revenue		73,131
Net Pension Liability		6,040,112
Total Liabilities		6,324,865

DEFERRED INFLOWS OF RESOURCES

Deferred Pension Inflows of Resources		273,497
Total Deferred Inflows of Resources		273,497

NET POSITION

Investment in Capital Assets		538,314
Restricted for:		
Fund Raising Projects		92,474
Unrestricted		(4,199,547)
Total Net Position		\$ (3,568,759)

See accompanying Notes to Financial Statements.

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
FUNCTIONS/PROGRAMS					
Governmental Activities:					
Instructional	\$ 2,634,462	\$ 386,190	\$ 169,790	\$ -	\$ (2,078,482)
Support Services	780,171	39,266	-	-	(740,905)
Building	329,625	9,498	-	-	(320,127)
Total Governmental Activities	\$ 3,744,258	\$ 434,954	\$ 169,790	\$ -	(3,139,514)
General Revenues:					
Per Pupil Revenue					2,942,592
State BOCES Funding					227,097
Net Investment Earnings					2,013
Miscellaneous					6,452
Total					3,178,154
Change in Net Position					38,640
Net Position - Beginning of Year					(3,607,399)
Net Position - End of Year					\$ (3,568,759)

See accompanying Notes to Financial Statements.

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING
BALANCE SHEET – GOVERNMENTAL FUND
JUNE 30, 2016**

	General
ASSETS	
Cash and Investments	\$ 1,580,802
Accounts Receivable	9,894
Inventory	3,379
Other Assets	4,980
Prepaid Expenditures	133,946
Total Assets	\$ 1,733,001
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ 53,043
Accrued Salaries and Benefits	158,579
Unearned Revenue	73,131
Total Liabilities	284,753
DEFERRED INFLOW OF RESOURCES	
Unavailable Revenue - Pledges Receivable	2,830
Total Deferred Inflow of Resources	2,830
FUND BALANCE	
Nonspendable	137,325
Restricted for:	
Fund Raising Projects	92,474
Assigned for:	
Fieldwork Fees	126,634
Budget Carryover - Strategic Plan	50,000
Budget Carryover - Construction and Renovation	50,000
Athletic Program	1,136
Unassigned	987,849
Total Fund Balance	1,445,418
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 1,733,001

See accompanying Notes to Financial Statements.

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING
RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2016**

Total Fund Balance - Governmental Fund		\$ 1,445,418
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		538,314
Revenue unearned in the fund because it is not available to pay for current period expenditures is earned in the government-wide statements.		2,830
Long-term liabilities are not due and payable in the current period, and therefore, are not reported in the governmental funds.		
Net Pension Liability		(6,040,112)
Deferred pension outflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Difference in Experience	79,760	
Difference in Investment Earnings	515,748	
Contributions Subsequent to Measurement Date	162,780	758,288
Deferred pension inflows of resources used in governmental activities are not financials resources and, therefore, are not reported in the governmental funds.		
Change in Proportionate Share	(187,882)	
Difference in Experience	(258)	
Change in Assumptions	(85,357)	(273,497)
Net position of governmental activities		\$ (3,568,759)

See accompanying Notes to Financial Statements.

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2016**

	General
REVENUES	
Per Pupil Operating Revenue	\$ 2,942,592
State BOCES Funding	227,097
Fee Income	386,190
Grant Revenue	6,500
Fundraising	
School Based	33,473
Parent Based	132,163
After School Program	39,266
Facility Use Rental	9,498
Net Investment Earnings	2,013
Miscellaneous	6,452
Total Revenue	3,785,244
EXPENDITURES	
Instructional	
Payroll and Benefits	1,791,676
Fieldwork	234,426
Professional Development	43,581
Special Education Fees	188,250
Other	107,462
Support Services	
Payroll and Benefits	471,496
Administrative	99,089
Vehicle Expense	20,283
Technology	41,247
Fundraising Costs	50,562
After School Program	46,405
Financial Aid	10,050
Building	
Lease	150,000
Facility Maintenance	179,625
Capital Expenditures	142,732
Total Expenditures	3,576,884
NET CHANGE IN FUND BALANCE	208,360
Fund Balance - Beginning of Year	1,237,058
FUND BALANCE - END OF YEAR	\$ 1,445,418

See accompanying Notes to Financial Statements.

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING
RECONCILIATION OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUND TO THE
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016**

Net changes in fund balance - Total governmental fund		\$	208,360
<p>Amounts reported for governmental activities in the statement of activities are statement of activities different because:</p>			
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>			
Capital Outlay	142,732		
Depreciation Expense	<u>(113,089)</u>		29,643
<p>Revenues in the funds that were recognized when pledged in the statement of activities.</p>			
Pledged Contributions From Capital Campaign			(2,346)
<p>Some items reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. The (increases) decreases in these activities consist of:</p>			
Pension Expense	(510,067)		
Employer Contribution Expense	<u>313,050</u>		<u>(197,017)</u>
Governmental Activities Change in Net Position		<u>\$</u>	<u>38,640</u>

See accompanying Notes to Financial Statements.

ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 DEFINITION OF REPORTING ENTITY

Financial Reporting Entity

Expeditionary Learning School Board of Cooperative Educational Services, d/b/a Rocky Mountain School of Expeditionary Learning (the School), was organized on July 1, 1993 and is governed pursuant to provisions of the Board of Cooperative Services Act. The School is located in Denver, Colorado and was established to improve and expand educational services in the member districts through the opening and operation of a K-12 expeditionary learning school that will draw students from all of the member districts and that will represent a cross-district collaboration among member districts. The member districts are: Cherry Creek School District No. 5 (Cherry Creek Schools), School District No. 1 in the City and County of Denver (Denver Public Schools), Douglas County School District RE-1 (Douglas County Schools), Arapahoe County District No. 6 (Littleton Public Schools), and Adams-Arapahoe 28-J School District (Aurora Public Schools).

The School follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic, but not the only, criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The School is not financially accountable for any other organization, nor is the School a component unit of any other primary governmental entity.

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles applicable to governmental units. A summary of the School's significant accounting policies consistently applied in the preparation of these financial statements follows:

Government-wide and Fund Financial Statements

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the School. Governmental activities are normally supported by intergovernmental per pupil revenues.

The statement of net position reports all financial and capital resources of the School with the difference between the assets, liabilities, and deferred outflows and inflows of resources of the School being reported as net position.

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

ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Program revenues include 1) charges to customers or applicants 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.

Per pupil revenue and other items not properly included among program revenues are reported instead as general revenues.

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

The School reports the following major governmental fund:

The General Fund is the School's primary operating fund. It accounts for all financial resources of the general government.

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 revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemption of bonds and notes are recorded as a reduction in liabilities.

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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible for accrual are per pupil intergovernmental revenue, contributions and fieldwork fees. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation paid. All other revenue items are considered to be measurable and available only when cash is received by the School.

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

Investments

Investments are reported at fair value.

Inventories

Inventories are stated at the lower of cost using the first-in, first-out method or market. Inventory consists primarily of grocery store gift cards used for fund raising purposes. The cost is recorded as an expenditure/expense at the time the individual inventory items are sold rather than when purchased.

ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include leasehold improvements, vehicles and equipment, are reported by the School. Capital assets are defined by the School as assets with an initial, individual cost of more than \$5,000. 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.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Computer Equipment	5 years
Furnishings and Equipment	5 years
Vehicles	5 to 10 years
Modular building	14 years
Leasehold Improvements	Lesser of 20 years or life of remaining building lease

Net Position

In the government-wide financial statements, net position is restricted when constraints placed on the net position are externally imposed.

Fund Balance

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

- **Nonspendable** – This classification includes amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. The School classified the fund balance related to inventory and prepaid items as nonspendable.
- **Restricted** – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Restricted balances relate to donor contributions accumulated for specific annual fund raising projects.

ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

- **Committed** – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Governing Board.

These amounts cannot be used for any other purpose unless the Governing Board removes or changes the specified use by taking the same type of action (i.e. 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.

- **Assigned** – This classification includes amounts that are subject to a purpose constraint that represents an intended use, but does not meet the criteria to be classified as restricted or committed. The purpose of this assignment must be narrower than the purpose of the General Fund. The School has assigned \$126,634 of unspent fieldwork fees for future trips, \$50,000 for implementation of the strategic plan, \$50,000 for construction and renovation, and \$1,136 for athletic programs as of June 30, 2016.
- **Unassigned** – This classification includes the residual fund balance for the General Fund.

When both restricted and unrestricted resources are available, the School would typically use restricted fund balances first, followed by committed then assigned, then unassigned.

The Board of Directors has specified that the School must maintain a non-appropriated reserve fund balance equal to 15% of the general fund ending fund balance or a 10% general reserve of \$445,000 and a 5% contingency fund of \$223,000 of the general fund ending fund balance to be used in the event of an emergency.

Pledges Receivable/Unearned Revenue

The School has received numerous contributions for the Capital Campaign that began during 2005. Several of these contributions were received in the form of pledges to be paid over time, recorded at their net realizable value. As of June 30, 2016, \$2,830 of these pledges receivable were not available as defined by the modified accrual basis of accounting and were, therefore, reported as a deferred inflow of resources.

Deferred inflows and outflows of resources

Deferred outflows of resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. See Note 7 for deferred pension outflows of resources.

Deferred inflows of resources - In addition to liabilities, the School's financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. See Note 7 for the deferred pension inflows of resources.

ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Current Year GASB Statement Implementation

For the year ended June 30, 2016, the School adopted the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*, which is effective for financial statement periods beginning after June 15, 2015. GASB Statement No. 72 requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The School's fair value measurements have not changed as a result of the implementation.

NOTE 3 CASH DEPOSITS AND INVESTMENTS

Cash Deposits

The School's deposits are governed by Colorado statute. 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 regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At June 30, 2016, cash deposits consisted of the following:

Cash deposits	<u>\$ 1,080,075</u>
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Investments

Credit Risk

The School has not adopted a formal investment policy; however, the School follows State statutes regarding investments.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest, which include:

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

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 3 CASH DEPOSITS AND INVESTMENTS (CONTINUED)

The local government investment pool used by the School is the Colorado Surplus Asset Fund Trust (CSAFE) and is rated AAAM by Standard & Poor's.

Interest Rate Risk

Colorado revised statutes generally limit investment maturities to five years or less unless formally approved by the Board of Directors. Revenue bonds of U.S. local governments, corporate and bank securities and guaranteed investment contracts not purchased with bond proceeds are limited to maturities of three years or less.

As of June 30, 2016, the School had the following investments:

<u>Investments</u>	<u>Maturity</u>	<u>Fair Value</u>
Local Government Investment Pool (CSAFE)	Less than 1 Year	<u>\$ 500,727</u>

CSAFE

At June 30, 2016, the School had invested in the Colorado Surplus Asset Fund Trust (CSAFE), which is an investment vehicle established by State statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing CSAFE. CSAFE is similar to a money market fund, with each share value at \$1.00.

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

Cash Deposits	\$ 1,080,075
Investments	<u>500,727</u>
	<u>\$ 1,580,802</u>

The School categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The School's investment in CSAFE as of June 30, 2016 is measured at net asset value and is therefore not categorized in a level of the fair value hierarchy.

ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 4 CAPITAL ASSETS

A summary of changes in capital assets is as follows:

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Assets				
Computer Equipment	\$ 80,177	\$ -	\$ -	\$ 80,177
Furniture and Equipment	24,840	-	-	24,840
Modular Building	105,930	-	-	105,930
Leasehold Improvements	469,920	142,732	-	612,652
Vehicles	368,202	-	-	368,202
Total Capital Assets	<u>1,049,069</u>	<u>142,732</u>	<u>-</u>	<u>1,191,801</u>
Accumulated Depreciation:				
Computer Equipment	(44,606)	(10,843)	-	(55,449)
Furniture and Equipment	(24,840)	-	-	(24,840)
Modular Building	(55,659)	(7,566)	-	(63,225)
Leasehold Improvements	(139,092)	(64,926)	-	(204,018)
Vehicles	(276,201)	(29,754)	-	(305,955)
Total Accumulated Depreciation	<u>(540,398)</u>	<u>(113,089)</u>	<u>-</u>	<u>(653,487)</u>
Total Assets	<u>\$ 508,671</u>	<u>\$ 29,643</u>	<u>\$ -</u>	<u>\$ 538,314</u>

All depreciation expense is charged to the Instructional function/program.

NOTE 5 ACCRUED SALARIES AND BENEFITS

Salaries of employees of the School are paid monthly in the month subsequent to the month earned. The salaries and benefits earned, but unpaid, at June 30, 2016 are \$158,579. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements of the General Fund.

NOTE 6 OPERATING LEASE

The School leases operating facilities (land and building) from Denver Public Schools under a twenty-two year lease, which expires October 31, 2022. The lease requires semi-annual payments of \$75,000 (\$150,000 annually), payable on the first day of November and May each year. During the year ended June 30, 2016, the School paid Denver Public Schools \$150,000. Due to the timing of the School's required semiannual payments, \$50,000 of the above described lease payment was considered by the School to be prepaid rent as of June 30, 2016.

Total operating facilities rental expense for the year ended June 30, 2016 amounted to \$150,000.

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 6 OPERATING LEASE (CONTINUED)

The future minimum lease payments for the lease is as follows:

Year ended June 30,

2017	\$	150,000
2018		150,000
2019		150,000
2020		150,000
2021		150,000
2022		150,000
	<u>\$</u>	<u>900,000</u>

NOTE 7 DEFINED BENEFIT PENSION PLAN

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/deletions 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 are set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado state law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided: PERA provides retirement, disability, and survivor benefits. Retirements are determined by the amount of service credit earned and/or purchases, highest average salary, the benefit structure 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% and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100% 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.

ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit.
- \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

In all cases, the service retirement benefit is limited to 100% 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% or 100% on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether five 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, 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%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% or the average 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% or the average CPI-W for the prior calendar year, not to exceed 10% of PERA's Annual Increase Reserve (AIR) 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.

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016**

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contributions: Eligible employees of 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% of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	For the Year Ended December 31, 2015	For the Year Ended December 31, 2016
Employer Contribution Rate ¹	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) ¹	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF ¹	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	4.20%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	4.00%	4.50%
Total Employer Contribution Rate to the SCHDTF ¹	17.33%	18.13%

¹ 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 for the School for the year ended June 30, 2016 were \$313,050.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2016, the School reported a liability of \$6,040,112 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.

At December 31, 2015, the School's proportion was 0.0394925832%, which was a decrease of 0.0009277649% from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the School recognized pension expense of \$510,067. At June 30, 2016, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 79,760	\$ 258
Changes of Assumptions or Other Inputs	-	85,357
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	515,748	-
Changes in Proportion and Differences Between Contributions Recognized and Proportionate Share of Contributions	-	187,882
Contributions Subsequent to the Measurement Date	162,780	-
Total	<u>\$ 758,288</u>	<u>\$ 273,497</u>

\$162,780 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:

<u>Year ended June 30,</u>	
2017	\$ 43,122
2018	60,229
2019	113,345
2020	105,315
	<u>\$ 322,011</u>

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

Actuarial Cost Method	Entry Age
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 January 1, 2007; and DPS Benefit Structure (Automatic)	2.00%
PERA Benefit Structure Hired After December 31, 2006 (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 one year, and females set back two years.

ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7 DEFINED BENEFIT PENSION PLAN (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.

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:

ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 Government/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	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%. 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 project of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.90%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AE 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.

ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

- 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 to 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 the 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.

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 one percentage-point lower (6.50%) or one percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate Share of the Net Pension Liability	\$ 7,829,750	\$ 6,040,112	\$ 4,551,467

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.

ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 8 POSTEMPLOYMENT HEALTHCARE BENEFITS

Health Care Trust Fund

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

Funding Policy: The School is required to contribute at a rate of 1.02% 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 ended June 30, 2016, June 30, 2015 and June 30, 2014 the School's contributions to the HCTF were \$18,003, \$17,318 and \$16,745, respectively, equal to the required contribution for the year.

NOTE 9 TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations, which apply to the State of Colorado and all local governments.

The School does not believe itself to be subject to the requirements of TABOR as the School has been established by intergovernmental agreement by Cherry Creek Schools, Denver Public Schools, Douglas County Schools, Littleton Public Schools and Aurora Public Schools and it receives no direct tax dollars and has no power to tax. TABOR is applied to the school districts, which have formed the School. The School receives an allocation of per pupil funding from Denver Public Schools for each pupil admitted to the School from the sponsoring districts. TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of what organizations may be subject to TABOR may require judicial interpretation.

ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 10 RISK MANAGEMENT

The School is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; and natural disasters.

The School is a member of the Colorado School Districts Self-Insurance Pool (Colorado Pool), which was established by the Colorado Association of School Boards. The Colorado Pool is a public entity risk pool currently operating as a common risk management and insurance program.

The School pays an annual premium to the Colorado Pool for its property, casualty and liability insurance coverage. In the event aggregated losses incurred by the Colorado Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Colorado Pool, the Colorado Pool may require additional contributions from the Colorado Pool members. Any excess funds which the Colorado Pool determines are not needed for purposes of the Colorado Pool may be returned to the members pursuant to a distribution formula.

The Colorado Pool retains liability losses up to \$750,000 per occurrence and purchases insurance coverage of up to \$9,250,000 per occurrence in excess of the Colorado Pool's definition depending on the type of liability loss. The Colorado Pool property insurance policy provides limits up to \$1,000,000,000 per occurrence subject to the Colorado Pool's retention of \$5,000,000 per occurrence. Flood and earthquake coverage provided by the Colorado Pool has annual aggregate limits of \$100,000,000.

The School continues to carry commercial insurance coverage for other risks of loss including workers compensation and employee health and accident insurance. Settled claims have not exceeded any coverage in any of the past three fiscal years.

NOTE 11 INTERGOVERNMENTAL AGREEMENT

Effective July 1, 2012 through June 30, 2017, the School entered into an agreement with the member districts for the operation of an expeditionary learning school. According to the agreement, student admissions are up to the following for each district, not to exceed 400: Denver Public Schools - 200 FTE; Cherry Creek Schools - 110 FTE; Douglas County Schools - 50 FTE; Littleton Public Schools - 40 FTE; and Aurora Public Schools - 40 FTE. In the event a district does not fill its allocation, students from another district shall be eligible for admission with the concurrence of their district of residence.

Funding for the School is provided in the amount of one hundred percent (100%) of member Denver Public Schools' per-pupil revenue (PPR) for each pupil admitted to the School, up to a maximum of 400 students.

Denver Public Schools makes distributions to the School on or about July 15 (25%), October 15 (25%), and on or before January 15 (50%) less any adjustments or rescissions from the Colorado Department of Education.

REQUIRED SUPPLEMENTARY INFORMATION

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE – BUDGET TO ACTUAL – GENERAL FUND
YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Per Pupil Operating Revenue	\$ 2,896,883	\$ 2,945,622	\$ 2,942,592	\$ (3,030)
State BOCES Funding	219,148	227,097	227,097	-
Fee Income	325,420	331,329	386,190	54,861
Grant Revenue	-	6,500	6,500	-
School Based Fundraising	12,675	20,553	33,473	12,920
Parent Based Fundraising	131,750	131,750	132,163	413
After School Program	45,000	39,015	39,266	251
Facility Use Rental	7,500	9,000	9,498	498
Net Investment Earnings	500	1,950	2,013	63
Miscellaneous	2,000	4,300	6,452	2,152
Total Revenues	<u>3,640,876</u>	<u>3,717,116</u>	<u>3,785,244</u>	<u>68,128</u>
EXPENDITURES				
Payroll and Benefits:				
Instructional	1,771,996	1,781,188	1,791,676	(10,488)
Support Services	554,234	548,533	471,496	77,037
Fieldwork	206,569	212,181	234,426	(22,245)
Professional Development	61,200	61,200	43,581	17,619
Special Education Fees	165,464	188,250	188,250	-
Supplies and Materials	268,955	248,612	107,462	141,150
Administrative	167,134	234,701	99,089	135,612
Vehicle Expense	24,220	24,220	20,283	3,937
Technology	42,084	42,379	41,247	1,132
Fundraising Costs	46,820	45,903	50,562	(4,659)
After School Program	37,600	35,250	46,405	(11,155)
Financial Aid	10,050	10,050	10,050	-
Building Lease	150,000	150,000	150,000	-
Facility Maintenance	133,050	155,050	148,243	6,807
Capital Expenditures	23,000	121,100	142,732	(21,632)
Other	-	-	31,382	(31,382)
Total Expenditures	<u>3,662,376</u>	<u>3,858,617</u>	<u>3,576,884</u>	<u>281,733</u>
NET CHANGES IN FUND BALANCES	<u>\$ (21,500)</u>	<u>\$ (141,501)</u>	208,360	<u>\$ 349,861</u>
Fund Balance - Beginning of Year			<u>1,237,058</u>	
FUND BALANCE - END OF YEAR			<u>\$ 1,445,418</u>	

ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING
NOTES REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2016

NOTE 1 BASIS OF ACCOUNTING

The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP) using the modified accrual basis of accounting.

NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are required by State statutes for all funds. The School adheres to the following procedures in establishing the budgetary data reflected in the financial statements.

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

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING
SCHEDULES OF THE SCHOOL'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS**

	<u>2015</u>	<u>2014</u>	<u>2013</u>
School's Proportion (Percentage) of the Collective Net Pension Liability (Asset)	0.0394925832%	0.0404203481%	0.0420701317%
School's Proportionate Share of the Collective Pension Liability (Asset)	\$ 6,040,112	\$ 5,478,315	\$ 5,366,034
Covered Employee Payroll	1,721,078	1,693,323	1,695,981
School's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Employee Payroll	350.95%	323.52%	316.40%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	59.16%	62.80%	64.06%

* The amounts presented for each fiscal year were determined as of December 31 based on the measurement date of the Plan. Information earlier than 2013 was not available.

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING
SCHEDULE OF CONTRIBUTIONS AND RELATED RATIOS
LAST 10 FISCAL YEARS**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Statutorily Required Contributions	\$ 313,050	\$ 286,644	\$ 270,031	\$ 258,749	\$ 229,647	\$ 196,337	\$ 180,142	\$ 168,825	\$ 144,276	\$ 124,769
Contributions in Relation to the Statutorily Required Contribution	<u>313,050</u>	<u>286,644</u>	<u>270,031</u>	<u>258,749</u>	<u>229,647</u>	<u>196,337</u>	<u>180,142</u>	<u>168,825</u>	<u>144,276</u>	<u>124,769</u>
Contribution Deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Employee Payroll	1,764,956	1,697,858	1,689,544	1,715,966	1,511,020	1,378,017	1,450,858	1,461,400	1,353,256	1,243,835
Contribution as a Percentage of Covered Employee Payroll	17.74%	16.88%	15.98%	15.08%	15.20%	14.25%	12.42%	11.55%	10.66%	10.03%

* The amounts presented for each fiscal year were determined as of June 30

SUPPLEMENTARY INFORMATION



Colorado Department of Education
Auditors Integrity Report
 District: 9130 - EXPEDITIONARY BOCES
 Fiscal Year 2015-16
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001-0999 Total Expenditures & Other Uses	6700-6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental	+		-	=
10 General Fund	1,237,058	3,785,244	3,576,886	1,445,416
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
Sub- Total	1,237,058	3,785,244	3,576,886	1,445,416
11 Charter School Fund	0	0	0	0
20,26-29 Special Revenue Fund	0	0	0	0
21 Food Service Spec Revenue Fund	0	0	0	0
22 Govt Designated-Purpose Grants Fund	0	0	0	0
23 Pupil Activity Special Revenue Fund	0	0	0	0
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	0	0	0	0
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
41 Building Fund	0	0	0	0
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	0	0	0	0
Totals	0	0	0	0
Proprietary				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
Totals	0	0	0	0
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	0	0	0	0
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	0	0	0	0

FINAL

*If you have a prior period adjustment in any fund (Balance Sheet 6880), the amount of your priorperiod adjustment is added into both your ending and beginning fund balances on this report.