

CESAR CHAVEZ ACADEMY DENVER
Denver, Colorado

FINANCIAL STATEMENTS

June 30, 2017



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CESAR CHAVEZ ACADEMY DENVER
Denver, Colorado

June 30, 2017

BOARD OF DIRECTORS

Marlene Chavez, President

Matthew Herzog, Treasurer

Allegra Matus

Laura Hickey

SCHOOL ADMINISTRATION

Mary Ann Mahoney, Principal

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Board of Directors
Cesar Chavez Academy Denver
Denver, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Cesar Chavez Academy Denver, component unit of Denver School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Cesar Chavez Academy Denver, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Cesar Chavez Academy Denver as of June 30, 2017, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters (Required Supplementary Information)

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

Ernst & Young LLP

September 19, 2017

Cesar Chavez Academy Denver
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2017

As management of Cesar Chavez Academy Denver (CCAD or the School), we offer readers of Cesar Chavez Academy Denver's basic financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2017. 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, 2017 is the eighth year of operations for CCAD. As of June 30, 2017, net position increased by \$192,149 to \$(319,754). Cesar Chavez Academy Denver's governmental fund reported an ending fund balance of \$1,955,265, an increase of \$393,446 from the prior year.

The operations of the School are funded primarily by tax revenue received under the Colorado School Finance Act in Per Pupil Revenue (PPR). Tax revenue for the year from PPR was \$2,530,478.

Overview of Financial Statements

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

Government-Wide Financial Statements

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

The statement of net position presents information on all of the School's assets and liabilities, and deferred inflows and outflows, with the difference 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 is improving or deteriorating.

The statement of activities presents information showing how 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 the School supported primarily by Per Pupil Revenue or other revenues passed through from the School's authorizer (Denver Public Schools). The governmental activities of CCAD include instruction and supporting services.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School keeps track of these monies to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

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

The School maintains one governmental fund, and adopts an annually appropriated budget for the fund. A budgetary comparison schedule is included to demonstrate that spending did not exceed the budget.

Proprietary Funds

The School also maintains a proprietary fund to record the activity of the CCA Denver Building Corporation (the "Corporation"). The Corporation was organized for the purpose of acquiring, leasing, constructing, improving, equipping and financing various facilities, land, equipment, and other improvements in connection with property intended to be leased to the School.

Notes to the 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 the School's financial position. For the fiscal year ended June 30, 2017, CCAD's combined net position was \$(319,754). This position includes a net pension liability in the amount of \$2,305,759, representing the School's proportionate share of the Denver Public Schools Division pension liability, administered by the Public Employees' Retirement Association of Colorado (PERA). The School reports this net pension liability, and associated deferred inflows and outflows of resources, as required by GASB (Governmental Accounting Standards Board) 68. More information regarding the net pension liability may be found in the notes to the financial statements.

Of the School's total net position, \$(1,081,157) is invested in capital assets net of related debt, and \$103,000 is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment.

Cesar Chavez Academy Denver's Net Position

	2016-2017	2015-2016
ASSETS		
Cash	\$ 1,818,047	\$ 1,586,371
Restricted Cash and Investments	1,066,127	1,037,853
Accounts Receivable	36,150	-
Grants Receivable	134,614	26,126
Prepaid Expenses	3,953	-
Capital Assets, Not Being Depreciated	1,750,000	1,750,000
Capital Assets, Net of Accumulated Depreciation	<u>3,473,843</u>	<u>3,566,277</u>
TOTAL ASSETS	<u>8,282,734</u>	<u>7,966,627</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pensions, Net of Accumulated Amortization	<u>776,429</u>	<u>557,293</u>
LIABILITIES		
Accounts Payable	193	12,734
Accrued Liabilities	37,306	37,944
Accrued Interest Payable	217,351	220,256
Noncurrent Liabilities		
Due Within One Year	80,000	75,000
Due in More Than One Year	6,225,000	6,305,000
Net Pension Liability	<u>2,305,759</u>	<u>1,955,044</u>
TOTAL LIABILITIES	<u>8,865,609</u>	<u>8,605,978</u>
DEFERRED INFLOWS OF RESOURCES		
Pensions, Net of Accumulated Amortization	<u>513,308</u>	<u>429,845</u>
NET POSITION		
Net Investment in Capital Assets	(1,081,157)	(1,063,723)
Restricted for Debt Service	848,776	817,597
Restricted for Emergencies	103,000	108,000
Unrestricted	<u>(190,373)</u>	<u>(373,777)</u>
TOTAL NET POSITION	<u><u>\$ (319,754)</u></u>	<u><u>\$ (511,903)</u></u>

Cesar Chavez Academy Denver's Change in Net Position

	2016-2017	2015-2016
REVENUES		
Per Pupil Revenue	\$ 2,530,478	\$ 2,807,975
Additional At-Risk Funding	3,506	4,090
District Mill Levy	527,339	377,924
Capital Construction	90,433	94,608
Charges for Services	87,290	101,074
Operating Grants and Contributions	353,550	400,500
Capital Grants and Contributions	36,000	11,450
Investment Income	1,179	227
Other	34,592	629
TOTAL REVENUE	3,664,367	3,798,477
EXPENSES		
Instruction	1,801,252	1,978,810
Support Services	1,161,266	1,292,875
Building Corporation	509,700	515,512
TOTAL EXPENSES	3,472,218	3,787,197
CHANGE IN NET POSITION	192,149	11,280
NET POSITION, Beginning	(511,903)	(523,183)
NET POSITION, Ending	\$ (319,754)	\$ (511,903)

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the School's General Fund reported an ending fund balance of \$1,955,265, an increase of \$393,446 from the prior year. The School had a large contingency in place in its final budget for the year and did not spend the majority of it. That helped increase the fund balance for the School.

As of the end of the current fiscal year, the Corporation reported an ending fund balance of \$(256,224), an increase of \$31,179 from the prior year. This is mostly related to the additional \$25,000 donated to the Corporation from the School for required reserves.

General Fund Budgetary Highlights

CCAD recognized \$84,906 more revenue than expected and spent \$984,458 less than planned, when compared to the final budget. There was one budget amendment made during the year, which reflected changes in revenues and expenditures. Revenue was increased to account for more students than originally budgeted and an increase in mill levy override funding (approximately \$900 per student) as a result of Denver's successful November 2016 ballot measure. Expenses were also increased as a result of the additional mill levy override funding and a contingency, intended to mitigate the impacts of changing demographics and student mobility in Denver, was added.

Capital Assets & Long-Term Debt

The School has invested in capital assets for equipment in support of the School's educational program, School land, and the School's educational facility. More information regarding capital assets may be found in Note 4 to the financial statements. Depreciation expenses for capital assets are booked under the Supporting program of the School's operations.

The School has long-term debt in the form of 2013 Charter School Refunding Revenue Bonds used to refund existing debt on the School's facilities, allowing the Corporation to purchase the facilities. More information regarding long-term debt may be found in Note 5 to the financial statements.

Economic Factors and Next Year's Budget

The primary factor driving the budget for Cesar Chavez Academy Denver is student enrollment. Enrollment for the 2016-2017 school year was 325.70 funded students. Enrollment projected for 2017-2018 is 282.92 funded students. This factor was considered when preparing CCAD's budget for 2017-2018.

Requests for Information

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

Cesar Chavez Academy Denver
3752 Tennyson Street
Denver, CO 80212

BASIC FINANCIAL STATEMENTS

CESAR CHAVEZ ACADEMY DENVER

STATEMENT OF NET POSITION

June 30, 2017

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash	\$ 1,818,047	\$ -	\$ 1,818,047
Restricted Cash and Investments	-	1,066,127	1,066,127
Accounts Receivable	36,150	-	36,150
Grants Receivable	134,614	-	134,614
Prepaid Expenses	3,953	-	3,953
Capital Assets, Not Being Depreciated	-	1,750,000	1,750,000
Capital Assets, Net of Accumulated Depreciation	23,843	3,450,000	3,473,843
TOTAL ASSETS	2,016,607	6,266,127	8,282,734
DEFERRED OUTFLOWS OF RESOURCES			
Pensions, Net of Accumulated Amortization	776,429	-	776,429
LIABILITIES			
Accounts Payable	193	-	193
Accrued Liabilities	37,306	-	37,306
Accrued Interest Payable	-	217,351	217,351
Noncurrent Liabilities			
Due Within One Year	-	80,000	80,000
Due in More Than One Year	-	6,225,000	6,225,000
Net Pension Liability	2,305,759	-	2,305,759
TOTAL LIABILITIES	2,343,258	6,522,351	8,865,609
DEFERRED INFLOWS OF RESOURCES			
Pensions, Net of Accumulated Amortization	513,308	-	513,308
NET POSITION			
Net Investment in Capital Assets	23,843	(1,105,000)	(1,081,157)
Restricted for Debt Service	-	848,776	848,776
Restricted for Emergencies	103,000	-	103,000
Unrestricted	(190,373)	-	(190,373)
TOTAL NET POSITION	\$ (63,530)	\$ (256,224)	\$ (319,754)

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

CESAR CHAVEZ ACADEMY DENVER

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT				
Governmental Activities				
Instruction	\$ 1,801,252	\$ 53,960	\$ 292,097	\$ 36,000
Supporting Services	1,161,266	33,330	61,453	-
Total Governmental Activities	2,962,518	87,290	353,550	36,000
Business-Type Activities				
Building Corporation	509,700	-	-	-
TOTAL PRIMARY GOVERNMENT	<u>\$ 3,472,218</u>	<u>\$ 87,290</u>	<u>\$ 353,550</u>	<u>\$ 36,000</u>

GENERAL REVENUES

Per Pupil Revenue
 Additional At-Risk Funding
 District Mill Levy
 Capital Construction
 Investment Income
 Other

TRANSFERS

TOTAL GENERAL REVENUES AND TRANSFERS

CHANGE IN NET POSITION

NET POSITION, Beginning

NET POSITION, Ending

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

NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION

<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
\$ (1,419,195)	\$ -	\$ (1,419,195)
<u>(1,066,483)</u>	<u>-</u>	<u>(1,066,483)</u>
<u>(2,485,678)</u>	<u>-</u>	<u>(2,485,678)</u>
<u>-</u>	<u>(509,700)</u>	<u>(509,700)</u>
<u>(2,485,678)</u>	<u>(509,700)</u>	<u>(2,995,378)</u>
2,530,478	-	2,530,478
3,506	-	3,506
527,339	-	527,339
90,433	-	90,433
-	1,179	1,179
34,592	-	34,592
<u>(539,700)</u>	<u>539,700</u>	<u>-</u>
<u>2,646,648</u>	<u>540,879</u>	<u>3,187,527</u>
160,970	31,179	192,149
<u>(224,500)</u>	<u>(287,403)</u>	<u>(511,903)</u>
<u>\$ (63,530)</u>	<u>\$ (256,224)</u>	<u>\$ (319,754)</u>

CESAR CHAVEZ ACADEMY DENVER

BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2017

	GENERAL
ASSETS	
Cash	\$ 1,818,047
Accounts Receivable	36,150
Grants Receivable	134,614
Prepaid Expenditures	3,953
TOTAL ASSETS	\$ 1,992,764
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ 193
Accrued Liabilities	37,306
TOTAL LIABILITIES	37,499
FUND BALANCE	
Nonspendable Prepaid Expenditures	3,953
Restricted for Emergencies	103,000
Unrestricted, Unassigned	1,848,312
TOTAL FUND BALANCE	1,955,265
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,992,764
 Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Total Fund Balance of the Governmental Fund	\$ 1,955,265
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	23,843
Long-term liabilities and related items, including net pension liability (\$2,305,759), pension-related deferred outflows of resources \$776,429, and pension-related deferred inflows of resources (\$513,308), are not due and payable in the current year and, therefore, are not reported in governmental funds.	(2,042,638)
Total Net Position of Governmental Activities	\$ (63,530)

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

CESAR CHAVEZ ACADEMY DENVER

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
Year Ended June 30, 2017

	GENERAL
REVENUES	
Local Sources	\$ 3,296,817
State Sources	167,566
Federal Sources	198,805
	3,663,188
 TOTAL REVENUES	 3,663,188
 EXPENDITURES	
Instruction	1,642,120
Supporting Services	1,602,622
	3,244,742
 TOTAL EXPENDITURES	 3,244,742
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 418,446
 OTHER FINANCING SOURCES (USES)	
Transfers Out	(25,000)
	(25,000)
 NET CHANGE IN FUND BALANCE	 393,446
 FUND BALANCE, Beginning	 1,561,819
 FUND BALANCE, Ending	 \$ 1,955,265
 Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Net Change in Fund Balance of the Governmental Fund	\$ 393,446
Capital outlays to purchase capital assets are reported in governmental funds as expenditures. However, in the statement of activities the cost of these assets is allocated over the estimated useful lives as annual depreciation expense. This amount represents depreciation expense in the current year.	(17,434)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount represents the change in the net pension liability (\$350,715), pension-related deferred outflows of resources \$219,136, and pension-related deferred inflows of resources (\$83,463) in the current year.	(215,042)
 Change in Net Position of Governmental Activities	 \$ 160,970

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

CESAR CHAVEZ ACADEMY DENVER

STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2017

	<u>BUILDING CORPORATION</u>
ASSETS	
CURRENT ASSETS	
Restricted Cash and Investments	<u>\$ 1,066,127</u>
NONCURRENT ASSETS	
Capital Assets, Not Being Depreciated	1,750,000
Capital Assets, Net of Accumulated Depreciation	<u>3,450,000</u>
TOTAL NONCURRENT ASSETS	<u>5,200,000</u>
TOTAL ASSETS	<u>6,266,127</u>
LIABILITIES	
CURRENT LIABILITIES	
Accrued Interest Payable	217,351
Loan Payable, Current Portion	<u>80,000</u>
TOTAL CURRENT LIABILITIES	297,351
NONCURRENT LIABILITIES	
Loan Payable	<u>6,225,000</u>
TOTAL LIABILITIES	<u>6,522,351</u>
NET POSITION	
Net Investment in Capital Assets	(1,105,000)
Restricted for Debt Service	<u>848,776</u>
TOTAL NET POSITION	<u><u>\$ (256,224)</u></u>

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

CESAR CHAVEZ ACADEMY DENVER

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUND
 Year Ended June 30, 2017

	<u>BUILDING CORPORATION</u>
OPERATING REVENUES	
Lease Revenue	<u>\$ 514,700</u>
OPERATING EXPENSES	
Depreciation	75,000
Debt Service	
Interest	<u>434,700</u>
TOTAL OPERATING EXPENSES	<u>509,700</u>
NET OPERATING INCOME	5,000
NONOPERATING REVENUES	
Investment Income	<u>1,179</u>
NET INCOME BEFORE TRANSFERS	6,179
Transfers In	<u>25,000</u>
CHANGE IN NET POSITION	31,179
NET POSITION, Beginning	<u>(287,403)</u>
NET POSITION, Ending	<u><u>\$ (256,224)</u></u>

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

CESAR CHAVEZ ACADEMY DENVER

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

Increase (Decrease) in Cash and Cash Equivalents

Year Ended June 30, 2017

	<u>BUILDING CORPORATION</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Lease Payments Received	\$ 514,700
Principal Paid	(75,000)
Interest Paid	<u>(437,605)</u>
Net Cash Provided (Used) by Operating Activities	<u>2,095</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments from Other Funds	<u>25,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income Received	<u>1,179</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	28,274
CASH AND CASH EQUIVALENTS, Beginning	<u>1,037,853</u>
CASH AND CASH EQUIVALENTS, Ending	<u><u>\$ 1,066,127</u></u>
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Net Operating Income	\$ 5,000
Adjustments to Reconcile Net Operating Income to Net Cash Provided (Used) by Operating Activities	
Depreciation	75,000
Changes in Assets and Liabilities	
Accrued Interest Payable	(2,905)
Loan Payable	<u>(75,000)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 2,095</u></u>

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Cesar Chavez Academy Denver (the “School”) began operations on July 1, 2009, as a charter school within the Denver School District (the “District”).

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

Reporting Entity

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

Based on the application of this criteria, the School includes the CCA Denver Building Corporation (the “Corporation”) within its reporting entity. The Corporation was organized and shall be operated exclusively for acquiring, leasing, constructing, improving, equipping and financing various facilities, land, equipment, and other improvements in connection with property intended to be leased to the School. The Corporation is blended into the School’s financial statements as an enterprise fund, and does not issue separate financial statements.

The School is a component unit of the District. The School’s charter was granted by the District and the majority of the School’s funding is provided by the District.

Government-wide and Fund Financial Statements

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Government-wide and Fund Financial Statements (Continued)**

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current year. Intergovernmental revenues, grants, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the School. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

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

The School reports the following major governmental fund:

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

The School reports the following major proprietary fund:

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position/Fund Balance

Cash and Investments - Cash equivalents include investments with original maturities of three months or less.

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

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

Capital Assets - Capital assets, which consist of land, buildings and equipment, are reported in the government-wide financial statements and the proprietary fund in the fund financial statements. Capital assets are defined as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value on the date of donation.

Depreciation of exhaustible capital assets is charged as an expense against operations in the statement of activities, and accumulated depreciation is reported in the statement of net position in the government-wide and proprietary fund financial statements. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	50 years
Equipment	3 - 10 years

Long-Term Debt - In the government-wide financial statements and the proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net position. Premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. In the fund financial statements, governmental funds recognize the face amount of debt issued as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses.

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Risk Management

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

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Accountability

At June 30, 2017, the Corporation had a negative net position of \$256,224. Management expects this negative balance to be eliminated as the Corporation's debt is paid.

NOTE 3: CASH AND INVESTMENTS

Cash and investments at June 30, 2017, consisted of the following.

Petty Cash	\$ 312
Deposits	1,817,735
Investments	<u>1,066,127</u>
Total	<u>\$ 2,884,174</u>

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

Cash	\$ 1,818,047
Restricted Cash and Investments	<u>1,066,127</u>
Total	<u>\$ 2,884,174</u>

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

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2017, the School had bank deposits of \$1,600,322 collateralized with securities held by the financial institution's agent but not in the School's name.

Investments

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

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

Fair Value Measurements - At June 30, 2017, the Corporation's investment in a money market fund was reported at the net asset value per share, measured using amortized cost.

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

Credit Risk - State statutes limit investments in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with the Securities and Exchange Commission's Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by one or more nationally recognized statistical rating organizations. At June 30, 2017, the Corporation had \$1,066,127 invested in a money market fund rated AAAM by Standard and Poor's.

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

Restricted Cash and Investments

At June 30, 2017, the Corporation had investments of \$1,066,127 restricted by its loan agreement for future debt service (See Note 5).

CESAR CHAVEZ ACADEMY DENVER

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 4: CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2017, are summarized below.

	<u>Balances</u> <u>6/30/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>6/30/17</u>
Governmental Activities				
Capital Assets, Being Depreciated				
Equipment	\$ 261,334	\$ -	\$ -	\$ 261,334
Accumulated Depreciation	<u>(220,057)</u>	<u>(17,434)</u>	<u>-</u>	<u>(237,491)</u>
Governmental Activities Capital Assets, Net	<u>\$ 41,277</u>	<u>\$ (17,434)</u>	<u>\$ -</u>	<u>\$ 23,843</u>
Business-Type Activities				
Capital Assets, Not Being Depreciated				
Land	<u>\$ 1,750,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,750,000</u>
Capital Assets, Being Depreciated				
Buildings	3,750,000	-	-	3,750,000
Accumulated Depreciation	<u>(225,000)</u>	<u>(75,000)</u>	<u>-</u>	<u>(300,000)</u>
Capital Assets, Being Depreciated, Net	<u>3,525,000</u>	<u>(75,000)</u>	<u>-</u>	<u>3,450,000</u>
Business-Type Activities Capital Assets, Net	<u>\$ 5,275,000</u>	<u>\$ (75,000)</u>	<u>\$ -</u>	<u>\$ 5,200,000</u>

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

NOTE 5: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended June 30, 2017:

	<u>Balances</u> <u>6/30/16</u>	<u>Additions</u>	<u>Payments</u>	<u>Balances</u> <u>6/30/17</u>	<u>Due Within</u> <u>One Year</u>
Business-Type Activities					
2013 Building Loan	<u>\$ 6,380,000</u>	<u>\$ -</u>	<u>\$ 75,000</u>	<u>\$ 6,305,000</u>	<u>\$ 80,000</u>

CESAR CHAVEZ ACADEMY DENVER

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 5: LONG-TERM DEBT (Continued)

On July 3, 2013, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$6,140,000 Charter School Refunding Revenue Bonds, Series 2013A, and \$310,000 Taxable Charter School Refunding Revenue Bonds, Series 2013B. Proceeds of the bonds were used to refund existing debt on the School's educational facilities, allowing the Corporation to purchase the facilities. The School is required to make monthly lease payments to the Corporation for using the facilities. The Corporation is required to make similar payments to the Trustee, for payment of the bonds. The bonds accrue interest at rates ranging from 6% to 7.75%. Interest payments are due semi-annually on January 1 and July 1, through July 1, 2043. Principal payments are due annually on July 1, from 2015 through 2043. Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 80,000	\$ 431,600	\$ 511,600
2019	85,000	425,206	510,206
2020	95,000	419,062	514,062
2021	100,000	413,212	513,212
2022	105,000	407,062	512,062
2023 - 2027	635,000	1,924,417	2,559,417
2028 - 2032	880,000	1,668,684	2,548,684
2033 - 2037	1,225,000	1,310,257	2,535,257
2038 - 2042	1,715,000	800,625	2,515,625
2043 - 2044	<u>1,385,000</u>	<u>116,025</u>	<u>1,501,025</u>
Total	<u>\$ 6,305,000</u>	<u>\$ 7,916,150</u>	<u>\$ 14,221,150</u>

NOTE 6: INTERFUND TRANSACTIONS

During the year ended June 30, 2017, the School deposited \$25,000 into the liquidity reserve fund which is held by the Corporation, as required by the CECFA loan agreement (See Note 5).

NOTE 7: DEFINED BENEFIT PENSION PLAN

General Information

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

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

Benefits Provided - The DPSD provides retirement, disability, and survivor benefits to plan participants or their beneficiaries. Retirement benefits are determined by the amount of service credit earned or purchased, highest average salary, the benefit structure in place, the benefit option selected at retirement, and age at retirement. The retirement benefit is the greater of the a) highest average salary multiplied by 2.5% and then multiplied by years of service credit, or b) \$15 times the first ten years of service credit plus \$20 times the service credit over ten years, plus a monthly amount equal to the annuitized participant contribution account balance based on life expectancy and other actuarial factors. In no case can the benefit amount exceed the highest average salary or the amount allowed by applicable federal regulations.

Retirees may elect to withdraw their contributions upon termination of employment, and may be eligible to receive a matching amount if five years of service credit is earned and certain other criteria is met. Retirees who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs) as established by State statutes. Retirees who began employment before January 1, 2007, receive an annual increase of 2%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% or the average consumer price index for the prior calendar year. Retirees that began employment after January 1, 2007, receive an annual increase of the lesser of 2% or the average consumer price index for the prior calendar year, with certain limitations.

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

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

Contributions - The School and eligible employees are required to contribute to the DPSD at rates established by Title 24, Article 51, Part 4 of the CRS. These contribution requirements are established and may be amended by the State Legislature. The contribution rate for employees is 8% of covered salaries. The School's contribution rate for calendar years 2016 and 2017 was 19.15% and 19.65% of covered salaries, respectively. However, the State Legislature allowed the School to offset its contribution rates by an amount equal to the obligations of the District with respect to its outstanding PCOPs (See Note 8). As a result, the School's contribution rates for calendar years 2016 and 2017 were 3.61% and 5.09% of covered salaries, respectively. In addition, a portion of the School's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 9). The School's contributions to the DPSD for the year ended June 30, 2017, were \$58,631, equal to the required contributions. Employer contributions are recognized by the DPSD when the related compensation is payable to the employees.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

At June 30, 2017, the School reported a net pension liability of \$2,305,759, representing its proportionate share of the net pension liability of the DPSD. The net pension liability was measured at December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016.

The School's proportion of the net pension liability was based on the School's contributions to the DPSD for the calendar year ended December 31, 2016, relative to the contributions of all participating employers. At December 31, 2016, the School's proportion was 0.2104808996%, which was a decrease of 0.0298337490% from its proportion measured at December 31, 2015.

For the year ended June 30, 2017, the School recognized pension expense of \$261,147. At June 30, 2017, 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>
Differences between expected and actual experience	\$ 66,079	\$ 4,878
Changes of assumptions and other inputs	339,357	164,265
Net difference between projected and actual earnings on plan investments	343,094	-
Changes in proportion	-	344,165
Contributions subsequent to the measurement date	<u>27,899</u>	<u>-</u>
Total	<u>\$ 776,429</u>	<u>\$ 513,308</u>

School contributions subsequent to the measurement date of \$27,899 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,

2018	\$ 73,605
2019	73,605
2020	60,659
2021	<u>27,353</u>
Total	<u>\$ 235,222</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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)**

Actuarial Assumptions - The actuarial valuation as of December 31, 2015, determined the total pension liability using the following actuarial assumptions and other inputs. On November 18, 2016, PERA's governing board adopted revised economic and demographic assumptions, which were effective on December 31, 2016, and which were reflected in the roll-forward calculation of the total pension liability from December 31, 2015, to December 31, 2016, as follows:

	<u>Assumptions</u>	<u>Revised Assumptions</u>
Price inflation	2.8%	2.4%
Real wage growth	1.1%	1.1%
Wage inflation	3.9%	3.5%
Salary increases, including wage inflation	3.9% - 10.1%	3.5% - 9.7%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.5%	7.25%
Discount rate	7.5%	7.25%
Future post-retirement benefit increases:		
Hired prior to 1/1/07	2%	2%
Hired after 12/31/06	ad hoc	ad hoc

Mortality rates were based on the RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with males set back one year, and females set back two years. Active member mortality was adjusted to 55 percent of the base rate for males and 40 percent for females. For disabled retirees, the RP-2000 Disabled Retiree Mortality Table was used, set back two years.

The actuarial assumptions used in the December 31, 2015, valuation were based on the results of an actuarial experience study for the period January 1, 2008, through December 31, 2011, adopted by PERA's governing board on November 13, 2012, and an economic study adopted by PERA's governing board on November 15, 2013, and January 17, 2014.

As a result of a 2016 experience analysis, revised economic and demographic actuarial assumptions were adopted by PERA's governing board on November 18, 2016, to more closely reflect PERA's actual experience. The revised assumptions reflected in the roll-forward of the total pension liability included healthy mortality assumptions for active members using the RP-2014 White Collar Employee Mortality Table. The mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates. For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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 most recent analysis of the long-term expected rate of return was adopted by PERA's governing board on November 18, 2016, and included the target allocation and best estimates of geometric real rates of return for each major asset class, as follows:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity - Large Cap	21.20%	4.30%
U.S. Equity - Small Cap	7.42%	4.80%
Non U.S. Equity - Developed	18.55%	5.20%
Non U.S. Equity - Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income - Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100.00%	

Discount Rate - The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and the employer contributions will be made at the rates specified in State statutes, which currently require annual increases, to a total of 20.15% of covered salaries for the year ended December 31, 2018. When the actuarially determined funding ratio reaches 103 percent, the employer contribution rate will decrease 0.5% each year, to a minimum of 10.15%.

Based on those assumptions, the DPSD's fiduciary net position was projected to be available to make all projected future benefit payments to current participants. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate at the prior measurement date was 7.5%.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as the School's proportionate share of the net pension liability if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate, as follows:

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

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)

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Proportionate share of the net pension liability	<u>\$ 3,372,342</u>	<u>\$ 2,305,759</u>	<u>\$ 1,424,840</u>

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

NOTE 8: PENSION CERTIFICATES OF PARTICIPATION

Beginning in 2008, the District issued Taxable Pension Certificates of Participation (PCOPs) to fund the liabilities of the DPSD (See Note 7). For the year ended June 30, 2017, the School contributed 10.02% of covered salaries, or \$134,577, to the District to cover its obligation relating to the PCOPs.

NOTE 9: POSTEMPLOYMENT HEALTHCARE BENEFITS

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

Funding Policy - The School is required to contribute at a rate of 1.02% of covered salaries for all DPSD participants. No employee contributions are required. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The School's apportionment to the HCTF for the years ended June 30, 2017, 2016 and 2015 was \$13,699, \$15,410 and \$15,614, respectively, equal to the required amounts for each year.

NOTE 10: COMMITMENTS AND CONTINGENCIES

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The Amendment is subject to many interpretations, but the School believes it is in substantial compliance with the Amendment. In accordance with the Amendment, the School has established an emergency reserve representing 3% of qualifying expenditures. At June 30, 2017, the reserve was reported as restricted fund balance in the General Fund, in the amount of \$103,000.

NOTE 10: **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 revenues received from other governmental entities. Expenditures financed by these revenues are subject to audit by the appropriate government. If expenditures are disallowed due to noncompliance with program regulations, the School may be required to reimburse the other government. At June 30, 2017, significant amounts of related expenditures have not been audited but management believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

REQUIRED SUPPLEMENTARY INFORMATION

CESAR CHAVEZ ACADEMY DENVER

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AND CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO
DENVER PUBLIC SCHOOLS DIVISION TRUST FUND

June 30, 2017

	<u>12/31/16</u>	<u>12/31/15</u>	<u>12/31/14</u>	<u>12/31/13</u>
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY				
School's Proportion of the Net Pension Liability	0.2104808996%	0.2403146486%	0.2712181805%	0.2890733900%
School's Proportionate Share of the Net Pension Liability	\$ 2,305,759	\$ 1,955,044	\$ 1,693,947	\$ 1,503,482
School's Covered Payroll	\$ 1,390,781	\$ 1,504,813	\$ 1,598,421	\$ 1,576,533
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	166%	130%	106%	95%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	74%	79%	84%	86%
	<u>6/30/17</u>	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/14</u>
SCHOOL CONTRIBUTIONS				
Statutorily Required Contribution	\$ 44,932	\$ 28,394	\$ 36,240	\$ 62,176
Contributions in Relation to the Statutorily Required Contribution	<u>(44,932)</u>	<u>(28,394)</u>	<u>(36,240)</u>	<u>(62,176)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered Payroll	\$ 1,343,078	\$ 1,510,924	\$ 1,578,530	\$ 1,586,184
Contributions as a Percentage of Covered Payroll	3.35%	1.88%	2.30%	3.92%

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

See the accompanying Independent Auditors' Report.

CESAR CHAVEZ ACADEMY DENVER

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Per Pupil Revenue	\$ 2,428,798	\$ 2,530,388	\$ 2,530,478	\$ 90
District Mill Levy	324,235	559,961	527,339	(32,622)
Student Fees	26,248	25,048	29,975	4,927
Pupil Activities	20,000	22,500	23,985	1,485
Rental Income	28,800	28,800	33,330	4,530
Grants	-	-	81,118	81,118
Investment Income	100	100	-	(100)
Other	24,000	53,000	70,592	17,592
Total Local Sources	2,852,181	3,219,797	3,296,817	77,020
State Sources				
Additional At-Risk Funding	-	-	3,506	3,506
Capital Construction	76,893	79,819	90,433	10,614
Grants	92,964	114,333	73,627	(40,706)
Total State Sources	169,857	194,152	167,566	(26,586)
Federal Sources				
Grants	169,091	164,333	198,805	34,472
TOTAL REVENUES	3,191,129	3,578,282	3,663,188	84,906
EXPENDITURES				
Salaries	1,410,390	1,401,408	1,376,108	25,300
Employee Benefits	383,657	379,245	334,584	44,661
Purchased Services	1,268,994	1,434,962	1,313,257	121,705
Supplies and Materials	211,427	231,024	173,595	57,429
Property	23,000	23,000	42,467	(19,467)
Other	19,302	58,643	4,731	53,912
Contingency	389,188	700,918	-	700,918
TOTAL EXPENDITURES	3,705,958	4,229,200	3,244,742	984,458
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(514,829)	(650,918)	418,446	1,069,364
OTHER FINANCING SOURCES (USES)				
Transfers Out	(50,000)	(50,000)	(25,000)	25,000
NET CHANGE IN FUND BALANCE	(564,829)	(700,918)	393,446	1,094,364
FUND BALANCE, Beginning	1,261,093	1,596,411	1,561,819	(34,592)
FUND BALANCE, Ending	\$ 696,264	\$ 895,493	\$ 1,955,265	\$ 1,059,772

See the accompanying Independent Auditors' Report.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2017

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

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

Changes in Assumptions and Other Inputs

For the year ended June 30, 2017, the total pension liability was determined by an actuarial valuation as of December 31, 2015. In addition, the following revised economic and demographic assumptions were effective as of December 31, 2016, and were reflected in the roll-forward procedures to determine the total pension liability at December 31, 2016.

- Investment rate of return assumption decreased from 7.5% per year, compounded annually, net of investment expenses, to 7.25%.
- Price inflation assumption decreased from 2.8% per year to 2.4%.
- Real rate of investment return assumption increased from 4.7% per year, net of investment expenses, to 4.85%.
- Wage inflation assumption decreased from 3.9% per year to 3.5%.
- Healthy and disabled mortality assumptions are based on the RP-2014 Mortality Tables, updated from the RP-2000 Mortality Tables.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

Management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1, for their approval. The budget includes proposed expenditures and the means of financing them.

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 Directors.

All appropriations lapse at fiscal year end.