

HIGHLINE ACADEMY NETWORK

BASIC FINANCIAL STATEMENTS

June 30, 2017

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FINANCIAL SECTION



JOHN CUTLER & ASSOCIATES

Board of Directors
Highline Academy Network
Denver, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of Highline Academy Network (the "Network"), component unit of the Denver Public 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 Network, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Highline Academy Network as of June 30, 2017, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, schedule of the school's proportionate share, and schedule of the school's contributions on pages 29-31 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Academy's financial statements. The combining and individual fund financial schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the 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 combining and individual fund schedules are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

John Cutler & Associates, LLC

October 30, 2017

Highline Academy Network Management's Discussion and Analysis

As management of Highline Academy Network (the Network), we offer readers of Highline Academy Network's financial statements our narrative overview and analysis of the financial activities of the Network for the fiscal year ended June 30, 2017.

Financial Highlights

The year ended June 30, 2017 is the first year of operations for the schools operating as a Network. The Southeast campus completed its thirteenth year and the Northeast campus completed its third year since opening. As of June 30, 2017, net position decreased by \$(377,396) to \$(2,599,188). This negative balance is the result of the implementation of regulations under the Governmental Accounting Standards Board Statement (GASB) Number 68. Further information about GASB 68 is provided in Note 6 of the financial statements.

The operations of the Network are funded primarily by tax revenue received under the Colorado School Finance Act in Per Pupil Revenue from the Network's two schools: the Northeast Campus and the Southeast Campus. Such revenue for the year was \$5,840,768. At the close of the fiscal year, Highline Academy Network's governmental funds reported a combined ending fund balance of \$2,940,765, an increase of \$632,169 from prior year. This increase is the result of closely monitoring spending throughout the year.

Overview of Financial Statements

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

Government-Wide Financial Statements

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

The statement of net position presents information on all of the Network's assets, liabilities, and deferred inflows and outflows, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Network is improving or deteriorating.

The statement of activities presents information showing how the Network's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows.

Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected grant expenses and earned but unpaid salary and benefits).

The government-wide statement of activities distinguishes functions/programs of the Network supported primarily by Per Pupil Revenue or other revenues passed through from the authorizer (Denver Public Schools). The governmental activities of the Network 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 Network, like other governmental units or schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The Network has three governmental funds which are reported together in combined statements. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Network's near-term financing requirements.

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

The Networks adopts annually appropriated budgets for all governmental funds. A budgetary comparison schedule for each governmental fund has been provided herein.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This information is provided in pages 6-28.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the Network's financial position. In the case of Highline Academy Network, liabilities exceeded assets resulting in a net position of \$(2,599,188) in FY 2016-2017. Again, this is directly related to the new pension liability reporting requirement under GASB 68. Of the Network's total net position, \$243,000 is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. Accordingly, these funds are not available to satisfy the Network's general operating expenses.

**Highline Academy Network's Net Position
Governmental Activities**

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
ASSETS		
Cash and Investments	\$ 2,057,799	\$ 1,394,798
Restricted Cash and Investments	935,722	930,550
Accounts Receivable	1,903	26,200
Prepaid Expenses	20,624	11,779
Due from Highline Academy - Southeast	-	15,848
Inventory	11,748	6,576
Capital Assets, Not Depreciated	2,300,000	2,300,000
Capital Assets, Net of Accum Depreciation	3,888,487	4,052,291
Total Assets	9,216,283	8,738,042
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	2,603,260	1,666,391
LIABILITIES		
Accounts Payable	15,539	39,363
Due to Highline Academy - Green Valley Ranch	-	15,848
Unearned Revenue	66,222	9,768
Accrued Expenses	4,770	9,781
Deposits	500	2,395
Noncurrent Liabilities		
Bonds Payable		
Due in One Year	125,000	115,000
Due in More than One Year	7,735,000	7,860,000
Net Pension Liability	6,079,600	4,057,556
Total Liabilities	14,026,631	12,109,711
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	392,100	516,514
NET POSITION		
Investment in Capital Assets	(735,791)	(692,159)
Restricted for Emergencies	243,000	194,000
Unrestricted	(2,106,397)	(1,723,633)
Total Net Position	\$ (2,599,188)	\$ (2,221,792)

The largest portion of the Network's assets is in capital assets, at 67% of total assets in 2017.

**Highline Academy Network's Change in Net Position
Governmental Activities**

	June 30, 2017	June 30, 2016
Program Revenue:		
Charges for Services	\$ 259,340	\$ 211,845
Operating Grants and Contributions	117,633	435,004
Capital Grants and Contributions	202,669	152,466
Total Program Revenue	579,642	799,315
General Revenue:		
Per Pupil Revenue	5,840,768	4,970,509
Mill Levy Revenue	1,113,082	665,874
Grants and Donations	-	-
Interest	2,336	2,308
Other Income	870,209	600,576
Total General Revenue	7,826,395	6,239,267
Total Revenue	8,406,037	7,038,582
Expenses:		
Current:		
Instruction	5,533,875	4,673,263
Supporting Services	2,678,108	2,291,339
Interest on Long-Term Debt	571,450	578,481
Total Expenses	8,783,433	7,543,083
Increase/(Decrease) in Net Position	(377,396)	(504,501)
Net Position, Beginning	(2,221,792)	(1,717,291)
Net Position, Ending	\$ (2,599,188)	\$ (2,221,792)

The largest portion of the Network's revenues came from per pupil revenue – 75%, respectively in 2017.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the Network as a whole reported an ending fund balance of \$2,940,765, an increase of \$632,169 from prior year. The Network's Northeast Campus reported an ending fund balance of \$242,236, an increase of \$122,556 from prior year. The Network's Southeast Campus reported an ending fund balance of \$1,762,807, an increase of \$504,441 from prior year. Finally, the Highline Academy Building Corporation ("Building Corporation"), established to help in financing Network facilities, reported an ending fund balance of \$935,722, an increase of \$5,172 from prior year.

General Fund Budgetary Highlights

The Network approves final general fund budgets in May based on enrollment projections for the school year. In October, after enrollment stabilizes, adjustments are made to the budgets. At year-end, the Network had some variances between its final combined budgeted and actual activities. Overall, the Network recognized \$3,903 more revenue than expected and spent \$(1,571,051) less than planned, when compared to the final combined budget. One set of budget amendments were made during FY 2016-2017. Additional information regarding budget versus actual activity may be found on pages 34 to 36 of the financial statements.

Capital Assets & Long-Term Debt

The Network maintains capital assets in the form of land, an educational facility (Southeast Campus), building improvements, leasehold improvements, and equipment. Depreciation expenses for capital assets are booked under Supporting Services of the Network's operations. Additional information related to capital assets may be found in note 4 to the financial statements.

The Network has long-term debt in the form of 2011 Charter School Revenue Bonds, the proceeds of which were used to finance the purchase and improvement of the Network's Southeast Campus. Additional information related to 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 Highline Academy Network is student enrollment. Enrollment for the 2016-2017 school year was 642.90 funded students (137.60 funded students at the Northeast Campus and 505.30 funded students at the Southeast Campus). This information was analyzed as part of the 2017-2018 budgets which are projecting a combined 853.92 funded student count (348.92 funded students at the Northeast Campus and 505.00 funded students at the Southeast Campus).

Requests for Information

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

Highline Academy – Southeast
2170 South Dahlia St.
Denver, CO 80222

Highline Academy – Green Valley Ranch/Northeast
19451 East Maxwell Place
Denver, CO 80249

BASIC FINANCIAL STATEMENTS

HIGHLINE ACADEMY NETWORK

STATEMENT OF NET POSITION

As of June 30, 2017

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and Investments	\$ 2,057,799	\$ 1,394,798
Restricted Cash and Investments	935,722	930,550
Accounts Receivable	1,903	26,200
Prepaid Expenses	20,624	11,779
Due from Highline Academy - Southeast	-	15,848
Inventory	11,748	6,576
Capital Assets, Not Depreciated	2,300,000	2,300,000
Capital Assets, Depreciated, Net of Accumulated Depreciation	<u>3,888,487</u>	<u>4,052,291</u>
TOTAL ASSETS	<u>9,216,283</u>	<u>8,738,042</u>
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	<u>2,603,260</u>	<u>1,666,391</u>
LIABILITIES		
Accounts Payable	15,539	39,363
Due to Highline Academy - Green Valley Ranch	-	15,848
Unearned Revenue	66,222	9,768
Accrued Expenses	4,770	9,781
Deposits	500	2,395
Noncurrent Liabilities		
Bonds Payable		
Due in One Year	125,000	115,000
Due in More than One Year	7,735,000	7,860,000
Net Pension Liability	<u>6,079,600</u>	<u>4,057,556</u>
TOTAL LIABILITIES	<u>14,026,631</u>	<u>12,109,711</u>
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	<u>392,100</u>	<u>516,514</u>
NET POSITION		
Net Investment in Capital Assets	(735,791)	(692,159)
Restricted for Emergencies	243,000	194,000
Unassigned	<u>(2,106,397)</u>	<u>(1,723,633)</u>
TOTAL NET POSITION	<u>\$ (2,599,188)</u>	<u>\$ (2,221,792)</u>

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

HIGHLINE ACADEMY NETWORK

COMBINING BALANCE SHEET

June 30, 2017

	<u>TOTAL</u>	
	<u>2017</u>	<u>2016</u>
ASSETS		
Cash and Investments	\$ 2,057,799	\$ 1,394,798
Restricted Cash and Investments	935,722	930,550
Accounts Receivable	1,903	26,200
Prepaid Expenses	20,624	11,779
Due from Highline Academy - Southeast	-	15,848
Inventory	11,748	6,576
	<u>11,748</u>	<u>6,576</u>
TOTAL ASSETS	<u>\$ 3,027,796</u>	<u>\$ 2,385,751</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	\$ 15,539	\$ 39,363
Due to Highline Academy - Northeast	-	15,848
Accrued Expenses	4,770	9,781
Unearned Revenue	66,222	9,768
Deposits	500	2,395
	<u>500</u>	<u>2,395</u>
TOTAL LIABILITIES	<u>87,031</u>	<u>77,155</u>
FUND BALANCES		
Nonspendable	32,372	11,415
Restricted for Emergencies	243,000	194,000
Restricted for Capital Outlay	936,002	930,550
Unassigned	1,729,391	1,172,631
	<u>1,729,391</u>	<u>1,172,631</u>
TOTAL FUND BALANCES	<u>2,940,765</u>	<u>2,308,596</u>

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

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.

	6,188,487	6,352,291
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Long-term liabilities and related assets are not due and payable in the current period and, therefore, are not reported in the funds. This includes bonds payable of (\$7,860,000), accrued interest of (\$28,453), net pension liability of (\$2,061,694), deferred outflows related to pensions of \$834,077, and deferred inflows related to pensions of (\$132,968).

	<u>(11,728,440)</u>	<u>(10,882,679)</u>
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Net position of governmental activities

	<u>\$ (2,599,188)</u>	<u>\$ (2,221,792)</u>
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The accompanying notes are an integral part of the financial statements.

HIGHLINE ACADEMY NETWORK

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2017

	TOTAL	
	2017	2016
REVENUES		
Local Sources	\$ 8,085,735	\$ 6,585,399
State Sources	273,233	215,422
Federal Sources	47,069	237,761
	<u>8,406,037</u>	<u>7,038,582</u>
TOTAL REVENUES		
EXPENDITURES		
Current		
Instruction	4,769,337	4,261,064
Supporting Services	2,318,081	1,859,803
Debt Service		
Principal	115,000	110,000
Interest	571,450	578,481
	<u>7,773,868</u>	<u>6,809,348</u>
TOTAL EXPENDITURES		
NET CHANGE IN FUND BALANCES	632,169	229,234
FUND BALANCES, Beginning	<u>2,308,596</u>	<u>2,079,362</u>
FUND BALANCES, Ending	<u>\$ 2,940,765</u>	<u>\$ 2,308,596</u>

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

HIGHLINE ACADEMY NETWORK

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

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

Net Changes in Fund Balances - Total Governmental Funds	\$ 632,169
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense for the current period exceeded capital outlay.	(163,804)
Deferred Charges related to pensions are not recognized in the governmental funds. However, for the government-wide funds that amounts are capitalized and amortized.	(960,761)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. These are the note payments for the year.	<u>115,000</u>
Change in Net Position of Governmental Activities	<u><u>\$ (377,396)</u></u>

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

HIGHLINE ACADEMY NETWORK

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Highline Academy Network (the “Network”) was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Denver Public School District of the State of Colorado. The Network operates two campuses. These are named the Northeast Campus and the Southeast Campus.

The accounting policies of the Network conform to generally accepted accounting principles as applicable to governmental units. Following is a summary of the more significant policies.

Reporting Entity

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

The Network includes the Highline Academy Building Corporation (the “Building Corporation”) within its reporting entity. The Building Corporation was formed to support and assist the Network to perform its function and to carry out its purpose, specifically to assist in the financing of the Network’s facilities. The Building Corporation is blended into the Network’s financial statements as a special revenue fund. Separate financial statements are not available for this entity. The Network is a component unit of the Denver Public School 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 of the activities of the Network. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported in a single column.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to students or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

HIGHLINE ACADEMY NETWORK

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

HIGHLINE ACADEMY NETWORK

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

The Network reports the following major governmental funds:

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

Deferred Outflows/Inflows of Resources

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

In addition to the liabilities, the statement of financial position and balance sheets 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 and fund balance that applies to a futures period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Assets, Liabilities and Fund Balance/Net Position

Investments – Investments are stated at fair value.

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

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

HIGHLINE ACADEMY NETWORK

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net position in the government-wide financial statements. Depreciation has been provided over the following estimated useful lives of the capital assets using the straight-line method: Building and improvements 30 years, Other improvements 10 years.

Long-term Debt – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are recognized in the current period. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

Net Position – The government-wide and business-type fund financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted. Investment in capital assets is intended to reflect the portion of net position which is associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost. Restricted net position is liquid assets, which have third party limitations on their use. Unrestricted net position represents assets that do not have any third party limitations on their use.

Fund Balance Classification – In the government-wide financial statements, net position is restricted when constraints placed on the net position are externally imposed. 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 Network is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Network classifies Deposits and Prepaid Expenses as nonspendable as these items are not expected to be converted to cash be converted to cash within the next year.

HIGHLINE ACADEMY NETWORK

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Network has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies, and the fund balance in the Building Corporation is restricted for capital outlay.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Network did not have any committed resources as of June 30, 2017.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

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

Compensated Absences

The Network's policy allows employees to accumulate sick and vacation leave. Upon termination of employment, no financial compensation is paid for these unused compensated absences. Therefore, no liability for accumulated sick leave is reported in the financial statements.

Risk Management

The Network 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 Network carries commercial coverage for these risks of loss. The Network has not sustained any losses that exceeded the insurable amounts in the last three years.

HIGHLINE ACADEMY NETWORK

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative Data

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

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

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

A budget is adopted for all funds on a basis consistent with generally accepted accounting principles.

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

NOTE 3: CASH AND INVESTMENTS

A reconciliation of the cash and investment components on the balance sheet to the cash and investments categories in this footnote are as follows:

Deposits	\$ 2,019,479
Investments	<u>974,042</u>
Total Cash and Investments	<u>\$ 2,993,521</u>

HIGHLINE ACADEMY NETWORK

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 3: CASH AND INVESTMENTS (Continued)

The above amounts are classified in the statement of net position as follows:

Cash and Investments	\$ 2,057,799
Restricted Cash and Investments	<u>935,722</u>
Total	<u>\$ 2,993,521</u>

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At June 30, 2017, State regulatory commissioners have indicated that all financial institutions holding deposits for the Network are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA.

PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The Network has no policy regarding custodial credit risk for deposits.

At June 30, 2017, the Network had deposits with financial institutions with a carrying amount of \$2,019,479. The bank balances with the financial institutions were \$2,080,134. Of this amount, \$250,000 was covered by federal depository insurance and \$1,830,134 was covered by collateral held by authorized escrow agents in the financial institution's name (PDPA).

HIGHLINE ACADEMY NETWORK

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 3: CASH AND INVESTMENTS (Continued)

Investments

Interest Rate Risk Policies

The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, or a formal policy to limit credit risk. However, they follow state statutes regarding investments.

Credit Risk

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

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

The above investments are authorized for all funds and fund types used by Colorado municipalities.

Fair Value

The Network 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 observable inputs.

At June 30, 2017, the Network had \$897,402 invested in a money market fund. The fund invests only in U.S. Treasury obligations and is rated AAAM by Standard and Poor's. These investments are valued with Level 1 inputs.

HIGHLINE ACADEMY NETWORK
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

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

Fair Value (Continued)

The Network had invested \$38,320 in the Colorado Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds and is registered with the State Securities Commissioner. The Fund operates similarly to a money market fund and each share is equal in value to \$1.00. Investments consist of U.S. Treasury and U.S. Agency securities and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities. The Fund is rated AAAM by Standard and Poor's.

ColoTrust is not a 2a7-like external investment pool. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. The government-investor does not "look through" the pool to report a pro rata share of the pool's investments, receivables, and payables. This investment is valued using Level 2 inputs.

The Network has no policy for managing credit risk or interest rate risk.

Restricted Cash and Investments

Cash and investments in the amount of \$935,722 are restricted in the Building Corporation Fund for construction expenses and debt service payments.

HIGHLINE ACADEMY NETWORK

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 4: CAPITAL ASSETS

Capital Assets activity for the year ended June 30, 2017 is summarized below.

	Balance <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2017</u>
Governmental Activities				
Capital Assets, Not Depreciated				
Land	\$ 2,300,000	\$ -	\$ -	\$ 2,300,000
Capital Assets, Depreciated				
Building and Improvements	4,748,857	-	-	4,748,857
Leasehold Improvements	110,789	-	-	110,789
Equipment – Northeast	14,606	-	-	14,606
Equipment - Southeast	<u>18,755</u>	<u>9,911</u>	-	<u>28,666</u>
Total Capital Assets, Depreciated	<u>4,893,007</u>	<u>9,911</u>	-	<u>4,902,918</u>
Accumulated Depreciation				
Building and Improvements	791,343	158,362	-	949,705
Leasehold Improvements	40,285	10,226	-	50,511
Equipment – Northeast	4,868	2,921	-	7,789
Equipment - Southeast	<u>4,220</u>	<u>2,206</u>	-	<u>6,426</u>
Total Accumulated Depreciation	<u>840,716</u>	<u>173,715</u>	-	<u>1,014,431</u>
Total Capital Assets, Depreciated, Net	<u>4,052,291</u>	<u>(163,804)</u>	-	<u>3,888,487</u>
Total Capital Assets, Net	<u>\$ 6,352,291</u>	<u>\$ (163,804)</u>	<u>\$ -</u>	<u>\$ 6,188,487</u>

Depreciation expense is charged to the Supporting Services Activity.

NOTE 5: LONG-TERM DEBT

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

	Balance <u>June 30, 2016</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>June 30, 2017</u>	Due In <u>One Year</u>
2011A Revenue Bonds	<u>\$ 7,975,000</u>	<u>\$ -</u>	<u>\$ 150,000</u>	<u>\$ 7,860,000</u>	<u>\$ 125,000</u>

HIGHLINE ACADEMY NETWORK
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 5: LONG-TERM DEBT (Continued)

Series 2011A Charter School Revenue Bonds

In January 2011, the Public Finance Authority issued \$8,260,000 Charter School Revenue Bonds, Series 2011A. Proceeds from the bonds were used to purchase the Network’s building and provide funding for improvements. The Network is required to make equal lease payments to the Building Corporation for the use of the building. The Building Corporation is required to make equal lease payments to the Trustee, for payment of the bonds. Interest accrues at rates ranging from 6.25% to 7.375% per year. The bond matures in December, 2040.

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 125,000	\$ 567,856	\$ 692,856
2019	130,000	560,044	690,044
2020	140,000	551,919	691,919
2021	150,000	543,169	693,169
2022	160,000	533,764	693,794
2023-2027	970,000	2,492,457	3,462,457
2028-2032	1,375,000	2,092,657	3,467,657
2033-2037	1,960,000	1,505,238	3,465,238
2038-2041	<u>2,850,000</u>	<u>616,920</u>	<u>3,466,920</u>
Totals	<u>\$ 7,860,000</u>	<u>\$ 9,464,024</u>	<u>\$ 17,324,024</u>

NOTE 6: DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

Pensions. School participates in the Denver Public Schools Division Trust Fund (DPS Division), a single-employer defined benefit pension fund administered by the Public Employees’ Retirement Association of Colorado (“PERA”). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the DPS Division 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.

HIGHLINE ACADEMY NETWORK
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 6: DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies (Continued)

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

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

- The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) benefit structure is the greater of the:
 - Highest average salary multiplied by 2.5 percent 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.
- The lifetime retirement benefit for all eligible retiring employees under the PERA benefit structure is the greater of the:
 - Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit

The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

HIGHLINE ACADEMY NETWORK

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 6: **DEFINED BENEFIT PENSION PLAN** (Continued)

General Information about the Pension Plan (Continued)

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the DPS Division.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions. Eligible employees and the School are required to contribute to the DPS Division at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary.

HIGHLINE ACADEMY NETWORK
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

The employer contribution requirements are summarized in the table below:

	For the Year Ended December 31, 2016	For the Year Ended December 31, 2017
Employer contribution rate	10.15%	10.15%
Amount of employer contribution apportioned to the DPS HCTF as specified in C.R.S. § 24-51-208(1)(f)	(1.02%)	(1.02%)
PCOP offset as specified in C.R.S. § 24-51-412	(15.54%)	(14.56%)
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	4.50%	5.00%
Total employer contribution rate to the DPS Division	2.59%	4.07%

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

Employer contributions are recognized by the DPS Division in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the DPS Division. Employer contributions recognized by the DPS Division from the Schools were \$175,423 for the year ended June 30, 2017.

At June 30, 2017, the Schools reported a liability of \$6,079,600 for its proportionate share of the net pension liability. The net pension liability was measured as of 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 proportion of the net pension liability was based on School contributions to the DPS Division for the calendar year 2016 relative to the total contributions of participating employers to the DPS Division.

At December 31, 2016, the School's proportion was 0.5550%, which was a decrease of 0.0749% from its proportion measured as of December 31, 2015.

HIGHLINE ACADEMY NETWORK

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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

For the year ended June 30, 2017, the School recognized pension expense of \$960,761. 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>
Difference between expected and actual experience	\$152,602	\$12,752
Changes of assumptions or other inputs	\$894,782	\$379,348
Net difference between projected and actual earnings on pension plan investments	\$780,445	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$669,354	-
Contributions subsequent to the measurement date	\$106,077	-
Total	\$2,603,260	\$392,100

\$106,077 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, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,:	
2018	\$676,835
2019	\$677,574
2020	\$498,015
2121	\$251,747
2022	\$912

HIGHLINE ACADEMY NETWORK

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 6: DEFINED BENEFIT PENSION PLAN(Continued)

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

Actuarial assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.10 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.50 percent
Discount rate	7.50 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)	2.00 percent
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Based on the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA’s Board on November 18, 2016 and effective as of December 31, 2016. These revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.70 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	2.00 percent
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

HIGHLINE ACADEMY NETWORK

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 6: **DEFINED BENEFIT PENSION PLAN** (Continued)

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

Mortality rates used in the December 31, 2015 valuation were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

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

As a result of the 2016 experience analysis and the October 28, 2016, actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rates were adopted by PERA's Board on November 18, 2016 to more closely reflect PERA's actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability roll-forward procedures.

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

HIGHLINE ACADEMY NETWORK

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 6: **DEFINED BENEFIT PENSION PLAN** (Continued)

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

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.
- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.
- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

Several factors were considered in evaluating the long-term rate of return assumption for the DPS Division, including long-term historical data, estimates inherent in current market data, and 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 by the investment consultant 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.

HIGHLINE ACADEMY NETWORK

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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

As of the November 18, 2016 adoption of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	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%	

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 7.25%.

Discount rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

HIGHLINE ACADEMY NETWORK

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 6: DEFINED BENEFIT PENSION PLAN(Continued)

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

- Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016.
- 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 3.50%.
- 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 and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

HIGHLINE ACADEMY NETWORK

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 6: DEFINED BENEFIT PENSION PLAN(Continued)

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

- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the DPS Division’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 of 7.25 percent 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, and therefore, the discount rate is 7.25 percent.

As of the prior measurement date, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use the municipal bond index rate, and therefore, the discount rate was 7.50 percent, 0.25 percent higher compared to the current measurement date.

Sensitivity of the School 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 7.25 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$8,891,862	\$6,079,600	\$3,756,879

Pension plan fiduciary net position. Detailed information about the DPS Division’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.

HIGHLINE ACADEMY NETWORK

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

Other Post-Employment Benefits

Denver Public Schools Health Care Trust Fund

Plan Description – The School contributes to the Denver Public Schools Health Care Trust Fund ("DPS HCTF"), a cost-sharing multiple-employer healthcare trust administered by PERA. The DPS 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 DPS 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 DPS HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy – The Network is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the School are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the DPS HCTF is established under Title 24, Article 51, Section 208(1)(f.5) of the C.R.S., as amended. For the years ending June 30, 2017, 2016 and 2015 the School's contributions to the DPS HCTF were \$40,851, \$34,687 and \$29,528 respectively, equal to their required contributions for each year.

Taxable Pension Certificates of Participation (PCOPs)

The District issued Taxable Pension Certificates of Participation (PCOPs) on July 17, 1997 to fully fund the unfunded actuarial accrued liability (UAAL) of the Plan. Full funding of the UAAL reduced the employer contribution rate from the full funding rate of 15.75% to the normal cost rate of 4.98%. This rate is based upon actuarially determined contribution requirements, the approval and recommendation of the Plan's Board and approval of the District's Board of Education. The School contributed 10.02%, 9.95%, and 9.84% of covered payroll for the fiscal year ended June 30, 2017, 2016, and 2015, respectively, to the District to cover its obligation relating to the PCOPs.

During the fiscal year ended June 30, 2017, 2016, and 2015 the School made contributions totaling \$408,510, \$333,331 and \$295,574, respectively, to the District towards its PCOPs obligation.

HIGHLINE ACADEMY NETWORK

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 7: COMMITMENTS AND CONTINGENCIES

Claims and Judgments

The Network participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Network may be required to reimburse the grantor government. As of June 30, 2017, significant amounts of grant expenditures have not been audited, but the Network believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Network.

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The Network believes it has complied with the Amendment. As required by the Amendment, the Network has established a reserve for emergencies. At June 30, 2017, the reserve of \$243,000 was recorded as a reservation of fund balance in the General Fund.

NOTE 8: DEFICIT NET POSITION

The Net Position of the government type activities is in a deficit position of \$2,599,188 due to the School including the Net Pension Liability per GASB No. 68.

REQUIRED SUPPLEMENTARY INFORMATION

HIGHLINE ACADEMY NETWORK

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2017

	2017			Variance Positive (Negative)	2016 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Local Sources					
Per Pupil Revenue	\$ 5,808,267	\$ 5,840,757	\$ 5,840,768	\$ 11	\$ 4,970,509
Mill Levy Override	669,806	1,113,437	1,113,082	(355)	665,874
Tuition and Fees	208,710	266,150	259,340	(6,810)	211,845
Grants and Donations	-	-	-	-	134,287
Interest	1,600	1,600	2,336	736	2,308
Other	739,498	868,745	870,209	1,464	600,576
State Sources					
Grants and Donations	237,744	267,347	273,233	5,886	215,422
Federal Sources					
Grants and Donations	38,578	44,098	47,069	2,971	237,761
TOTAL REVENUES	7,704,203	8,402,134	8,406,037	3,903	7,038,582
EXPENDITURES					
Salaries	4,117,253	4,102,652	4,202,155	(99,503)	3,545,612
Employee Benefits	1,050,884	933,948	943,167	(9,219)	756,248
Purchased Services	2,095,363	2,220,688	1,461,640	759,048	1,278,793
Supplies and Materials	274,329	331,346	324,062	7,284	305,649
Property	79,655	80,128	73,896	6,232	145,783
Other	509,788	989,157	82,498	906,659	88,782
Debt Servie					
Principal	115,000	115,000	115,000	-	110,000
Interest	572,000	572,000	571,450	550	578,481
TOTAL EXPENDITURES	8,814,272	9,344,919	7,773,868	1,571,051	6,809,348
NET CHANGE IN FUND BALANCE					
	(1,110,069)	(942,785)	632,169	1,574,954	229,234
FUND BALANCE, Beginning	1,140,160	1,258,366	2,308,596	1,050,230	2,079,362
FUND BALANCE, Ending	30,091	\$ 315,581	2,940,765	\$ 2,625,184	\$ 2,308,596

See the accompanying independent auditors' report.

HIGHLINE ACADEMY NETWORK

SCHEDULE OF THE NETWORK'S PROPORTIONATE SHARE
DENVER PUBLIC SCHOOLS DIVISION TRUST FUND

Years Ended December 31,
(Network Division Trust Fund Measurement Date)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Network's proportionate share of the Net Pension Liability	0.3648%	0.4872%	0.4988%	0.5550%
Network's proportionate share of the Net Pension Liability	\$ 1,897,445	\$ 3,042,730	\$ 4,057,547	\$ 6,079,600
Network's covered-employee payroll	\$ 1,988,937	\$ 2,539,415	\$ 3,137,696	\$ 3,667,074
Network's proportionate share of the Net Pension Liability as a percentage of its covered-employee payroll	95.4%	119.8%	129.3%	165.8%
Plan fiduciary net position as a percentage of the total pension liability	86.3%	83.9%	79.3%	74.1%

See the accompanying independent auditors' report.

HIGHLINE ACADEMY NETWORK

SCHEDULE OF THE NETWORK'S CONTRIBUTIONS
DENVER PUBLIC SCHOOLS DIVISION TRUST FUND

Years Ended June 30,

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Statutorily required contributions	\$ 103,377	\$ 138,635	\$ 102,414	\$ 175,423
Contributions in relation to the Statutorily required contributions	<u>103,377</u>	<u>138,635</u>	<u>102,414</u>	<u>175,423</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Network's covered-employee payroll	\$ 2,124,442	\$ 2,894,891	\$ 3,400,665	\$ 4,004,968
Contributions as a percentage of covered-employee payroll	4.87%	4.79%	3.01%	4.38%

See the accompanying independent auditors' report.

COMBINING AND INDIVIDUAL FUND SCHEDULES

HIGHLINE ACADEMY NETWORK

COMBINING BALANCE SHEET

June 30, 2017

	NORTH EAST	SOUTH EAST	BUILDING CORPORATION	TOTAL	
				2017	2016
ASSETS					
Cash and Investments	\$ 234,860	\$ 1,822,939	\$ -	\$ 2,057,799	\$ 1,394,798
Restricted Cash and Investments	-	-	935,722	935,722	930,550
Accounts Receivable	265	1,638	-	1,903	26,200
Prepaid Expenses	2,922	17,702	-	20,624	11,779
Due from Highline Academy - Southeast	-	-	-	-	15,848
Inventory	9,058	2,690	-	11,748	6,576
TOTAL ASSETS	<u>\$ 247,105</u>	<u>\$ 1,844,969</u>	<u>\$ 935,722</u>	<u>\$ 3,027,796</u>	<u>\$ 2,385,751</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 2,924	\$ 12,615	\$ -	\$ 15,539	\$ 39,363
Due to Highline Academy - Northeast	-	-	-	-	15,848
Accrued Expenses	1,470	3,300	-	4,770	9,781
Unearned Revenue	-	66,222	-	66,222	9,768
Deposits	475	25	-	500	2,395
TOTAL LIABILITIES	<u>4,869</u>	<u>82,162</u>	<u>-</u>	<u>87,031</u>	<u>77,155</u>
FUND BALANCES					
Nonspendable	11,980	20,392	-	32,372	11,415
Restricted for Emergencies	92,000	151,000	-	243,000	194,000
Restricted for Capital Outlay	280	-	935,722	936,002	930,550
Unassigned	137,976	1,591,415	-	1,729,391	1,172,631
TOTAL FUND BALANCES	<u>242,236</u>	<u>1,762,807</u>	<u>935,722</u>	<u>2,940,765</u>	<u>2,308,596</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 247,105</u>	<u>\$ 1,844,969</u>	<u>\$ 935,722</u>	<u>\$ 3,027,796</u>	<u>\$ 2,385,751</u>

See the accompanying independent auditors' report.

HIGHLINE ACADEMY NETWORK

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2017

	NORTH	SOUTH	BUILDING	TOTAL	
	EAST	EAST	CORPORATION	2017	2016
REVENUES					
Local Sources	\$ 3,055,591	\$ 5,029,518	\$ 626	\$ 8,085,735	\$ 6,585,399
State Sources	64,573	208,660	-	273,233	215,422
Federal Sources	19,544	27,525	-	47,069	237,761
TOTAL REVENUES	3,139,708	5,265,703	626	8,406,037	7,038,582
EXPENDITURES					
Current					
Instruction	2,125,494	2,643,843	-	4,769,337	4,261,064
Supporting Services	891,658	1,426,423	-	2,318,081	1,859,803
Debt Service					
Principal	-	-	115,000	115,000	110,000
Interest	-	-	571,450	571,450	578,481
TOTAL EXPENDITURES	3,017,152	4,070,266	686,450	7,773,868	6,809,348
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	122,556	1,195,437	(685,824)	632,169	229,234
OTHER FINANCING SOURCES (USES)					
Transfers In	-	688	691,684	692,372	710,826
Transfers Out	-	(691,684)	(688)	(692,372)	(710,826)
TOTAL OTHER FINANCING SOURCES (USES)	-	(690,996)	690,996	-	-
NET CHANGE IN FUND BALANCES	122,556	504,441	5,172	632,169	229,234
FUND BALANCES, Beginning	119,680	1,258,366	930,550	2,308,596	2,079,362
FUND BALANCES, Ending	<u>\$ 242,236</u>	<u>\$ 1,762,807</u>	<u>\$ 935,722</u>	<u>\$ 2,940,765</u>	<u>\$ 2,308,596</u>

See the accompanying independent auditors' report.

HIGHLINE ACADEMY NETWORK

HIGHLINE ACADEMY NORTH EAST
 BUDGETARY COMPARISON SCHEDULE
 Year Ended June 30, 2017

	2017			Variance	2016
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Positive (Negative)	ACTUAL
REVENUES					
Local Sources					
Per Pupil Revenue	\$ 1,957,661	\$ 1,960,360	\$ 1,960,362	\$ 2	\$ 1,281,986
Mill Levy Override	294,588	485,752	485,753	1	234,593
Tuition and Fees	70,625	76,625	79,161	2,536	63,767
Interest	-	-	234	234	223
Other	538,972	536,810	530,081	(6,729)	474,220
State Sources					
Grants and Donations	48,325	60,163	64,573	4,410	27,279
Federal Sources					
Grants and Donations	9,024	14,544	19,544	5,000	208,207
TOTAL REVENUES	2,919,195	3,134,254	3,139,708	5,454	2,290,275
EXPENDITURES					
Salaries	1,616,321	1,708,464	1,756,640	(48,176)	1,201,597
Employee Benefits	449,552	392,162	401,532	(9,370)	256,473
Purchased Services	658,280	697,862	681,078	16,784	512,570
Supplies and Materials	86,894	121,965	150,898	(28,933)	132,423
Property	14,655	15,128	12,185	2,943	86,392
Other	57,788	84,014	14,819	69,195	12,558
TOTAL EXPENDITURES	2,883,490	3,019,595	3,017,152	2,443	2,202,013
NET CHANGE IN FUND BALANCE	35,705	114,659	122,556	7,897	88,262
FUND BALANCE, Beginning	77,134	119,682	119,680	(2)	31,418
FUND BALANCE, Ending	\$ 112,839	\$ 234,341	\$ 242,236	\$ 7,895	\$ 119,680

See the accompanying independent auditors' report.

HIGHLINE ACADEMY NETWORK

HIGHLINE ACADEMY SOUTH EAST
 BUDGETARY COMPARISON SCHEDULE
 Year Ended June 30, 2017

	2017			VARIANCE	2016 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Positive (Negative)	
REVENUES					
Local Sources					
Per Pupil Revenue	\$ 3,850,606	\$ 3,880,397	\$ 3,880,406	\$ 9	\$ 3,688,523
Mill Levy Override	375,218	627,685	627,329	(356)	431,281
Tuition and Fees	138,085	189,525	180,179	(9,346)	148,078
Grants and Donations	-	-	-	-	134,287
Interest	1,600	1,600	1,476	(124)	1,664
Other	200,526	331,935	340,128	8,193	126,356
State Sources					
Grants and Donations	189,419	207,184	208,660	1,476	188,143
Federal Sources					
Grants and Donations	29,554	29,554	27,525	(2,029)	29,554
TOTAL REVENUES	4,785,008	5,267,880	5,265,703	(2,177)	4,747,886
EXPENDITURES					
Salaries	2,500,932	2,394,188	2,445,515	(51,327)	2,344,015
Employee Benefits	601,332	541,786	541,635	151	499,775
Purchased Services	1,437,083	1,522,826	780,562	742,264	766,223
Supplies and Materials	187,435	209,381	173,164	36,217	173,226
Property	65,000	65,000	61,711	3,289	59,391
Other	216,000	905,143	67,679	837,464	76,224
TOTAL EXPENDITURES	5,007,782	5,638,324	4,070,266	1,568,058	3,918,854
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(222,774)	(370,444)	1,195,437	1,565,881	829,032
OTHER FINANCING USES					
Transfers In	-	-	688	688	-
Transfers Out	(20,000)	-	(691,684)	(691,684)	(710,826)
TOTAL OTHER FINANCING SOURCES	(20,000)	-	(690,996)	(690,996)	(710,826)
NET CHANGE IN FUND BALANCE	(242,774)	(370,444)	504,441	874,885	118,206
FUND BALANCE, Beginning	1,140,160	1,258,366	1,258,366	-	1,140,160
FUND BALANCE, Ending	897,386	\$ 887,922	1,762,807	\$ 874,885	\$ 1,258,366

See the accompanying independent auditors' report.

HIGHLINE ACADEMY NETWORK

HIGHLINE ACADEMY SOUTHEAST BUILDING CORPORATION
 BUDGETARY COMPARISON SCHEDULE
 Year Ended June 30, 2017

	2017		VARIANCE Positive (Negative)	2016 ACTUAL
	ORIGINAL AND FINAL BUDGET	ACTUAL		
REVENUES				
Local Services				
Interest	\$ 630	\$ 626	\$ (4)	\$ 421
TOTAL REVENUES	630	626	(4)	421
EXPENDITURES				
Debt Service				
Principal	115,000	115,000	-	110,000
Interest	572,000	571,450	550	578,481
TOTAL EXPENDITURES	687,000	686,450	550	688,481
EXCESS OF EXPENDITURES OVER REVENUES	(686,370)	(685,824)	(546)	(688,060)
OTHER FINANCING SOURCES				
Transfers In	691,684	691,684	-	710,826
Transfers Out	(688)	(688)	-	-
TOTAL OTHER FINANCING SOURCES	690,996	690,996	-	710,826
NET CHANGE IN FUND BALANCE	4,626	5,172	546	22,766
FUND BALANCE, Beginning	-	930,550	930,550	907,784
FUND BALANCE, Ending	\$ 4,626	\$ 935,722	\$ 931,096	\$ 930,550

See the accompanying independent auditors' report.