

**UNIVERSITY PREPARATORY SCHOOLS**

**BASIC FINANCIAL STATEMENTS**

**June 30, 2017**

## TABLE OF CONTENTS

### PAGE

### INTRODUCTORY SECTION

Title Page

Table of Contents

### FINANCIAL SECTION

Independent Auditors' Report

Management's Discussion and Analysis

i - v

#### Basic Financial Statements

Statement of Net Position

1

Statement of Activities

2

Balance Sheet – Governmental Funds

3

Statement of Revenues, Expenditures and Changes in Fund Balances –  
Governmental Funds

4

Reconciliation of the Statement of Revenues, Expenditures and Changes in  
Fund Balances of Governmental Funds to the Statement of Activities

5

Notes to the Financial Statements

6 – 26

#### Required Supplementary Information

Budgetary Comparison Schedule – General Fund

27

Schedule of the Schools' Proportionate Share

28

Schedule of the Schools' Contributions

29

## TABLE OF CONTENTS (Continued)

	<b>PAGE</b>
<b>Supplementary Information</b>	
Combining Balance Sheet	30
Combining Schedule of Revenues, Expenditures and Changes in Fund Balances	31
Budgetary Comparison Schedule – Home Office	32
Budgetary Comparison Schedule – Arapahoe Street School	33
Budgetary Comparison Schedule – Steele Street School	34

## **FINANCIAL SECTION**



## JOHN CUTLER & ASSOCIATES

Board of Directors  
University Preparatory Schools  
Denver, Colorado

### INDEPENDENT AUDITORS' REPORT

#### Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the University Preparatory Schools (the "Network"), component unit of 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 expression an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluation 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.

#### Opinion

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 University Preparatory Schools, 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 schools' proportionate share, and schedule of the schools' contributions on pages 27 - 29 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Academy's financial statements. The supplementary information 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 supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*John Luttrell & Associates, LLC*

November 1, 2017

# **University Preparatory Schools**

## **Management's Discussion and Analysis**

### **As of and for the Year Ended June 30, 2017**

As management of University Preparatory Schools, we offer readers of the basic financial statements this narrative and analysis of the financial activities of the University Preparatory Schools as of and for the year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information provided in the basic financial statements.

#### **Financial Highlights**

This is the first year University Preparatory Schools operated as a network. The network consists of three entities, University Prep Arapahoe, University Prep Steele Street, and University Preparatory Schools or the home office. As of June 30, 2017, the net position was (\$402,241) down from \$145,405 in the prior year due to the implementation of GASB 68, pension disclosures. The amount attributed to the net pension liability is \$2,697,337, shown on page 3, reduces the consolidated net position of the network. The operations of the University Preparatory Schools are funded primarily by tax revenue received under the State Finance Act (the Act). State categorical revenue for the year was \$4,275,329. The consolidated (all entities) General Fund ending fund balance increased \$551,200 to \$2,265,926 or 32%.

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

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

#### ***Government-wide Financial Statements***

The government-wide financial statements are designed to provide readers with a broad overview of the University Preparatory Schools finances in a manner similar to a private-sector business.

The statement of net position presents information on all the University Preparatory Schools assets, deferred outflows, liabilities, and deferred inflows, with the difference between the assets/deferred outflows and liabilities/deferred inflows being reported as net position. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial condition of the University Preparatory Schools is improving or deteriorating.

The statement of activities presents information showing how the University Preparatory Schools 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, revenue and expenses are reported in the statement for some items that will only result in cash flows in future periods (for example, accounts payable owed but unpaid as of year end).

# **University Preparatory Schools**

## **Management's Discussion and Analysis**

### **As of and for the Year Ended June 30, 2017**

#### ***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 University Preparatory Schools, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The University Preparatory Schools maintains a General Fund for each entity. Individual Fund statements for each entity are presented on pages 30 through 34.

The University Preparatory Schools adopts annual budgets for its funds. Budgetary comparisons have been provided for each governmental fund in the basic financial statements to demonstrate compliance with these budgets.

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

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes are disclosed on pages 6 through 26.

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

As noted previously, net position may serve over time as a useful indicator of the University Preparatory Schools' financial condition. As of June 30, 2017, the University Preparatory Schools' liabilities and deferred inflows exceeded assets and deferred outflows by (\$402,241). \$180,500 of this total 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 general operating expenses of the University Preparatory Schools. The unrestricted net position balance of (\$611,911) decreased from the prior fiscal year by \$649,539, principally because University Preparatory Schools reflected its proportionate share of the net pension liability.

**University Preparatory Schools**  
**Management's Discussion and Analysis**  
**As of and for the Year Ended June 30, 2017**

Net position as of June 30, 2017 is as follows:

	<b>June 30, 2017</b>
<b>Assets</b>	
Cash and Investments	\$ 2,181,282
Accounts Receivable	22,871
Inventory	39,507
Prepaid Expenses	52,708
Capital Assets (Net)	29,170
Total Assets	2,325,538
Deferred Outflows – Pensions	4,165,853
<b>Liabilities</b>	
Accounts Payable	27,248
Payroll Liabilities	3,194
Noncurrent Liability – Net Pension Liability	6,447,369
Total Liabilities	6,477,811
Deferred Inflows – Pensions	415,821
<b>Net Position</b>	
Investment in Capital Assets	29,170
Restricted for Emergencies	180,500
Unrestricted	(611,911)
Total Net Position	\$ (402,241)

**University Preparatory Schools  
Management's Discussion and Analysis  
As of and for the Year Ended June 30, 2017**

Change in net position for the year ended June 30, 2017 is as follows:

	<b>June 30,2017</b>
Revenues	
Program Revenues	
Operating Grants and Contributions	\$ 1,781,927
Charges for Services	641,299
Capital Grants and Contributions	75,911
Total Program Revenues	2,499,137
General Revenues	
State Categorical Revenue	4,275,329
Mill Levy Override	1,034,940
Other	34,939
Total General Revenues	5,345,208
Total Revenues	7,844,345
Expenditures/Expenses	
Current	
Instruction	4,335,567
Administrative Support	4,056,424
Total Expenses	8,391,991
Increase in Net Position	(547,646)
Net Position, Beginning of Year	145,405
Net Position, End of Year	\$ (402,241)

**Financial Analysis of the University Preparatory Schools' Funds**

The University Preparatory Schools network as a whole improved its financial viability significantly. Consolidated Fund Balance of the three general operating funds grew by \$551,200 or 32%. The combined Fund Balance of the three entities was \$2,265,926 at June 30, 2017, which represents approximately 113 days of operating reserves on hand. Consolidated cash at 6/30/17 was \$2,181,282 or 95% of total assets. 88% of the combined ending Fund Balance was unassigned.

# **University Preparatory Schools**

## **Management's Discussion and Analysis**

### **As of and for the Year Ended June 30, 2017**

#### **General Fund and Budgetary Highlights**

The University Preparatory Schools approved a General Fund budget with expenditures of \$8,648,934 for the year ended June 30, 2017. Actual expenditures were \$7,293,145. This resulted in a positive variance of \$1,355,789.

A budget amendment was approved during the year to address the 15% Statute limitation on ending fund balance.

#### **Capital Assets and Debt Administration**

The University Preparatory Schools leases its facilities and land under an operating lease with the District that is renewed annually. Capital assets totaled \$30,841 at June 30, 2017 with accumulated depreciation of \$1,671.

The University Preparatory Schools had no outstanding debt at June 30, 2017.

#### **Economic Factors, Next Year's Budget, Student Counts**

The primary factor driving the budget for the University Preparatory Schools is student enrollment. Funded Pupil Count (FPC) for Arapahoe was 88.2, 160.1, 218.2, 270.88, 334.02 and 337.16 for FY12, FY13, FY14, FY15, FY16 and FY17 respectively. The FPC for Steele Street for FY17 was 207.94. The combined projected FPC for the FY17 University Preparatory Schools is 560 and projected to be 541. The enrollment played an integral part in preparing the University Preparatory Schools' budgets for FY17. The University Preparatory Schools has been approved to replicate/open four new schools in the DPS system and was recently awarded a Federal \$3.7 million replication grant subject to funding availability.

The State of Colorado continues to chip away at the large negative factor (shortfall in the School Finance Act). The Per Pupil Revenue (PPR) for FY18 will grow an approximately 3.2%. Additional support in the form of Capital Construction Funding, grants and private contributions will continue and allow the University Preparatory Schools to drive more resources into the classroom. With the Colorado unemployment at 2.4% and sales tax revenue approaching double digits, it is likely K-12 funding would experience a similar increase for FY19.

#### **Requests for Information**

The financial report is designed to provide a general overview of the University Preparatory Schools' finances for those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed to University Preparatory Schools, 3230 E. 38<sup>th</sup> Ave., Denver, Colorado 80205.

## **BASIC FINANCIAL STATEMENTS**

UNIVERSITY PREPARATORY SCHOOLS

STATEMENT OF NET POSITION

As of June 30, 2017

	Governmental Activities	
	2017	2016
ASSETS		
Cash	\$ 2,181,282	\$ 1,705,113
Accounts Receivable	22,871	24,950
Grants Receivable	-	81,944
Inventory	39,507	15,919
Prepaid Expenses	52,708	2,265
Capital Assets, Depreciated, Net of Accumulated Depreciation	29,170	22,777
	<u>2,325,538</u>	<u>1,852,968</u>
DEFERRED OUTFLOW OF RESOURCES		
Related to Pensions	4,165,853	1,416,072
LIABILITIES		
Accounts Payable	27,248	5,465
Accrued Expenses	3,194	-
Unearned Revenues	-	110,000
Noncurrent Liabilities		
Pension Liability	6,447,369	2,705,031
TOTAL LIABILITIES	<u>6,477,811</u>	<u>2,820,496</u>
DEFERRED INFLOW OF RESOURCES		
Related to Pensions	415,821	303,139
NET POSITION		
Net Investment in Capital Assets	29,170	22,777
Restricted for Emergencies	180,500	85,000
Unrestricted, Unreserved	(611,911)	37,628
TOTAL NET POSITION	<u>\$ (402,241)</u>	<u>\$ 145,405</u>

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

UNIVERSITY PREPARATORY SCHOOLS

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2017

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES			Net (Expense) Revenue and Change in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
PRIMARY GOVERNMENT					2017	2016
<b>Governmental Activities</b>						
Instructional	\$ 4,335,567	\$ 641,299	\$ -	\$ -	\$ (3,694,268)	\$ (1,567,665)
Supporting Services	4,056,424	-	1,781,927	75,911	(2,198,586)	(370,322)
Total Governmental Activities	<u>\$ 8,391,991</u>	<u>\$ 641,299</u>	<u>\$ 1,781,927</u>	<u>\$ 75,911</u>	(5,892,854)	(1,937,987)
GENERAL REVENUES						
					4,275,329	2,551,923
Per Pupil Revenue					1,034,940	409,850
Mill Levy Override					-	69
Interest					34,939	42,250
Miscellaneous						
TOTAL GENERAL REVENUES					<u>5,345,208</u>	<u>3,004,092</u>
CHANGE IN NET POSITION					(547,646)	1,066,105
NET POSITION, Beginning					<u>145,405</u>	<u>(920,700)</u>
NET POSTION, Ending					<u>\$ (402,241)</u>	<u>\$ 145,405</u>

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

UNIVERSITY PREPARATORY SCHOOLS

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2017

	<u>GENERAL FUND</u>	
	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 2,181,282	\$ 1,705,113
Accounts Receivable	22,871	24,950
Grants Receivable	-	81,944
Inventory	39,507	15,919
Prepaid Expenditures	<u>52,708</u>	<u>2,265</u>
TOTAL ASSETS	<u>\$ 2,296,368</u>	<u>\$ 1,830,191</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	\$ 27,248	\$ 5,465
Accrued Expenses	3,194	-
Unearned Revenues	<u>-</u>	<u>110,000</u>
TOTAL LIABILITIES	<u>30,442</u>	<u>115,465</u>
FUND BALANCES		
Nonspendable	92,215	18,184
Restricted for Emergencies	180,500	85,000
Unassigned	<u>1,993,211</u>	<u>1,611,542</u>
TOTAL FUND BALANCES	<u>2,265,926</u>	<u>1,714,726</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.	29,170	22,777
Long-term liabilities and related assets are not due and payable in the current period and therefore, are not reported in the funds. This liability includes net pension liability (\$6,447,369), deferred outflows related to pensions \$4,165,853, and deferred inflows related to pensions (\$415,821).	<u>(2,697,337)</u>	<u>(1,592,098)</u>
Net position of governmental activities	<u>\$ (402,241)</u>	<u>\$ 145,405</u>

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

UNIVERSITY PREPARATORY SCHOOLS

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

	<u>GENERAL FUND</u>	
	<u>2017</u>	<u>2016</u>
REVENUES		
Local Sources	\$ 6,997,379	\$ 5,840,917
State and Federal Sources	<u>846,966</u>	<u>450,883</u>
TOTAL REVENUES	<u>7,844,345</u>	<u>6,291,800</u>
EXPENDITURES		
Current		
Instruction	3,618,412	2,663,039
Supporting Services	<u>3,674,733</u>	<u>2,087,893</u>
TOTAL EXPENDITURES	<u>7,293,145</u>	<u>4,750,932</u>
NET CHANGE IN FUND BALANCES	551,200	1,540,868
FUND BALANCES, Beginning	<u>1,714,726</u>	<u>173,858</u>
FUND BALANCES, Ending	<u><u>\$ 2,265,926</u></u>	<u><u>\$ 1,714,726</u></u>

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

UNIVERSITY PREPARATORY SCHOOLS

RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF 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 change in fund balances - total governmental funds	\$ 551,200
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This amount by which capital outlay \$7,211 exceeded depreciation expense (\$818) in the current period.	6,393
Deferred Charges related to pensions are not recognized in the governmental funds. However, for the government-wide funds that amounts are capitalized and amortized.	<u>(1,105,239)</u>
Change in net position of governmental activities	<u>\$ (547,646)</u>

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

UNIVERSITY PREPARATORY SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

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

The University Preparatory Schools (the “Network”) was organized pursuant to the Colorado Charter Schools Act to form and operate a network of charter schools within the Denver Public School District (the “District”) in the State of Colorado. The Network consists of two schools. The Arapahoe Street School began classes in the 2011-2012 school year. The Steele Street School began classes in the 2016-2017 school year.

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.

Based on the application of these criteria, the Network does not include additional organizations within its reporting entity. However, 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.

UNIVERSITY PREPARATORY SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

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

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

Program revenues include 1) charges to students or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted intergovernmental revenues not properly included among program revenues are reported instead as general revenues.

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 the principal 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.

UNIVERSITY PREPARATORY SCHOOLS  
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 fund:

*General Fund* – This fund is the general operating fund of the Network. It is used to account for all financial resources and activities of the Network.

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

*Investments* – Investments are reported at fair value.

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

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

*Unearned Revenues* – Unearned revenues include grant funds that have been collected but the corresponding expense has not been incurred.

*Capital Assets* – Capital assets, which include property and equipment, are reported in the governmental activities 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. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized.

*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.

UNIVERSITY PREPARATORY SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

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

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

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. The Network has no long-term debt as of June 30, 2017.

**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.

**Net Position**

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

*Investment in Capital Assets* includes the Network's capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvement of those assets. Capital assets are shown in Note 4.

*Restricted Net Position* includes assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. The Network typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.

*Unrestricted Net Position* typically includes unrestricted liquid assets. The Board has the authority to revisit or alter this designation.

UNIVERSITY PREPARATORY SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

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

**Fund Balance Classification**

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the 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 not spendable in form or are legally or contractually required to be maintained intact. All amounts reported at June 30, 2017, by the Network are nonspendable in form as inventory and prepaid expenditures.
- 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.
- 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 fund balance.

UNIVERSITY PREPARATORY SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

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

**Compensated Absences**

The Network's policy allows employees to accumulate sick leave and personal leave. However, employees are not paid for unused sick or personal leave upon termination of employment with the Network. Therefore, no amounts have been accrued for this leave 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 experienced any losses that exceeded that insured amounts in the last three years.

**Comparative Data**

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Network's financial position and operations. However, comparative data has not been presented in all statements because such inclusion would make certain statements unduly complex and difficult to understand. Also, certain amounts presented in the prior year data have been reclassified to be consistent with current year's presentation.

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

**Budgets and Budgetary Accounting**

A budget is adopted for the General Fund and the Grants Fund 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.

UNIVERSITY PREPARATORY SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 3: CASH AND INVESTMENTS**

Cash and Investments at June 30, 2017 consisted of the following:

Deposits	\$ 2,181,032
Petty Cash	<u>250</u>
Total	<u><b>\$ 2,181,282</b></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 \$2,181,032. The bank balances with the financial institutions were \$2,257,420. Of this amount, \$250,000 was covered by federal depository insurance and \$2,007,420 was covered by collateral held by authorized escrow agents in the financial institution’s name (PDPA).

**Investments**

Interest Rate Risk

The Network 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.

UNIVERSITY PREPARATORY SCHOOLS  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2017

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

**Investments** (Continued)

Credit Risk

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

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

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

The Network has no investments as of June 30, 2017.

**NOTE 4: CAPITAL ASSETS**

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

	<u>Balance</u> <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2017</u>
<b>Governmental Activities</b>				
Capital Assets, Depreciated Improvements	\$ 23,631	\$ 7,210	\$ -	\$ 30,841
Accumulated Depreciation Improvements	854	817		1,671
Net Capital Assets	<u>\$ 22,777</u>	<u>\$ 6,393</u>	<u>\$ -</u>	<u>\$ 29,170</u>

Depreciation has been charged to supporting services program of the Network.

UNIVERSITY PREPARATORY SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 5: DEFINED BENEFIT PENSION PLAN**

**Summary of Significant Accounting Policies**

*Pensions.* The Network 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.

**General Information about the Pension Plan**

*Plan description.* Eligible employees of the Network 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](http://www.copera.org/investments/pera-financial-reports).

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

The lifetime retirement benefit for all eligible retiring employees under the 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.

UNIVERSITY PREPARATORY SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

**NOTE 5:** **DEFINED BENEFIT PENSION PLAN** (Continued)

**General Information about the Pension Plan** (Continued)

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.

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.

UNIVERSITY PREPARATORY SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 5: DEFINED BENEFIT PENSION PLAN** (Continued)

**General Information about the Pension Plan** (Continued)

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 Network 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. 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%
<b>Total employer contribution rate to the DPS Division</b>	<b>2.59%</b>	<b>4.07%</b>

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

Employer contributions are recognized by the DPS Division in the period in which the compensation becomes payable to the member and the Network is statutorily committed to pay the contributions to the DPS Division. Employer contributions recognized by the DPS Division from Network were \$153,284 for the year ended June 30, 2017.

UNIVERSITY PREPARATORY SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 5: 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 Network reported a liability of \$6,447,369 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 Network's proportion of the net pension liability was based on the Network's 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 Network proportion was 0.5885 percent, which was an increase of 0.2560 percent from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, the Network recognized pension expense of \$1,258,522. At June 30, 2017, the Network 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	\$161,833	\$13,525
Changes of assumptions or other inputs	\$948,909	\$402,296
Net difference between projected and actual earnings on pension plan investments	\$827,656	N/A
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$2,137,535	N/A
Contributions subsequent to the measurement date	\$89,920	N/A
Total	\$4,165,853	\$415,821

UNIVERSITY PREPARATORY SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 5: DEFINED BENEFIT PENSION PLAN** (Continued)

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

\$89,920 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 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	\$1,059,104
2019	\$1,062,366
2020	\$947,464
2021	\$587,022
2022	\$4,156

*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.

UNIVERSITY PREPARATORY SCHOOLS  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2017

**NOTE 5: DEFINED BENEFIT PENSION PLAN**(Continued)

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

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

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.

UNIVERSITY PREPARATORY SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 5:**     **DEFINED BENEFIT PENSION PLAN**(Continued)

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

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.

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.

UNIVERSITY PREPARATORY SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

**NOTE 5: DEFINED BENEFIT PENSION PLAN**(Continued)

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

- 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.

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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>30 Year Expected Geometric Real Rate of Return</b>
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%
<b>Total</b>	<b>100.00%</b>	

UNIVERSITY PREPARATORY SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

**NOTE 5: DEFINED BENEFIT PENSION PLAN**(Continued)

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

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:

- 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.

UNIVERSITY PREPARATORY SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

**NOTE 5: DEFINED BENEFIT PENSION PLAN**(Continued)

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

- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

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.

UNIVERSITY PREPARATORY SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

**NOTE 5: DEFINED BENEFIT PENSION PLAN** (Continued)

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

*Sensitivity of the Network's proportionate share of the net pension liability to changes in the discount rate.* The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25 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	\$9,429,749	\$6,447,369	\$3,984,140

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

**Other Post-Employment Benefits**

Health Care Trust Fund

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

UNIVERSITY PREPARATORY SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

**NOTE 5: DEFINED BENEFIT PENSION PLAN** (Continued)

*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 Network are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2017, 2016 and 2015, the Network contributions to the HCTF were \$35,923, \$24,993 and \$14,831, 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 Network contributed 10.02%, 9.95%, and 9.84% of covered payroll for the fiscal years ended June 30, 2017, 2015 and 2014 respectively, to the District to cover its obligation relating to the PCOPs. During the fiscal years ended June 30, 2017, 2015 and 2014, the Network made contributions totaling \$352,585, \$243,800, and \$205,764, respectively, to the District towards its PCOPs obligation.

**NOTE 6: COMMITMENTS AND CONTINGENCIES**

**Facilities Use Agreement**

In August 2016, the Network entered into a facility use agreements with the District. Under the terms of the agreements, the Network is required to pay an annual use fee of approximately \$815 per student. The facility use fee is payable in four installments of 25% in July, October, January and April of each fiscal year. As long as the Network is not in default under the terms of the agreement it will remain in force concurrent with the school's charter contracts.

For the year ended June 30, 2017, the Network paid \$454,439 to the District under the terms of the agreement.

UNIVERSITY PREPARATORY SCHOOLS  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 6:**     **COMMITMENTS AND CONTINGENCIES** (Continued)

**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 \$180,500 was recorded as a reservation of fund balance in the General Fund.

**NOTE 7:**     **DEFICIT NET POSITION**

The Net Position of the government type activities is in a deficit position of \$402,241 due to the Network including the Net Pension Liability per GASB No. 68.

**REQUIRED SUPPLEMENTARY INFORMATION**

UNIVERSITY PREPARATORY SCHOOLS

GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
Year Ended June 30, 2017

	2017			VARIANCE Positive (Negative)	2016 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
<b>REVENUES</b>					
Local Sources					
Per Pupil Revenue	\$ 4,256,382	\$ 4,275,057	\$ 4,275,329	\$ 272	\$ 2,551,923
Mill Levy Override	572,600	1,035,665	1,034,940	(725)	409,850
Management Fees	638,457	641,304	641,299	(5)	-
Grants and Donations	997,817	1,592,338	1,010,872	(581,466)	2,836,825
Interest	65	25	-	(25)	69
Other	71,414	94,561	34,939	(59,622)	42,250
State and Federal Sources					
Grants and Donations	648,078	714,013	846,966	132,953	450,883
<b>TOTAL REVENUES</b>	<b>7,184,813</b>	<b>8,352,963</b>	<b>7,844,345</b>	<b>(508,618)</b>	<b>6,291,800</b>
<b>EXPENDITURES</b>					
Instruction					
Salaries	2,191,357	2,336,872	2,307,773	29,099	1,762,198
Employee Benefits	672,896	590,660	568,476	22,184	398,468
Purchased Services	222,266	262,520	349,325	(86,805)	195,373
Supplies and Materials	296,800	289,351	276,850	12,501	171,686
Property	134,500	167,047	115,988	51,059	135,314
<b>Total Instruction</b>	<b>3,517,819</b>	<b>3,646,450</b>	<b>3,618,412</b>	<b>28,038</b>	<b>2,663,039</b>
Supporting Services					
Salaries	1,271,860	1,264,584	1,257,117	7,467	697,083
Employee Benefits	263,138	282,193	292,872	(10,679)	157,796
Purchased Services	2,047,504	2,127,121	1,931,377	195,744	1,012,477
Supplies and Materials	123,360	168,024	155,127	12,897	114,536
Property	81,016	46,152	30,767	15,385	102,243
Other	545,376	1,114,410	7,473	1,106,937	3,758
<b>Total Supporting Services</b>	<b>4,332,254</b>	<b>5,002,484</b>	<b>3,674,733</b>	<b>1,327,751</b>	<b>2,087,893</b>
<b>TOTAL EXPENDITURES</b>	<b>7,850,073</b>	<b>8,648,934</b>	<b>7,293,145</b>	<b>1,355,789</b>	<b>4,750,932</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(665,260)</b>	<b>(295,971)</b>	<b>551,200</b>	<b>847,171</b>	<b>1,540,868</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers Out	-	(280,000)	(269,000)	11,000	-
Transfers In	-	-	269,000	269,000	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>-</b>	<b>(280,000)</b>	<b>-</b>	<b>280,000</b>	<b>-</b>
<b>CHANGE IN FUND BALANCES</b>	<b>(665,260)</b>	<b>(575,971)</b>	<b>551,200</b>	<b>1,127,171</b>	<b>1,540,868</b>
FUND BALANCE, Beginning	1,500,000	1,715,027	1,714,726	(301)	173,858
FUND BALANCE, Ending	<b>\$ 834,740</b>	<b>\$ 1,139,056</b>	<b>\$ 2,265,926</b>	<b>\$ 1,126,870</b>	<b>\$ 1,714,726</b>

See the accompanying independent auditors' report.

UNIVERSITY PREPARATORY SCHOOLS

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

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

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Schools' proportionate share of the Net Pension Liability	0.1875%	0.2329%	0.3250%	0.5885%
Schools' proportionate share of the Net Pension Liability	\$ 974,994	\$ 1,454,407	\$ 2,705,031	\$ 6,447,369
Schools' covered-employee payroll	\$ 1,022,370	\$ 1,243,182	\$ 2,450,254	\$ 2,940,143
Schools' proportionate share of the Net Pension Liability as a percentage of its covered-employee payroll	95.4%	117.0%	110.4%	219.3%
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.

UNIVERSITY PREPARATORY SCHOOLS

SCHEDULE OF THE SCHOOLS' 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	\$ 56,153	\$ 71,507	\$ 72,890	\$ 153,284
Contributions in relation to the Statutorily required contributions	<u>56,153</u>	<u>71,507</u>	<u>72,890</u>	<u>153,284</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Schools' covered-employee payroll	\$ 1,146,934	\$ 1,481,803	\$ 2,450,254	\$ 3,521,844
Contributions as a percentage of covered-employee payroll	4.90%	4.83%	2.97%	4.35%

See the accompanying independent auditors' report.

**SUPPLEMENTARY INFORMATION**

UNIVERSITY PREPARATORY SCHOOLS

COMBINING BALANCE SHEET

June 30, 2017

	HOME OFFICE	ARAPAHOE ST. SCHOOL	STEELE ST. SCHOOL	TOTAL	
				2017	2016
<b>ASSETS</b>					
Cash	\$ 59,722	\$ 1,087,335	\$ 1,034,225	\$ 2,181,282	\$ 1,705,113
Accounts Receivable	1,952	10,401	10,518	22,871	24,950
Grants Receivable	-	-	-	-	81,944
Inventory	-	25,234	14,273	39,507	15,919
Prepaid Expenditures	247	25,107	27,354	52,708	2,265
<b>TOTAL ASSETS</b>	<b>\$ 61,921</b>	<b>\$ 1,148,077</b>	<b>\$ 1,086,370</b>	<b>\$ 2,296,368</b>	<b>\$ 1,830,191</b>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>LIABILITIES</b>					
Accounts Payable	\$ 2,624	\$ 4,107	\$ 20,517	\$ 27,248	\$ 5,465
Accrued Expenses	553	1,816	825	3,194	-
Unearned Revenues	-	-	-	-	110,000
<b>TOTAL LIABILITIES</b>	<b>3,177</b>	<b>5,923</b>	<b>21,342</b>	<b>30,442</b>	<b>115,465</b>
<b>FUND BALANCES</b>					
Nonspendable	247	50,341	41,627	92,215	18,184
Restricted for Emergencies	19,500	98,500	62,500	180,500	85,000
Unassigned	38,997	993,313	960,901	1,993,211	1,611,542
<b>TOTAL FUND BALANCES</b>	<b>58,744</b>	<b>1,142,154</b>	<b>1,065,028</b>	<b>2,265,926</b>	<b>1,714,726</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 61,921</b>	<b>\$ 1,148,077</b>	<b>\$ 1,086,370</b>	<b>\$ 2,296,368</b>	<b>\$ 1,830,191</b>

See the accompanying independent auditors' report.

UNIVERSITY PREPARATORY SCHOOLS

COMBINING SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
Year Ended June 30, 2017

	HOME OFFICE	ARAPAHOE ST. SCHOOL	STEELE ST. SCHOOL	TOTAL	
				2017	2016
REVENUES					
Local Sources	\$ 1,175,549	\$ 3,385,338	\$ 2,436,492	\$ 6,997,379	\$ 5,840,917
State and Federal Sources	-	370,798	476,168	846,966	450,883
TOTAL REVENUES	<u>1,175,549</u>	<u>3,756,136</u>	<u>2,912,660</u>	<u>7,844,345</u>	<u>6,291,800</u>
EXPENDITURES					
Current					
Instruction	-	1,975,709	1,642,703	3,618,412	2,663,039
Supporting Services	847,805	1,598,635	1,228,293	3,674,733	2,087,893
TOTAL EXPENDITURES	<u>847,805</u>	<u>3,574,344</u>	<u>2,870,996</u>	<u>7,293,145</u>	<u>4,750,932</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>327,744</u>	<u>181,792</u>	<u>41,664</u>	<u>551,200</u>	<u>1,540,868</u>
OTHER FINANCING SOURCES (USES)					
Transfers In	-	219,000	50,000	269,000	-
Transfers Out	(269,000)	-	-	(269,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>(269,000)</u>	<u>219,000</u>	<u>50,000</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	58,744	400,792	91,664	551,200	1,540,868
FUND BALANCES, Beginning	-	741,362	973,364	1,714,726	173,858
FUND BALANCES, Ending	<u>\$ 58,744</u>	<u>\$ 1,142,154</u>	<u>\$ 1,065,028</u>	<u>\$ 2,265,926</u>	<u>\$ 1,714,726</u>

See the accompanying independent auditors' report.

UNIVERSITY PREPARATORY SCHOOLS

HOME OFFICE  
 BUDGETARY COMPARISON SCHEDULE  
 Year Ended June 30, 2017

	2017			VARIANCE Positive (Negative)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES				
Local Sources				
Management Fees	\$ 638,457	\$ 641,304	\$ 641,299	\$ (5)
Grants and Donations	178,699	558,696	534,250	(24,446)
TOTAL REVENUES	817,156	1,200,000	1,175,549	(24,451)
EXPENDITURES				
Supporting Services				
Salaries	541,700	595,000	583,510	11,490
Employee Benefits	125,778	129,688	128,518	1,170
Purchased Services	130,354	123,514	120,540	2,974
Supplies and Materials	2,500	7,500	7,241	259
Property	10,000	9,188	7,732	1,456
Other	6,824	55,110	264	54,846
TOTAL EXPENDITURES	817,156	920,000	847,805	72,195
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	280,000	327,744	47,744
OTHER FINANCING SOURCES (USES)				
Transfers Out	-	(280,000)	(269,000)	11,000
CHANGE IN FUND BALANCES	-	-	58,744	58,744
FUND BALANCE, Beginning	-	-	-	-
FUND BALANCE, Ending	\$ -	\$ -	\$ 58,744	\$ 58,744

See the accompanying independent auditors' report.

UNIVERSITY PREPARATORY SCHOOLS

ARAPAHOE STREET SCHOOL  
 BUDGETARY COMPARISON SCHEDULE  
 Year Ended June 30, 2017

	2017			VARIANCE Positive (Negative)	2016 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
<b>REVENUES</b>					
Local Sources					
Per Pupil Revenue	\$ 2,558,315	\$ 2,623,398	\$ 2,623,774	\$ 376	\$ 2,551,923
Mill Levy Override	286,300	623,521	623,087	(434)	409,850
Grants and Donations	584,268	543,132	115,815	(427,317)	1,861,825
Interest	65	25	-	(25)	69
Other	43,200	66,861	22,662	(44,199)	41,742
State and Federal Sources					
Grants and Donations	232,897	250,227	370,798	120,571	254,513
<b>TOTAL REVENUES</b>	<b>3,705,045</b>	<b>4,107,164</b>	<b>3,756,136</b>	<b>(351,028)</b>	<b>5,119,922</b>
<b>EXPENDITURES</b>					
Instruction					
Salaries	1,270,757	1,308,485	1,299,268	9,217	1,762,198
Employee Benefits	382,923	319,547	314,261	5,286	398,468
Purchased Services	87,900	119,605	211,071	(91,466)	195,373
Supplies and Materials	137,600	135,100	107,156	27,944	154,156
Property	40,000	30,000	43,953	(13,953)	86,074
Total Instruction	1,919,180	1,912,737	1,975,709	(62,972)	2,596,269
Supporting Services					
Salaries	361,560	329,125	333,208	(4,083)	697,083
Employee Benefits	78,363	73,916	78,657	(4,741)	157,796
Purchased Services	1,158,479	1,262,907	1,091,799	171,108	983,175
Supplies and Materials	108,560	104,060	82,576	21,484	106,624
Property	43,052	9,000	8,264	736	7,805
Other	35,851	555,761	4,131	551,630	3,666
Total Supporting Services	1,785,865	2,334,769	1,598,635	736,134	1,956,149
<b>TOTAL EXPENDITURES</b>	<b>3,705,045</b>	<b>4,247,506</b>	<b>3,574,344</b>	<b>673,162</b>	<b>4,552,418</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>-</b>	<b>(140,342)</b>	<b>181,792</b>	<b>322,134</b>	<b>567,504</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	-	-	219,000	219,000	-
<b>CHANGE IN FUND BALANCES</b>	<b>-</b>	<b>(140,342)</b>	<b>400,792</b>	<b>541,134</b>	<b>567,504</b>
FUND BALANCE, Beginning	400,000	741,362	741,362	-	173,858
FUND BALANCE, Ending	\$ 400,000	\$ 601,020	\$ 1,142,154	\$ 541,134	\$ 741,362

See the accompanying independent auditors' report.

UNIVERSITY PREPARATORY SCHOOLS

STEELE STREET SCHOOL  
 BUDGETARY COMPARISON SCHEDULE  
 Year Ended June 30, 2017

	2017			VARIANCE Positive (Negative)	2016 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
<b>REVENUES</b>					
Local Sources					
Per Pupil Revenue	\$ 1,698,067	\$ 1,651,659	\$ 1,651,555	\$ (104)	\$ -
Mill Levy Override	286,300	412,144	411,853	(291)	-
Grants and Donations	234,850	490,510	360,807	(129,703)	975,000
Other	28,214	28,000	12,277	(15,723)	508
State and Federal Sources					
Grants and Donations	415,181	463,786	476,168	12,382	196,370
<b>TOTAL REVENUES</b>	<b>2,662,612</b>	<b>3,046,099</b>	<b>2,912,660</b>	<b>(133,439)</b>	<b>1,171,878</b>
<b>EXPENDITURES</b>					
Instruction					
Salaries	920,600	1,028,387	1,008,505	19,882	-
Employee Benefits	289,973	271,113	254,215	16,898	-
Purchased Services	134,366	142,915	138,254	4,661	-
Supplies and Materials	159,200	154,251	169,694	(15,443)	17,530
Property	94,500	137,047	72,035	65,012	49,240
Total Instruction	1,598,639	1,733,713	1,642,703	91,010	66,770
Supporting Services					
Salaries	368,600	340,459	340,399	60	-
Employee Benefits	58,997	78,589	85,697	(7,108)	-
Purchased Services	758,671	740,700	719,038	21,662	29,302
Supplies and Materials	12,300	56,464	65,310	(8,846)	7,912
Property	27,964	27,964	14,771	13,193	94,438
Other	502,701	503,539	3,078	500,461	92
Total Supporting Services	1,729,233	1,747,715	1,228,293	519,422	131,744
<b>TOTAL EXPENDITURES</b>	<b>3,327,872</b>	<b>3,481,428</b>	<b>2,870,996</b>	<b>610,432</b>	<b>198,514</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(665,260)</b>	<b>(435,329)</b>	<b>41,664</b>	<b>476,993</b>	<b>973,364</b>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	-	-	50,000	50,000	-
<b>CHANGE IN FUND BALANCES</b>	<b>(665,260)</b>	<b>(435,329)</b>	<b>91,664</b>	<b>526,993</b>	<b>973,364</b>
FUND BALANCE, Beginning	1,100,000	973,665	973,364	(301)	-
FUND BALANCE, Ending	\$ 434,740	\$ 538,336	\$ 1,065,028	\$ 526,692	\$ 973,364

See the accompanying independent auditors' report.