

**RENAISSANCE SECONDARY SCHOOL**

**BASIC FINANCIAL STATEMENTS**

**June 30, 2017**



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## **FINANCIAL SECTION**



## JOHN CUTLER & ASSOCIATES

Board of Directors  
Renaissance Secondary School  
Castle Rock, Colorado

### INDEPENDENT AUDITORS' REPORT

#### Report on the Financial Statements

We have audited the accompanying financial statements governmental activities, each major fund, and the aggregate remaining fund information of Renaissance Secondary School (the "School"), a component unit of the Douglas County School District RE-1, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

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

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

#### 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 and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 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, each major fund, and the aggregate remaining fund information of Renaissance Secondary School, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flows 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 and the budgetary comparison information on page 20 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*John Cutler & Associates, LLC*

December 7, 2017

**Renaissance Secondary School**  
**(A Component Unit of the Douglas County School District RE.1)**  
**Management's Discussion and Analysis (Unaudited)**  
**As of and for the Year Ended June 30, 2017**

As management of the Renaissance Secondary School (the School), we offer readers of the Renaissance Secondary School financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2017.

**Financial Highlights**

The period ending June 30, 2017 is year zero or the planning year. The School's first fiscal year of operations will begin July 1, 2017. Liabilities of the School exceeded its assets at June 30, 2017 by \$171,028. This negative net position is a result of financing the building construction and its associated debt issuance expense.

At the close of the fiscal year the School's General fund reported an ending fund balance of \$81,024. This beginning balance will help support meeting the Tabor and bond covenant cash requirement measured on June 30, 2018.

**Overview of Financial Statements**

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

**Government-wide Financial Statements**

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

The statement of net position presents information on all the School's 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 School is improving or deteriorating.

The statement of activities presents information showing how the School'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 financial statement of activities distinguish functions/programs of the School, which will be supported primarily by per pupil revenue (PPR) passed through from the District (Douglas County School District). The governmental activities of the School include instruction and supporting expenses.

**Renaissance Secondary School**  
**(A Component Unit of the Douglas County School District RE.1)**  
**Management's Discussion and Analysis (Unaudited)**  
**As of and for the Year Ended June 30, 2017**

The government-wide financial statements can be found on pages 1-2 of this report.

**Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other governmental units or charter schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School can be divided into two categories: governmental funds and proprietary funds.

**Governmental Funds** - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School'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 School'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 School maintains one governmental fund the General Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and is considered to be a major fund.

**Proprietary Funds** - Services for which the School charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The School's internal service fund (one type of proprietary fund) is the same as its business-type activities but provides more detail and additional information such as cash flow analysis. The School reports one proprietary fund the Building Corporation.

The School adopts an annual appropriations budget for its General Fund. A budgetary comparison statement has been provided for the General Fund on page 20.

**Renaissance Secondary School**  
**(A Component Unit of the Douglas County School District RE.1)**  
**Management's Discussion and Analysis (Unaudited)**  
**As of and for the Year Ended June 30, 2017**

**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 9-19.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial condition. In the case of the School, liabilities exceeded assets by \$171,028 for all government funds and business type activities at the close of the most recent fiscal year.

**Renaissance Secondary's Net Position**  
**For the Year Ended June 30, 2017**

ASSETS	Governmental and Business Type Activities <u>30-Jun-17</u>
Cash and Investments	\$ 93,288
Restricted Investments	5,098,224
Receivables and Prepaid Items	171,408
Capital Assets Not Depreciated	8,431,792
Capital Net of Accumulated Depreciation	124,176
Total Assets	13,918,888
LIABILITIES	
Accounts Payable	1,498,764
Accrued Salaries and Benefits	13,952
Accrued Interest	57,100
Deferred Revenue	70,100
Noncurrent - Due Within One Year	45,000
Noncurrent – Due in More Than One Year	12,405,000
Total Liabilities	14,089,916
NET POSITION	
Investment in Capital Assets, Net	1,080,116
Restricted for Emergencies	1,000
Unrestricted	(1,252,044)
Total Net Position	\$ (171,028)

**Renaissance Secondary School**  
**(A Component Unit of the Douglas County School District RE.1)**  
**Management's Discussion and Analysis (Unaudited)**  
**As of and for the Year Ended June 30, 2017**

The majority of the School's assets (61.4%) are in net capital assets. 37.3% percent of total assets represent cash, restricted cash and investments. The School's net position is negative due to the debt issuance expense and not being fully operational.

**Renaissance Secondary's Change in Net Position**  
**For the Years Ended June 30, 2017**

	<u>June 30, 2017</u>
Program Revenue:	
Grants and Contributions	196,500
Total Program Revenue	<u>196,500</u>
General Revenue:	
Investment Earnings	13,306
Other	31,068
Total General Revenue	<u>44,374</u>
Total Revenue	<u>240,874</u>
Expenses:	
Current:	
Instruction	239,101
Supporting Services	175,457
Total Expenses	<u>414,558</u>
Increase (Decrease) in Net Position	(173,684)
Beginning Net Position, July 1	<u>2,656</u>
Ending Net Position, June 30	<u>\$ (171,028)</u>

**Financial Analysis of the Government's Funds**

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

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

**Renaissance Secondary School**  
**(A Component Unit of the Douglas County School District RE.1)**  
**Management's Discussion and Analysis (Unaudited)**  
**As of and for the Year Ended June 30, 2017**

As of the end of the current fiscal year, June 30, 2017, the School's General Fund reported an ending fund balance of \$81,024, an increase of \$78,368 or 2,951%.

**General Fund Budgetary Highlights**

The School approves a budget prior to June 30th based on enrollment projections or Full Time Equivalents (FTE) for the following school year. In October after enrollment stabilizes, adjustments are made to the budget. FY17, Year Zero, was a planning and preparation year with no enrollment. The School primarily executed the Start-Up grant awarded by the Colorado Department of Education and built the facility. The Grant award was \$196,500 and was instrumental in acquiring the necessary supplies, equipment and technology needed to open the School.

**Capital Asset and Debt Administration**

**Capital Assets** The School's investment in capital assets is anticipated to improve over the coming years as asset additions are made and contributed to the internal service fund (Building Corporation). FY17 was a year of construction. Total assets acquired were \$8,555,968. No depreciation was taken as the building was still under construction at June 30, 2017. Please see Note 4 for a breakdown of total assets.

**Long-Term Lease Agreement**

The School entered into a lease agreement with the Building Corporation in October, 2016. The lease will be renewed annually and expire each June 30<sup>th</sup>. Debt was issued in the amount of \$12,450,000 on October 14, 2016. The proceeds of the loan were used to begin construction of the School. The loan will mature June 30, 2021 at which time a balloon payment of \$11,796,700 will be due and paid by the proceeds from an executed refinancing. Currently the interest rate on the debt ranges between 5.5% and 6.5% per annum with annual debt service ranging from \$387,600 to \$880,275. The lease calls for monthly base rental payments ranging from \$63,942.92 to \$72,930.63, intercepted by the State Treasurer/District.

The School has agreed to maintain a Debt Service reserve of \$881,000 and a Repair and Replacement reserve \$125,000. In addition, the School will need to meet a Debt Service coverage ratio of 1.10X measured on June 30<sup>th</sup> of each year beginning in 2018 in addition to maintaining 50 days of cash on hand.

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

In November of 2000 voters in Colorado approved a provision to the Colorado constitution providing that K-12 funding would increase at pupil growth, plus inflation, plus 1% for 10 years and thereafter, growth plus inflation. This provision expired in FY 11 and continues without the 1% increase. The FY19 Governor's budget was released in November and calls for a 4.5% increase in PPR. With Colorado unemployment in the low single digits, it is likely K-12 funding will continue to improve in the coming years.

**Renaissance Secondary School**  
**(A Component Unit of the Douglas County School District RE.1)**  
**Management's Discussion and Analysis (Unaudited)**  
**As of and for the Year Ended June 30, 2017**

The School's FY18 budget calls for a total appropriation of \$3,535,938 based on a student enrollment of 360. The budget anticipates an increase in Fund Balance of \$191,899. The projected ending Fund Balance should address any bond covenant requirements.

**Requests for Information**

This financial report is designed to provide a general overview of the Renaissance Secondary's finances for those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Renaissance Secondary School, Attn: Business Office, 3954 Trail Boss Lane, Castle Rock, CO 80104.

## **BASIC FINANCIAL STATEMENTS**

RENAISSANCE SECONDARY SCHOOL

STATEMENT OF NET POSITION

June 30, 2017

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 93,288
Restricted Investments	5,098,224
Accounts Receivable	167,188
Prepaid Expenses	4,220
Capital Assets, Not Depreciated	8,431,792
Capital Assets, Depreciated	
Net of Accumulated Depreciation	<u>124,176</u>
 TOTAL ASSETS	 <u>13,918,888</u>
LIABILITIES	
Accounts Payable	1,498,764
Accrued Salaries and Benefits	13,952
Accrued Interest	57,100
Deferred Revenue	70,100
Noncurrent Liabilities	
Due Within One Year	45,000
Due in More Than One Year	<u>12,405,000</u>
 TOTAL LIABILITIES	 <u>14,089,916</u>
NET POSITION	
Investment in Capital Assets	1,080,016
Restricted for Emergencies	1,000
Unrestricted	<u>(1,252,044)</u>
 TOTAL NET POSITION	 <u>\$ (171,028)</u>

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

RENAISSANCE SECONDARY SCHOOL

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2017

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			Net (Expense)	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Change in Net Position
<b>Governmental Activities</b>					<b>Governmental Activities</b>
Instruction	\$ 239,101	\$ -	\$ 196,500	\$ -	\$ (42,601)
Supporting Services	175,457	-	-	-	(175,457)
Total Governmental Activities	<u>\$ 414,558</u>	<u>\$ -</u>	<u>\$ 196,500</u>	<u>\$ -</u>	<u>(218,058)</u>
		GENERAL REVENUES			
			Investment Earnings		13,306
			Other Revenues		31,068
			TOTAL GENERAL REVENUES		<u>44,374</u>
			CHANGE IN NET POSITION		(173,684)
			NET POSITION, Beginning		<u>2,656</u>
			NET POSITION, Ending		<u>\$ (171,028)</u>

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

RENAISSANCE SECONDARY SCHOOL

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2017

	<u>General Fund</u>
ASSETS	
Cash and Investments	\$ 93,288
Accounts Receivable	164,718
Prepaid Expenditures	<u>4,220</u>
TOTAL ASSETS	<u>\$ 262,226</u>
LIABILITIES AND FUND BALANCES	
LIABILITIES	
Accounts Payable	\$ 97,150
Accrued Salaries and Benefits	13,952
Deferred Revenue	<u>70,100</u>
TOTAL LIABILITIES	<u>181,202</u>
FUND BALANCES	
Nonspendable	4,220
Restricted for Emergencies	1,000
Unassigned	<u>75,804</u>
TOTAL FUND BALANCES	81,024
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.	124,176
Internal Service funds are used by management to charge the lease costs to governmental funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net assets.	<u>(376,228)</u>
Net position of governmental activities	<u>\$ (171,028)</u>

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

RENAISSANCE SECONDARY SCHOOL

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

	General Fund
REVENUES	
Local Sources	\$ 31,091
State and Federal Sources	196,500
	<hr/>
TOTAL REVENUES	227,591
	<hr/>
EXPENDITURES	
Current	
Instruction	239,101
Supporting Services	22,874
	<hr/>
TOTAL EXPENDITURES	261,975
	<hr/>
OTHER FINANCING SOURCES (USES)	
Transfers In	137,752
Transfers Out	(25,000)
	<hr/>
TOTAL OTHER FINANCING SOURCES (USES)	112,752
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NET CHANGE IN FUND BALANCES	78,368
	<hr/>
FUND BALANCES, Beginning	2,656
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FUND BALANCES, Ending	\$ 81,024
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The accompanying notes are an integral part of the financial statements.

RENAISSANCE SECONDARY SCHOOL

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	\$	78,368
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 of capital outlay in the current period.		124,176
The Internal Service fund is used by management to charge the cost of lease payments to the governmental funds. The net revenue of the internal service fund is reported with the governmental activities.		<u>(376,228)</u>
Change in net position of governmental activities	\$	<u><u>(173,684)</u></u>

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



RENAISSANCE SECONDARY SCHOOL

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

	Governmental Activities - Internal Service Fund
	<u>                    </u>
OPERATING REVENUES	
Rent	\$ -
OPERATING EXPENSES	
Purchased Services	272,150
Other	<u>4,609</u>
TOTAL OPERATING EXPENSES	<u>276,759</u>
OPERATING INCOME	<u>(276,759)</u>
NON-OPERATING REVENUES (EXPENSES)	
Investment Income	13,283
Interest Expense	<u>-</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>13,283</u>
INCOME BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	<u>(263,476)</u>
TRANSFERS AND CAPITAL CONTRIBUTIONS	
Transfers	<u>(112,752)</u>
TOTAL TRANSFERS AND CAPITAL CONTRIBUTIONS	<u>(112,752)</u>
NET INCOME (LOSS)	(376,228)
NET POSITION, Beginning	<u>-</u>
NET POSITION, Ending	<u>\$ (376,228)</u>

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

RENAISSANCE SECONDARY SCHOOL

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND TYPES  
 Year Ended June 30, 2017  
 Increase (Decrease) in Cash

	Governmental Activities - Internal Service Fund
	<u>Fund</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Cash Received from Rent	\$ -
Cash Paid to Suppliers	<u>1,124,855</u>
Net Cash Provided by Operating Activities	<u>1,124,855</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment Income	<u>13,283</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Capital Purchases	(8,431,792)
Proceeds from Issuance of Debt	12,450,000
Interest Payable	(2,470)
Interest Receivable	<u>57,100</u>
Net Cash Provided by Financing Activities	<u>4,072,838</u>
<b>CASH FLOWS FROM NON CAPITAL RELATED FINANCING ACTIVITIES</b>	
Transfers Out	<u>(112,752)</u>
<b>NET INCREASE IN CASH</b>	5,098,224
CASH, Beginning	<u>-</u>
CASH, Ending	<u>\$ 5,098,224</u>
<b>RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES</b>	
Operating Income	<u>\$ (276,759)</u>
Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities	
Changes in Assets and Liabilities	
Accounts Payable	<u>1,401,614</u>
Total Adjustments	<u>1,401,614</u>
Net Cash Provided by Operating Activities	<u>\$ 1,124,855</u>

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

RENAISSANCE SECONDARY SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

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

Renaissance Secondary School (the “School”) was organized pursuant to the Colorado Charter Schools Act to form and operate a Charter School within the Douglas County School District (the “District”) in the State of Colorado.

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

**Reporting Entity**

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

Renaissance Secondary School Building Corporation

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

The School is a component unit of the Douglas County 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 School. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported in a single column.

RENAISSANCE SECONDARY SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

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

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

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

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

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

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

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

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

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

RENAISSANCE SECONDARY SCHOOL  
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)

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

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

The School reports the following major governmental fund:

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

Additionally, the School reports the following fund types:

The *Internal Service Fund* is used to account for activity of the Building Corporation.

**Deferred Outflows/Inflows of Resources**

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

In addition to liabilities, the statement of financial position and balance sheets will sometimes report a separate section for deferred inflows or resources. This separate financial statement element, deferred inflow of resources, represents an acquisition of net position and fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

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

*Investments* – Investments are recorded 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.

RENAISSANCE SECONDARY SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

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

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

*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.

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

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: buildings and improvements 20 - 40 years; equipment 5 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. Issuance costs are recognized in the current period. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

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

RENAISSANCE SECONDARY SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

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

**Assets, Liabilities and Fund Balance/Net Position** (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 School is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable – This classification includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at June 30, 2017, by the School are nonspendable in form as prepaid expenses.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The School has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The School did not have any committed resources as of June 30, 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 School would typically use restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned.

RENAISSANCE SECONDARY SCHOOL

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

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

**Risk Management**

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School carries commercial coverage for these risks of loss. Settled claims have not exceeded insured amounts in the last three years.

**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.

School management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1. The budget is adopted by the Board of Directors by June 30th. 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**

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

Deposits	\$ 93,288
Investments	<u>5,098,224</u>
Total	<u>\$ 5,191,512</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 School are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA.

RENAISSANCE SECONDARY SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

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

PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group.

The market value of the collateral must be at least equal to 102% of the uninsured deposits. The School has no policy regarding custodial credit risk for deposits.

At June 30, 2017, the School had deposits with financial institutions with a carrying amount of \$93,288. The bank balances with the financial institutions were \$122,434 which were covered by federal depository insurance.

**Investments**

Interest Rate Risk

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

**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

It is the School's policy to follow Colorado State statutes guidelines for managing credit risk or interest rate risk.

RENAISSANCE SECONDARY SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

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

Fair Value

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

The District invested \$5,098,224 in a Money Market Mutual Fund. Portfolio investments are assigned a level based upon the observability of the inputs which are significant to the overall valuation. The inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The fair value of investments in money market funds is based on the published net asset values per share of those funds. Money market securities are valued using amortized cost, in accordance with Rule 2a-7 under the 1940 Act. Generally, amortized cost approximates the current fair value of a security, but since the value is not obtained from a quoted price in an active market, such securities held by Prime Series and Government Series are categorized as Level 2.

Restricted Cash and Investments

Cash and investments in the amount of \$5,098,224 are restricted in the Building Corporation for debt service requirements.

RENAISSANCE SECONDARY SCHOOL  
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>
<b>Governmental Activities</b>				
Capital assets, Not Depreciated				
Construction in Progress	\$ -	8,431,792	-	\$ 8,431,792
Capital Assets, Being Depreciated				
Machinery and Equipment	-	124,176	-	124,176
Accumulated Depreciation				
Machinery and Equipment	-	-	-	-
Total Accumulated Depreciation	-	-	-	-
Net Capital Assets	<u>\$ -</u>	<u>\$ 8,555,968</u>	<u>\$ -</u>	<u>\$ 8,555,968</u>

Depreciation expense is charged to the supporting services program of the School.

**NOTE 5: ACCRUED SALARIES AND BENEFITS**

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from August to July, but are earned during the school year of nine months. The salaries and benefits earned, but unpaid, as of June 30, 2017, were \$13,952 in the General Fund.

**NOTE 6: LONG-TERM DEBT**

Following is a summary of the School'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>
2016A Bonds	\$ -	\$12,405,000	\$ -	\$ 12,405,000	\$ -
2016B Bonds	-	45,000	-	45,000	45,000
<b>Total</b>	<u>\$ -</u>	<u>\$12,450,000</u>	<u>\$ -</u>	<u>\$ 12,450,000</u>	<u>\$ 45,000</u>

RENAISSANCE SECONDARY SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 6: LONG-TERM DEBT**(Continued)

**2016 Bonds Payable**

In October 2016, the Public Finance Authority issued \$12,450,000 Charter School Revenue Bonds. Proceeds of the bonds were used by the Corporation to finance the costs of: (a) constructing improvements to the Land in which the Corporation has a leasehold interest located at 3960 Trail Boss Lane, Castle Rock, Colorado 80104; (b) funding a bond reserve fund for the Series; (c) funding capitalized interest on the Series 2016 Bonds; and (d) paying the costs of issuance of the Series 2016 Bonds. The School is obligated under a lease agreement to make monthly lease payments to the Corporation for the use of educational facilities. The Corporation is required to make equal loan payments to the Trustee, for payment of the bonds. The 2016A and 2016B bonds accrue in the amount of 5.50% and 6.50% per annum respectively. Interest payments are due semi-annually on June 1 and December 1. Principal payments are due annually on June 1, through 2021.

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 45,000	\$ 685,200	\$ 730,200
2019	195,000	682,275	877,275
2020	205,000	671,550	876,550
2021	<u>12,005,000</u>	<u>660,275</u>	<u>12,665,275</u>
Total	<u>\$ 12,450,000</u>	<u>\$ 2,699,300</u>	<u>\$ 15,149,300</u>

**NOTE 7: COMMITMENTS AND CONTINGENCIES**

**Claims and Judgments**

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

RENAISSANCE SECONDARY SCHOOL  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 7:**     *COMMITMENTS AND CONTINGENCIES* (Continued)

**Tabor Amendment**

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The School believes it has complied with the Amendment.

As required by the Amendment, the School has established a reserve for emergencies. At June 30, 2017, the reserve of \$1,000 was recorded as a reservation of fund balance in the General Fund.

**REQUIRED SUPPLEMENTARY INFORMATION**

RENAISSANCE SECONDARY SCHOOL

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2017

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Local Sources			
Grants and Donations	\$ 92,000	\$ 31,068	\$ (60,932)
Interest	-	23	23
State and Federal Sources			
State and Federal Grants	196,500	196,500	-
 TOTAL REVENUES	 288,500	 227,591	 (60,909)
EXPENDITURES			
General Government			
Current			
Salaries	31,365	31,506	(141)
Employee Benefits	10,979	11,778	(799)
Purchased Services	33,342	31,241	2,101
Supplies and Materials	53,464	52,614	850
Property	134,350	134,776	(426)
Other	-	60	(60)
 TOTAL EXPENDITURES	 263,500	 261,975	 1,525
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 25,000	 (34,384)	 (59,384)
OTHER FINANCING USES			
Transfers In	-	137,752	137,752
Transfers Out	(25,000)	(25,000)	-
 TOTAL OTHER FINANCING SOURCES (USES)	 (25,000)	 112,752	 137,752
 NET CHANGE IN FUND BALANCE	 -	 78,368	 78,368
 FUND BALANCE, Beginning	 -	 2,656	 2,656
 FUND BALANCE, Ending	 \$ -	 \$ 81,024	 \$ 81,024

See the accompanying independent auditors' report.