Stone Creek Charter School

Financial Report

June 30, 2017

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Stone Creek Charter School
June 30, 2017

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INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
Stone Creek Charter School
Avon, Colorado

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Stone Creek Charter School (the "School"), as of and for the year ended June 30, 2017, which collectively comprise the School's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with account principles generally accepted in the United State 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 an opinion 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 of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of Stone Creek Charter School 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

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis in Section B, the Schedule of Employer's Proportionate Share of the Net Pension Liability and the Schedule of District Contributions in Section E, 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.

The budgetary comparison schedule in Section E is not a required part of the District's basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures in accordance with auditing standards generally accepted in the United States of America. However, 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.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
October 11, 2017

MANAGEMENT’S DISCUSSION AND ANALYSIS

Stone Creek Charter School
Management's Discussion and Analysis
As of and for the fiscal year ended June 30, 2017

As management of the Stone Creek Charter School (the "School"), we offer readers of the School's 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 assets and deferred outflows of the School were exceeded by its liabilities and deferred inflows as of June 30, 2017 by $4,438,494 resulting deficit net position. Due to the long-term obligation for pension, the School was not able to report a positive amount for unrestricted net position.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements have three components: 1) school-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

School-wide Financial Statements: The school-wide financial statements are designed to provide readers with a broad overview of the School's finances, using accounting methods similar to those used by a private-sector business.

The Statement of Net Position presents information on all the School's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the 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 taxes and changes in long-term compensated absences).

The school-wide financial statements distinguish functions of the School that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion their costs through user fees and charges (business-type activities). The School only reports governmental activities.

- **Governmental activities**: The School's basic services are included here, such as instructional services, support services, student activities, activities relating to building maintenance and operations, technology and administration.

The school-wide financial statements can be found on pages C1 and C2 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 fund financial statements provide more detailed information about the operations of the School by fund instead of the School as a whole.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the school-wide financial statements. However, unlike the school-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 a government's near-term financing requirements. The School's only fund is a governmental fund.

Because the focus of governmental funds is narrower than that of the school-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the school-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The basic major governmental fund financial statements can be found on pages C1 – C2.

The School adopts an annual appropriated budget for its fund. A budgetary comparison statement has been provided to demonstrate compliance with state budget statutes on page E1.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the school-wide and fund financial statements. The Notes to the Financial Statements can be found at section D of this report.

School-wide Financial Analysis:

The following table provides a comparative summary of the School's net position as of June 30, 2017 and 2016:

Stone Creek Charter School Summary of Net Position

	2017	2016
Assets:		
Current and other assets	$ 813,551	$ 698,143
Capital assets	104,952	121,760
Total Assets	918,503	819,903
Deferred Outflows:		
Pension related deferred outflow	3,546,411	838,313
Total Deferred Outflows	3,546,411	838,313
Liabilities:		
Other liabilities	117,503	111,856
Long-term liabilities	8,695,233	4,391,943
Total Liabilities	8,812,736	4,503,799
Deferred Inflows:		
Prepaid tuition and fees	51,385	45,125
Pension related deferred inflow	39,287	61,990
Total Deferred Inflows	90,672	107,115
Net Position:		
Net investment in capital assets	104,952	121,760
Restricted for emergency	80,587	80,587
Unrestricted	(4,624,033)	(3,155,045)
Total Net Position	$ (4,438,494)	$ (2,952,698)

Of total assets, 11% are capital assets (e.g. land, buildings, and equipment). The decrease from 15% in 2016 is comprised of current year depreciation expense of $16,808. The School uses these assets to provide instruction and related services to its students.

Note that net position may serve as an indicator of the School's financial position over time. The School's net position for governmental activities has decreased during the current year (see further discussion below).

The following table presents a summary of activities and changes in net position for the fiscal years ended June 30, 2017 and 2016:

Stone Creek Charter School Summary of Activities and Changes in Net Position

	2017	2016
Revenues:		
Per pupil funding	$ 2,073,174	$ 2,074,709
Tuition and fees	87,340	98,350
Contribution from private sources	330,292	297,051
State sources	164,863	165,662
Federal sources	84,634	88,137
Other	1,077	546
Total Revenues	2,741,380	2,724,455
Expenditures/Expenses:		
Direct instruction	3,407,635	2,378,868
Operation and maintenance	62,311	57,998
General and school administration	757,230	530,817
Total Expenditures/Expenses	4,227,176	2,967,683
Change in Net Position	(1,485,796)	(243,228)
Net Position - July 1 (Restated)	(2,952,698)	(2,709,470)
Net Position - June 30	$ (4,438,494)	$ (2,952,698)

Governmental Activities: Net position from governmental activities decreased $1,485,796. This decrease was a result of changes to the PERA State and School Division Trust Fund reporting assumptions, and the resulting increase in net pension liabilities allocated to the School. Moreover, PERA blended their investment rate of return assumption of 7.5% from last year with a 3.86% rate of return for municipal bonds to create a new discount rate of 5.26%. Further, this lower return rate increased the collective net pension liabilities for the State and School Division Trust Fund by approximately $17.9 billion. As a result, the School's total net pension liability increased $4.3 million.

The majority of School's operating revenues are generated from Total Program Funding as determined by the School Finance Act of 1994 (see further discussion in Economic Factors below). Total Program Funding is comprised of general fund property taxes, specific ownership taxes and state equalization as enumerated above.

Financial Analysis of the School's Funds

The School utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of the School'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 balances may serve as a useful measure of the School's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the School's governmental fund reported ending fund deficit of $662,919, a decrease of $103,505 from the prior year ending fund balance.

Budget Variances in the General Fund: The School's budget is prepared according to Colorado law and is based on accounting for certain transactions on a basis of cash receipts and disbursements. Original and final adopted budgets, as well as variances between actual revenues, expenditures, and final budgeted amounts are reflected on page E1 of the audited financial statements.

Significant variances between budgeted and actual results for the General Fund:

Account	Variance Positive (Negative)	Reason
Revenues:		
Contributions from private sources	173,612	Increased community donations including $75,000 donated from Harold W. & Mary Louise Shaw Foundation.
Per pupil funding	56,921	At-risk funding adjustment less than expected and PPR was more than expected.
Expenditures:		
Direct instruction	(1,302,067)	Increased PERA contributions as a result of the change in PERA liability
General and school administration	(304,219)	Increased PERA contributions as a result of the change in PERA liability

Capital Assets: The School's capital assets, net of accumulated depreciation, totaled $104,952 as of June 30, 2017. The School capitalizes assets, including land, buildings and improvements, equipment and construction in progress, with an original cost greater than $5,000 and a useful life of more than two years.

Additional information as well as a detailed classification of the School's net capital assets can be found in the Notes to the Financial Statements.

Long-Term Liabilities: As of the end of the current fiscal year, the School has long-term debt of $8,695,233. This primarily includes the Net Pension Liability of $8,695,233.

Additional information, as well as a detailed classification of the School's total long-term liabilities, can be found in the Notes to the Financial Statements section of this report.

Economic Factors:

Enrollment at the end of June 30, 2017 decreased 4.8% to 273.1 students as compared to enrollment at June 30, 2016, of 277.9 students. The District enrollment is estimated to be 310.9 for the fiscal year ending June 30, 2018.

Next Year's Budget and Fund Balance: The fund balance for the School's General Fund at the end of fiscal year 2017 is $662,919. The fiscal year 2018 budget is fiscally balanced.

Request for Information

This financial report is designed to provide a general overview of the School's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Stone Creek Charter School, School Headmaster, P. O. Box 5670, Avon, Colorado 81620.

GOVERNMENT-WIDE FINANCIAL STATEMENTS / FUND FINANCIAL STATEMENTS

Stone Creek Charter School
Balance Sheet / Statement of Net Position
June 30, 2017

	General Fund	Adjustments	Statement of Net Position
Assets:			
Cash and cash equivalents	748,884	-	748,884
Accounts receivable, net of allowance	42,124	-	42,124
Deposits	22,543	-	22,543
Capital assets, net of accumulated depreciation	-	104,952	104,952
Total Assets	813,551	104,952	918,503
Deferred Outflows:			
Pension related deferred outflows	-	3,546,411	3,546,411
Total Deferred Outflows	-	3,546,411	3,546,411
Liabilities:			
Current Liabilities:			
Accounts payable	11,108	-	11,108
Accrued payroll and related liabilities	88,139	-	88,139
Loan payable - due within one year	-	18,256	18,256
Total Current Liabilities	99,247	18,256	117,503
Noncurrent Liabilities:			
Net pension liability	-	8,695,233	8,695,233
Total Noncurrent Liabilities	-	8,695,233	8,695,233
Total Liabilities	99,247	8,713,489	8,812,736
Deferred Inflows:			
Prepaid tuition and fees	51,385	-	51,385
Pension related deferred inflows	-	39,287	39,287
Total Deferred Inflows	51,385	39,287	90,672
Fund Balances / Net Position:			
Fund Balance:			
Non-spendable	22,543	(22,543)	
Restricted for emergencies	80,587	(80,587)	
Unassigned	559,789	(559,789)	
Total Fund Balance	662,919	(662,919)	
Total Liabilities, Deferred Inflows and Fund Balance	813,551		
Net Position (Deficit):			
Net investment in capital assets		104,952	104,952
Restricted for emergencies		80,587	80,587
Unrestricted		(4,624,033)	(4,624,033)
Total Net Position		(4,438,494)	(4,438,494)

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

Stone Creek Charter School
Statement of Revenues, Expenditures and Changes in Fund Balance / Statement of Activities
For the Year Ended June 30, 2017

	General Fund	Adjustments	Statement of Activities
Revenues:			
Per pupil funding	2,073,174	-	2,073,174
Tuition and fees	87,340	-	87,340
Contributions from private sources	330,292	-	330,292
State sources	164,863	-	164,863
Federal sources	84,634	-	84,634
Other	1,077	-	1,077
Total Revenues	2,741,380	-	2,741,380
Expenditures / Expenses:			
Direct instruction	2,075,552	1,332,083	3,407,635
Operation and maintenance	55,588	6,723	62,311
General and school administration	488,479	268,751	757,230
Principal	18,256	(18,256)	-
Total Expenditures / Expenses	2,637,875	1,589,301	4,227,176
Excess (Deficiency) of Revenues Over Expenditures	103,505	(1,589,301)	(1,485,796)
Change in Fund Balance / Net Position	103,505	(1,589,301)	(1,485,796)
Fund Balance / Net Position:			
Beginning of the Year	559,414		(2,952,698)
End of the Year	662,919		(4,438,494)

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

NOTES TO THE FINANCIAL STATEMENTS

I. Summary of Significant Accounting Policies

Stone Creek Charter School (the "School") was formed in 2005 to enable students to achieve academic excellence and to become self-motivated, competent, lifelong learners by providing a multi-cultural, student-centered environment, utilizing the tools of rigorous, sequenced, research-based education programs.

The School was incorporated in the State of Colorado as a non-profit organization, pursuant to the articles of incorporation dated October 29, 2005.

Additionally, on January 26, 2006, The Colorado Charter School Institute ("CSI") approved a charter to the School, operating within the geographical boundaries of Eagle County, Colorado, beginning with the 2006-2007 school year. As a result, the School is both a non-profit organization and a public entity.

The Colorado Charter School Institute is an independent agency within the Colorado Department of Education ("CDE"), established as a local education agency and public authority legally constituted within the State for the administrative control and direction of public elementary schools and secondary schools in the State of Colorado. All Charter Schools within the Colorado Charter School Institute are part of the free public school system and are required to be established and maintained in accordance with Section 2 of Article IX of the State Constitution. Charter Schools are financed from a portion of School Finance Act revenues and from revenues generated by the School, within the limits established by the Charter School Act, *CRS Section 22-30-101.* The School operates under an elected Board of Directors and follows state and federal accounting and reporting requirements in compliance with the terms of its approved charter.

The School's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP used by the School are discussed below.

A. Reporting Entity

The reporting entity consists of (a) the primary government; i.e., the School, and (b) organizations for which the School is financially accountable. The School is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the School. Consideration is also given to other organizations, which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the School. Organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

I. Summary of Significant Accounting Policies (continued)

B. School-wide and Fund Financial Statements

1. School-wide Financial Statements

The School's basic financial statements include both school-wide (financial activities of the overall School) and fund financial statements (reporting the School's major funds). Both the school-wide and fund financial statements categorize primary activities as either governmental or business type. The School does not have any business-type activities, only governmental activities. Governmental activities generally are financed through per pupil revenue allocations from the State Department of Education, fees charged for services, intergovernmental revenues, and other non-exchange transactions.

In the school-wide Balance Sheet / Statement of Net Position, the Statement of Net Position column is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The School's net position is reported in three parts—net investment in capital assets; restricted net position; and unrestricted net position.

The School-wide focus is on the sustainability of the School as an entity and the change in the School's net position resulting from the current year's activities.

2. Fund Financial Statements

The financial transactions of the School are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures / expenses. The fund focus is on current available resources and budget compliance.

The School reports the following major governmental fund:

The *General Fund* is the School's primary operating fund. It accounts for all financial resources of the School, except those required to be accounted for in another fund.

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

I. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

1. Long-term Economic Focus and Accrual Basis

Governmental activities in the school-wide financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

2. Current Financial Focus and Modified Accrual Basis

The School fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. The School considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

D. Financial Statement Accounts

1. Cash and Cash Equivalents

Cash and cash equivalents are defined as deposits that can be withdrawn at any time without notice or penalty and investments with original maturities of three months or less.

2. Receivables

The School uses the allowance method for recognition of uncollectible receivables, whereby an allowance for possible uncollectibility is established when collection becomes doubtful.

3. Capital Assets

Capital assets, which include buildings and improvements, furniture, fixtures, and equipment, are reported in the school-wide financial statements. The School defines capital assets as assets with an initial cost of $5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost where historical records are available and at an estimated historical cost where no historical record exists. Donated capital assets are recorded at estimated fair value at the date of donation.

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

3. Capital Assets (continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed asset, as applicable.

Capital outlay for projects is capitalized as projects are constructed. Interest incurred during the construction phase, if applicable, is capitalized as part of the value of the assets.

Buildings and improvements, furniture, fixtures and equipment are depreciated using the straight-line method over the following estimated useful lives:

Capital Assets	Years
Buildings and improvements	10 - 39
Furniture, fixtures and equipment	5 - 7

4. Long-term Obligations

In the school-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statements of Net Position. In the fund financial statements, the School records the face amount of debt issued as other financing sources.

5. Pensions

The School participates in the School Division Trust Fund (“SCHDTF”), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees’ Retirement Association of Colorado (“PERA”). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to / deductions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

6. Deferred Inflows and Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditure) until then. The School has one item that qualifies for reporting in this category, the pension related deferred outflows reported in the statement of net position.

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

6. Deferred Inflows and Outflows of Resources (continued)

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School has two types of items that qualify for reporting in this category, prepaid tuition and pension related deferred inflows.

See Note IV (G) below for discussion on pension related deferred outflows and inflows.

7. Categories and Classification of Fund Balance

Governmental accounting standards establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, include Non-spendable, Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund Balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the general fund. The general fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance. For further details of the various fund balance classifications refer to Note IV (H).

8. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the School's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

II. Reconciliation of School-wide and Fund Financial Statements

A. Explanation of differences between the governmental fund Balance Sheet and the school-wide Statement of Net Position

The governmental fund Balance Sheet / school-wide Statement of Net Position includes an adjustment column. Explanations of adjustments included in this column are as follows:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The adjustment of $104,952 represents the net book value of capital assets of $310,093 and accumulated depreciation of $205,140 at June 30, 2017.

II. Reconciliation of School-wide and Fund Financial Statements (continued)

A. Explanation of differences between the governmental fund Balance Sheet and the school-wide Statement of Net Position (continued)

Another element of the reconciliation represents long-term liabilities that are not due and payable with current financial resources. The adjustments of $18,256 and $8,695,233 represent the note payable and net pension liability balances at June 30, 2017.

Other reconciling items include changes in pension related actuarial assumptions, proportion of collective pension amounts, difference between actual and expected experience and investment earnings, and difference between actual and annualized contributions to the pension plan are recorded as deferred inflows or outflows of resources and amortized over the average remaining service life of all active and inactive plan members. For the year ending June 30, 2017 pension changes include:

Unamortized Pension-related Deferred Outflows:		
Change in investment return difference	$	290,751
Change in proportionate share		210,518
Change in actual and reported contributions difference		438
Change in contributions after measurement date		114,577
Change in actuarial assumptions		2,821,422
Change in pension experience		108,705
Total	$	3,546,411
Unamortized Pension-related Deferred Inflows:		
Change in pension experience	$	76
Change in actuarial assumptions		39,211
Total	$	39,287

B. Explanation of differences between the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and the school-wide Statement of Activities

The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance / school-wide Statement of Activities includes an adjustment column. Explanations of adjustments included in this column are as follows:

One element of the adjustment column accounts for governmental funds reporting capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Depreciation expense for the year was $16,808.

Another element of the adjustment column accounts for the governmental funds reporting capital outlay as expenditures. However, the expenditure increases capital assets in the Statement of Net Position.

Another element of the adjustment column accounts for the repayment of debt principal. Repayment of debt principal is expended in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position. The School's principal repayments totaled $18,256.

The difference between employer contributions to pension plan and change in pension liability and amortization of pension-related deferrals in the amount of $1,590,749 are another element of reconciliation.

III. Stewardship, Compliance, and Accountability

A. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. As required by Colorado Statutes, all funds have legally adopted budgets and appropriations. The total expenditures for each fund may not exceed the amount appropriated. Appropriations for a fund may be increased if unanticipated revenues offset them. All appropriations lapse at year-end.

As required by Colorado Statutes, the School followed the required timetable noted below in preparing, approving, and enacting its budget for 2017.

1. The proposed budget was submitted to the Board of Education by May 31 of the year proceeding the budget year. The proposed budget must include a description of major educational objectives and how the proposed budget fulfills those objectives.

2. Notice was published within ten (10) days which contained: availability of proposed budget for inspection, date and time of budget adoption meeting, and that any County taxpayer may file objections prior to the adoption of the budget.

3. The Board of Education certified revenue requirements to the local County Commissioners prior to December 15.

4. The final budget was adopted prior to June 30, along with an appropriation resolution.

B. TABOR Amendment – Revenue and Spending Limitation Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20; commonly known as the Taxpayer's Bill of Rights (“TABOR”). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenues gain to any local government.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year revenues. The School has reserved a portion of its June 30, 2017 year-end fund balance in the General Fund for emergencies as required under TABOR in the amount of $80,587.

The School’s management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

IV. Detailed Notes on all Funds

A. Deposits

The School's deposits are entirely covered by federal depository insurance (FDIC) or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures the first $250,000 of the School's deposits at each financial institution. All deposit balances over $250,000 are collateralized as required by PDPA.

The deposits held by the School at June 30, 2017, were as follows:

			Maturities	
	Standard and Poor's Rating	Carrying Amounts	Less than One Year	Less than Five Years
Deposits:				
Checking	Not rated	$ 230,255	$ 230,255	$ -
Savings	Not rated	518,629	518,629	-
		$ 748,884	$ 748,884	$ -

Credit Risk. Colorado statutes specify instruments in which local governments may invest, including:

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

B. Receivables

Receivables as of year-end for the School's funds, including applicable allowances for uncollectible accounts, are as follows:

	General Fund
Current Receivables:	
Accounts receivable	$ 42,124
Intergovernmental	-
Gross receivables	42,124
Less: Allowance for uncollectible	-
Total	$ 42,124

IV. Detailed Notes on all Funds (continued)

C. Capital Assets

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, being depreciated:				
Buildings and building improvements	$ 164,866	-	-	$ 164,866
Furniture, fixtures and equipment	145,227	-	-	145,227
Total capital assets, being depreciated	310,093	-	-	310,093
Less accumulated depreciation for:				
Buildings and building improvements	(43,427)	(16,487)	-	(59,914)
Furniture, fixtures and equipment	(144,906)	(321)	-	(145,227)
Total accumulated depreciation	(188,333)	(16,808)	-	(205,141)
Total Capital Assets, Net	$ 121,760	(16,808)	-	$ 104,952

The School's depreciation expense for the year ended June 30, 2017 was as follows:

Function:	
Direct instruction	$ 16,680
Operations and maintenance	128
Total Depreciation	$ 16,808

D. Operating Leases

1. Gracious Savior

On July 1, 2017 the School entered into a lease with Gracious Savior Lutheran Church for use of space to provide class room space for the 2016 – 2017 school year. The lease has a term of one year with annual rent of $70,020. Additionally, the School is responsible for monthly operating costs of the facilities. If the student count exceeds 185 in the K-8 program, the lease payment will be increased by $35 for each student above 185 base count per month.

The School paid rent of $70,020 for the year ended June 30, 2017.

IV. Detailed Notes on all Funds (continued)

D. Operating Leases (continued)

2. Eagle Valley Religious Foundation

Effective July 1, 2016 the School entered into a lease with Eagle Valley Religious Foundation (“EVRF”) for a term ending June 30, 2017 to provide classroom space for the 2016 - 2017 school year. The lease calls for base rent of $55,920, paid in twelve equal monthly payments. The School paid rent of $55,920 for the year ended June 30, 2017.

3. US Bank National Association

Beginning July 1, 2013, the School entered into a lease agreement with U.S. Bank National Association (“U.S. Bank”) to lease classroom space in Gypsum, Colorado. The lease has an initial term of one year which is renewable for four additional one-year periods, subject to annual appropriation by the School. On December 9, 2013, the lease was amended to one annual renewable term. Additional rent includes any sales or similar tax payable from U.S. Bank as a result of the rent received as noted above and the School’s proportionate share of utilities and property association dues. The School paid rent of $160,380 for the year ended June 30, 2017.

E. Note Payable – Colorado Charter School Institute

On July 31, 2013, the School entered into a Note Payable with the Colorado Charter School Institute (“CSI”). The Note is in the amount of $94,280. The Note calls for annual payments over a five-year period with no stated interest rate. CSI will retain one fifth of the original loan balance from the Per Pupil Revenue (“PPR”) for five years beginning in the 2014 school year.

Principal payments of $18,256 were made on the Note during the year.

Fiscal Year Ending	Amount
2018	$ 18,272
	$ 18,272

IV. Detailed Notes on all Funds (continued)

F. Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2017:

	Beginning Balance	Additions	Deletions	Ending Balance	Due Within One Year
Note payable	$ 36,512	$ -	$ (18,256)	$ 18,256	$ 18,256
Net unfunded pension liability	4,373,683	4,321,550	-	8,695,233	-
	$ 4,410,195	$ 4,321,550	$ (18,256)	$ 8,713,489	$ 18,256

G. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflow

At June 30, 2017, the School reported a liability of $8,695,233 for its proportionate share of the net pension liability of Colorado Public Employee Retirement Association's School District Trust Fund (SCHDTF) (See note V.A.). The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The School proportion of the net pension liability was based on School contributions to the SCHDTF for the calendar year 2016 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2016, the School proportion was 0.0292%, as compared to its proportion of 0.0286% measured as of December 31, 2015.

For the year ended June 30, 2017, the School recognized pension expense of $1,842,849. At June 30, 2017, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 108,705	$ (76)
Changes of assumptions or other inputs	2,821,422	(39,211)
Net difference between projected and actual earnings on pension plan investments	290,751	-
Changes of assumptions or other		
Changes in proportionate share of contributions	210,518	-
Difference between actual and reported contributions recognized	438	-
Contributions subsequent to the measurement date	114,577	-
	$ 3,546,411	$ (39,287)

IV. Detailed Notes on all Funds (continued)

G. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflow (continued)

Contributions subsequent to the measurement date of December 31, 2016 , which are reported as deferred outflows of resources related to pensions, will be recognized as a reduction of the net pension liability calculated at the December 31, 2017 measurement date. 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	$	1,414,460
2019		1,335,702
2020		641,065
2021		1,320
Total	$	3,392,547

Actuarial assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following 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
Future 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 prior to 12/3/06; (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

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

IV. Detailed Notes on all Funds (continued)

G. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflow (continued)

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuation are as follows:

The following programming changes were made:

- Valuation of the full survivor benefit without any reduction for possible remarriage.
- Reflection of the employer match on separation benefits for all eligible years.
- Reflection of one year of service eligibility for survivor annuity benefit.
- Refinement of the 18-month annual increase timing.
- Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.

The following methodology changes were made:

- Recognition of merit salary increases in the first projection year.
- Elimination of the assumption that 35% of future disabled members elect to receive a refund.
- Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
- Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

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

As of the most recent analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

IV. Detailed Notes on all Funds (continued)

G. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflow (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 5.26%.

Discount rate. The discount rate used to measure the total pension liability was 5.26 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:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.90%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

IV. Detailed Notes on all Funds (continued)

G. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflow (continued)

Based on the above actuarial cost method and assumptions, the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

Sensitivity of the School's proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 5.26 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 (4.26 percent) or 1-percentage-point higher (6.26 percent) than the current rate:

	1% Decrease (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
Collective net pension liability	$ 37,439,681,000	29,773,867,000	23,530,339,000
Proportionate share of net pension liability	$ 10,933,975	$ 8,695,233	$ 6,871,857

Pension plan fiduciary net position. Detailed information about the SCHDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

H. Fund Balances

The School classifies governmental fund balances as follows:

Non-spendable. includes fund balance amounts inherently non-spendable since they represent inventories, prepaid items, long-term portion of loans receivable, etc.

Spendable:

- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority which is the Board of Education.
- Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Board or its management designee.
- Unassigned - includes residual positive fund balance within the General Fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

IV. Detailed Notes on all Funds (continued)

H. Fund Balances

The School uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the School would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made. The School governmental funds had the following equity designations at June 30, 2017:

	Balance	Reason
Non-spendable	$ 22,543	Security deposits
Restricted	80,587	TABOR
Total	$ 103,130	

V. Other Information

A. Defined Benefit Pension Plan

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

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

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

V. Other Information (continued)

A. Defined Benefit Pension Plan (continued)

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

- Highest average salary multiplied by 2.5 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.

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 (COLAs), 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 for the SCHDTF.

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

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

V. Other Information (continued)

A. Defined Benefit Pension Plan (continued)

Contributions. Eligible employees and the School are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq*. Eligible employees are required to contribute eight percent (8.0%) of their PERA-includable salary. The employer contribution requirements are summarized in the table below with rates expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42):

	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 Health care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	4.50%	5.00%
Total	18.13%	18.63%

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the School were $237,637 for the year ended June 30, 2017.

B. Postemployment Healthcare Benefits

Plan Description. The School 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.

V. Other Information (continued)

B. Postemployment Healthcare Benefits (continued)

Funding Policy. The School is required to contribute at a rate of 1.02% of PERA includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the School are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2017, 2016 and 2015 the School's contributions to the HCTF were $13,233, $13,529 and $11,861, respectively, equal to their required contributions.

C. Defined Contribution Pension Plan

Plan Description. Employees of the School who are members of the SDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the CRS, as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Plan. That report may be obtained online at *www.copera.org/investments/pera-financial-reports*.

Funding Policy. Voluntary Investment Program is fund by voluntary member contributions up to a maximum limit set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions, employer contributions and investment earnings. There were no 401(k) Plan member contributions from the School for the year ended June 30, 2017, 2016, and 2015.

D. Risk Management

Risk of Loss. The School is exposed to various risks of loss related to workers' compensation; general liability; unemployment; torts; theft of, damage to, and destruction of assets; and errors and omissions. The School has acquired commercial coverage for these risks and claims, if any, are not expected to exceed the commercial insurance

Pupil Counts. Each year the School submits data regarding pupil counts to the Colorado Department of Education (CDE). The purpose of this data collection is to obtain required student level data as provided for by state statute (s), including information regarding students' funding eligibility as outlined in the Public School Finance Act of 1994 (22-54-101, C.R.S.).

The Student October Count is based on a one (1) day membership count in which districts are asked to report all students who are actively enrolled and attending classes through their district on that date. In an effort to ensure accurate reporting of those data fields associated with student funding, CDE conducts periodic compliance audits of each district's student October count data. This data not only determine per pupil funding, but also at risk and English Language Proficiency Act (ELPA) funding. CDE audits districts every one to four years, the frequency of which is determined by a number of factors including, but not limited to, the size and location of the district, as well as issues or concerns that might have arisen from prior audits.

The School believes its pupil count information is accurate and any adjustment would not be material.

REQUIRED SUPPLEMENTARY INFORMATION

Stone Creek Charter School
Schedule of Revenues and Expenditures and Changes in Fund Balances - Budget and Actual (GAAP Basis)
General Fund
For the Year Ended June 30, 2017
(With Comparative Actual Amounts for the Year Ended June 30, 2016)

	2017				2016
	Original Budget	Final Budget	Actual	Final Budget Variance Positive (Negative)	Actual
Revenues:					
Per pupil funding	1,972,479	2,005,500	2,073,174	67,674	2,074,709
Tuition and fees	91,000	91,000	87,340	(3,660)	98,350
Contributions from private sources	156,680	156,680	330,292	173,612	297,051
State sources	161,195	161,195	164,863	3,668	165,662
Federal sources	85,481	85,481	84,634	(847)	88,137
Other	-	-	1,077	1,077	546
Total Revenues	2,466,835	2,499,856	2,741,380	241,524	2,724,455
Expenditures:					
Direct instruction	2,095,485	2,095,485	2,075,552	19,933	2,068,369
Operation and maintenance	57,500	57,500	55,588	1,912	50,462
General and school administration	489,458	489,458	488,479	979	484,425
Total Expenditures	2,642,443	2,642,443	2,619,619	22,824	2,603,256
Excess (Deficiency) of Revenues Over Expenditures	(175,608)	(142,587)	121,761	264,348	121,199
Other Financing Sources (Uses):					
Repayment of principal debt	(18,252)	(18,252)	(18,256)	(4)	(18,264)
Total Other Financing (Uses):	(18,252)	(18,252)	(18,256)	(4)	(18,264)
Net Change in Fund Balance	(193,860)	(160,839)	103,505	264,344	102,935
Fund Balance - Beginning of the Year	200,000	313,811	559,414	245,603	456,479
Fund Balance - End of the Year	6,140	152,972	662,919	509,947	559,414

Stone Creek Charter School
Schedule of Employer's Proportionate Share of the Net Pension Liability
Colorado Public Employees' Retirement Association School Division Trust Fund
Last 10 Fiscal Years *

	2017	2016	2015
School's proportion of the net pension liability	0.0292%	0.0286%	0.0270%
School's proportionate share of the net pension liability	$ 8,695,233	$ 4,373,683	$ 3,137,817
School's covered-employee payroll	$ 1,418,268	$ 1,224,034	$ 1,162,885
School's proportionate share of the net pension liability as a percentage of its covered-employee payroll	613.09%	357.32%	269.83%
Plan fiduciary net position as a percentage of the total pension liability	43.13%	59.16%	62.84%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

Notes to the Schedule of Employers Proportionate Share of the Net Pension Liability
For the Year Ended June 30, 2017:

Note 1. Changes of assumptions.
Changes in assumptions or other inputs since the December 31, 2015 actuarial valuation are as follows:

- The investment return assumption was lowered from 7.50 percent to 7.25 percent.
- The wage inflation assumption was lowered from 3.90 percent to 3.50 percent.
- The post-retirement mortality assumption for healthy lives for the State and Local Government Divisions was changed to the RP-2014 Healthy Annuitant Mortality Table with adjustments for credibility and gender adjustments of a 73 percent factor applied to ages below 80 and a 108 percent factor applied to age 80 and above, projected to 2018, for males, and a 78 percent factor applied to ages below 80 and a 109 percent factor applied to age 80 and above, projected to 2020, for females.
- The post-retirement mortality assumption for healthy lives for the School, Judicial, and DPS Divisions was changed to the RP-2014 White Collar Healthy Annuitant Mortality Table with adjustments for credibility and gender adjustments of a 93 percent factor applied to ages below 80 and a 113 percent factor applied to age 80 and above, projected to 2018, or males, and a 68 percent factor applied to ages below 80 and a 106 percent factor applied to age 80 and above, projected to 2020, for females.
- For disabled retirees, the mortality assumption was changed to reflect 90 percent of RP-2014 Disabled Retiree Mortality Table.
- The mortality assumption for active members was changed to 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 actor applied to male rates and a 55 percent factor applied to female rates.
- The rates of retirement, withdrawal, and disability were revised to reflect more closely actual experience.
- The estimated administrative expense as a percentage of covered payroll was increased from 0.35 percent to 0.40 percent.
- The single equivalent interest rate (SEIR) for the State and School Divisions was lowered from 7.50 percent to 5.26 percent to reflect the changes to the projection’s valuation basis, a projected year of depletion of the fiduciary net position (FNP), and the resulting application of the municipal bond index rate.

Note 2. Changes of benefit terms.
No changes during the years presented above.

Note 3. Changes of size or composition of population covered by benefit terms.
No changes during the years presented above.

Stone Creek Charter School
Schedule of School Contributions
Colorado Public Employees' Retirement Association School Division Trust Fund
Last 10 Fiscal Years *

	2017	2016	2015
Contractually required contribution	$ 237,637	$ 215,974	$ 185,820
Contributions in relation to the contractually required contribution	(237,637)	(215,974)	(185,820)
Contribution deficiency (excess)	$ -	$ -	$ -
School's covered-employee payroll	$ 1,418,268	$ 1,224,034	$ 1,162,885
Contributions as a percentage of covered-employee payroll	16.76%	17.64%	15.98%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

Notes to the Schedule of School Contributions For the Year Ended June 30, 2017:

Note 1. Changes of assumptions.
No changes during the years presented above.

Note 2. Changes of benefit terms.
No changes during the years presented above.

Note 3. Changes of size or composition of population covered by benefit terms.
No changes during the years presented above.

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