

ANIMAS HIGH SCHOOL
BASIC FINANCIAL STATEMENTS
AND REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2017



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Management's Discussion and Analysis

As management of Animas High School (AHS or the "school"), we offer readers of Animas High School's financial statements this narrative overview and analysis of the financial activities of the school for the fiscal year ended June 30, 2017.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Animas High School's basic financial statements. Animas High 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. The school is a 501c(3) non-profit corporation engaged in a single governmental program.

Government-wide Financial Statements - The government-wide financial statements are designed to provide readers with a broad overview of Animas High School's finances, in a manner similar to a private-sector business. The Statement of Net Position presents information on all Animas High 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 Animas High 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 periods.

In the Statement of Net Position and the Statement of Activities, we divide the School into two kinds of activities:

- Governmental activities – Most of the School's day-to-day activities are reported here.
- Business-type activities – The building corporation, which has been charged with the acquiring, leasing, constructing, improving, equipping and financing various facilities, land, equipment and other improvements on behalf of the School, activities are reported here.

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 non-profits, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.



The School's two kinds of funds, governmental and proprietary, uses different accounting approaches.

- Governmental funds – Most of the School's basic day-to-day activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are nonspendable, restricted, committed, assigned, or unassigned. These classifications of fund balance show the nature and extent of constraints placed on the School's fund balances by law, creditors and the School's annually adopted budget. Unassigned fund balance is available for spending for any purpose. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental funds focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.
- Proprietary funds – These funds are reported in the same way that the business-type activities are reported in the Statement of Net Position and the Statement of Net Activities in the government-wide statements but provided more detail and additional information, such as cash flows.

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 government's near-term financing decisions. Both expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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. The Notes to the Financial Statements can be found on pages 15 through 36 of this report.

Supplementary Information - Supplementary information is contained on pages 37-39 and provides additional insight into how Animas High School's actual operations compared to the budgeted operations.

Government-wide Financial Analysis - Animas High School's primary source of revenue is the state equalization revenue from the Colorado Department of Education. These revenues are based on a per pupil allocation as determined by the Colorado State Legislature. The state per pupil revenue allocation increased to \$7,169 for the year ended June 30, 2016 from \$7,588 in the 2016-2017 school year. Animas High School's enrollment for the 2016-2017 school year was 274 students, encompassing four classes. Other sources of revenues include donations, student fees and smaller program specific State and Federal grants.

As Animas High School continues to increase student numbers in all grade levels, the instructional, administrative and facilities expenses increase. Staffing increased to 31 full-time equivalents and 2 half-time equivalents during the year ended June 30, 2017. Increases in non-payroll expenditures can be attributed to additional instructional supplies and equipment. Facilities expenses including rent and utilities continue to be significant to the School's operation.



The following table shows AHS' condensed Statement of Net Position – Governmental Activities and Statement of Activities – Governmental Activities for the years ended June 30, 2017 and 2016:

Animas High School- Statement of Net Position - June 30,	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 430,889	\$ 523,195
Accounts and Grants Receivable	26,618	39,527
Other Current Assets	28,770	-
Capital Assets, net of accumulated depreciation	<u>16,907</u>	<u>12,687</u>
Total Assets	<u>503,184</u>	<u>575,409</u>
Deferred outflows of resources		
Difference between projected and actual investment earnings on pension plan	<u>3,865,851</u>	<u>1,068,172</u>
Total deferred outflows of resources	<u>3,865,851</u>	<u>1,068,172</u>
LIABILITIES		
Accounts Payable	46,869	13,737
Accrued Expenses	1,310	3,200
Deferred Revenue	31,156	38,827
Noncurrent liabilities	<u>9,495,954</u>	<u>5,434,894</u>
Total Liabilities	<u>9,575,289</u>	<u>5,490,658</u>
Deferred Inflows of Resources		
Difference Between Expected and Actual Experience on Pension Plan	<u>406,056</u>	<u>77,031</u>
Total Deferred Inflows of Resources	<u>406,056</u>	<u>77,031</u>
NET POSITION		
Investment in Capital Assets, net related debt	16,907	12,687
Restricted for Tabor	64,000	67,000
Unrestricted	(5,696,242)	(4,006,820)
Restricted	<u>3,025</u>	<u>3,025</u>
Total Net Position	<u>\$ (5,612,310)</u>	<u>\$ (3,924,108)</u>



Animas High School- Statement of Activities - June 30,	<u>2017</u>	<u>2016</u>
REVENUES		
State Per Pupil Revenue	\$ 1,988,224	\$ 2,092,313
Property Taxes, levied for specific purposes	91,351	-
Operating Grants and Donations	266,207	501,092
Capital Grant and Donations	76,078	76,126
Fundraising	440	1,592
Other	<u>177,553</u>	<u>173,472</u>
Total Revenues	<u>2,599,853</u>	<u>2,844,595</u>
EXPENDITURES		
Instruction	2,493,352	1,776,112
Supporting Services	<u>1,756,357</u>	<u>1,447,664</u>
Total Expenditures	<u>4,249,709</u>	<u>3,223,776</u>
Excess of Revenues over Expenditures	(1,649,856)	(379,181)
NET POSITION - Beginning of Year	(3,924,108)	(3,544,927)
Prior Period Adjustment	<u>(38,346)</u>	<u>-</u>
NET POSITION - Beginning of Year, restated	<u>(3,962,454)</u>	<u>(3,544,927)</u>
NET POSITION - End of Year	<u>\$ (5,612,310)</u>	<u>\$ (\$3,924,108)</u>

As noted previously, Animas High School uses governmental fund accounting to ensure and demonstrate the compliance with finance-related legal requirements. The focus of the school's governmental funds is to provide information on near-term inflows, outflows, and balances of expendable resources. Such information is useful in assessing Animas High School's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

Tabor Reserve - The Taxpayers Bill of Rights law requires governmental entities to reserve 3% of its state revenues. Accordingly, a reserve of fund balance in the amount of \$64,000 has been established in these financials.

Request for Information

This financial report is designed to provide a general overview of the schools financial position. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Sean Woytek, Head of School or Ann Laffaye, Board President of Animas High School, PO Box 4414, Durango, Colorado, 81302.

INDEPENDENT AUDITORS' REPORT

Board of Directors
Animas High School
Durango, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of Animas High School, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Animas High 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities and each major fund of Animas High School, as of June 30, 2017, and the respective changes in financial position, and, where applicable, cash flow 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 required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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.

May Jackson Hendrick, LLC

Parker, Colorado
September 27, 2017

BASIC FINANCIAL STATEMENTS

ANIMAS HIGH SCHOOL
STATEMENT OF NET POSITION (DEFICIT)
JUNE 30, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS:			
Cash	\$ 430,889	\$ 161	\$ 431,050
Accounts receivable	2,678	-	2,678
Grants receivable	23,940	-	23,940
Prepaid expenses	28,770	-	28,770
Capital assets, net of accumulated depreciation	16,907	2,703,791	2,720,698
Total Assets	503,184	2,703,952	3,207,136
DEFERRED OUTFLOWS OF RESOURCES:			
Difference between projected and actual investment earnings on pension plan	3,865,851	-	3,865,851
Total Deferred Outflows of Resources	3,865,851	-	3,865,851
LIABILITIES:			
Accounts payable	46,869	1,983	48,852
Accrued expenses	1,310	12,804	14,114
Unearned revenues	31,156	-	31,156
Noncurrent liabilities			
Due in one year	-	91,229	91,229
Due in more than one year	9,495,954	2,702,456	12,198,410
Total Liabilities	9,575,289	2,808,472	12,383,761
DEFERRED INFLOWS OF RESOURCES:			
Difference between expected and actual experience on pension plan	406,056	-	406,056
Total Deferred Inflows of Resources	406,056	-	406,056
NET POSITION (DEFICIT):			
Investment in capital assets, net of related debt	16,907	(89,894)	(72,987)
Restricted for Tabor	64,000	-	64,000
Restricted	3,025	-	3,025
Unrestricted	(5,696,242)	(14,626)	(5,710,868)
Total Net Position (Deficit)	\$ (5,612,310)	\$ (104,520)	\$ (5,716,830)

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

ANIMAS HIGH SCHOOL
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

<u>FUNCTIONS/PROGRAMS</u>	PROGRAM REVENUES			NET (EXPENSES) REVENUE AND CHANGE IN NET POSITION (DEFICIT)		Total	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities		Business-type Activities
PRIMARY GOVERNMENT							
Governmental Activities:							
Instructional	\$ 2,493,352	\$ 173,775	\$ -	\$ -	\$ (2,319,577)	\$ -	\$ (2,319,577)
Supporting services	1,516,018	-	266,207	76,078	(1,173,733)	-	(1,173,733)
Total Governmental Activities	<u>4,009,370</u>	<u>173,775</u>	<u>266,207</u>	<u>76,078</u>	<u>(3,493,310)</u>	<u>-</u>	<u>(3,493,310)</u>
Business-type Activities:							
Building corporation	80,240	-	-	-	-	(80,240)	(80,240)
Interest on long-term debt	193,584	-	-	-	-	(193,584)	(193,584)
Total Business-type Activities	<u>273,824</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(273,824)</u>	<u>(273,824)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 4,283,194</u>	<u>\$ 173,775</u>	<u>\$ 266,207</u>	<u>\$ 76,078</u>	<u>(3,493,310)</u>	<u>(273,824)</u>	<u>(3,767,134)</u>
GENERAL REVENUES:							
					1,988,224	-	1,988,224
					91,351	-	91,351
					440	-	440
					146	-	146
					3,632	-	3,632
					(240,339)	240,339	-
					<u>1,843,454</u>	<u>240,339</u>	<u>2,083,793</u>
					(1,649,856)	(33,485)	(1,683,341)
					(3,924,108)	(71,035)	(3,995,143)
					(38,346)	-	(38,346)
					<u>(3,962,454)</u>	<u>(71,035)</u>	<u>(4,033,489)</u>
					<u>\$ (5,612,310)</u>	<u>\$ (104,520)</u>	<u>\$ (5,716,830)</u>

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

ANIMAS HIGH SCHOOL
BALANCE SHEET
GOVERNMENTAL FUND
JUNE 30, 2017

	<u>General Fund</u>
ASSETS:	
Cash	\$ 430,889
Grants and accounts receivable	26,618
Prepaid expenses	<u>28,770</u>
Total Assets	<u><u>\$ 486,277</u></u>
LIABILITIES:	
Accounts payable	\$ 46,869
Accrued expenses	1,310
Unearned revenues	<u>31,156</u>
Total Liabilities	<u>79,335</u>
FUND BALANCE:	
Nonspendable	28,770
Restricted for Tabor	64,000
Restricted	3,025
Assigned	241,259
Unassigned	<u>69,888</u>
Total Fund Balance	<u>406,942</u>
Total Liabilities and Fund Balance	<u><u>\$ 486,277</u></u>

Amounts reported for Governmental Activities in the Statement of Net Position (Deficit) are different because:

Fund Balance - Governmental Fund	\$ 406,942
Capital assets used in Governmental Activities are not financial resources and, therefore, are not reported in the funds.	16,907
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred outflows of resources.	3,865,851
Long-term liabilities, including net pension liability, are not due and payable in the current period and, therefore, are not reported in the funds.	(9,495,954)
Other long-term liabilities are not due and payable in the current period and, therefore, are reported as deferred inflows of resources.	<u>(406,056)</u>
Net Position (Deficit) - Governmental Activities	<u><u>\$ (5,612,310)</u></u>

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

ANIMAS HIGH SCHOOL
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGE IN FUND BALANCE - GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2017

	General Fund
REVENUES:	
Local sources	\$ 360,162
State and Federal sources	<u>2,239,690</u>
Total Revenues	<u>2,599,852</u>
EXPENDITURES:	
Current	
Instructional	1,429,133
Supporting services	<u>1,232,389</u>
Total Expenditures	<u>2,661,522</u>
Net Change in Fund Balance	(61,670)
FUND BALANCE, Beginning	506,958
PRIOR PERIOD ADJUSTMENT	<u>(38,346)</u>
FUND BALANCE, Adjusted Beginning	<u>468,612</u>
FUND BALANCE, Ending	<u><u>\$ 406,942</u></u>

ANIMAS HIGH SCHOOL
**RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGE IN FUND BALANCE -
GOVERNMENTAL FUND 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 Balance - Governmental Fund	\$	(61,670)
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense exceeded capital outlays in the current year.		4,220
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		<u>(1,592,406)</u>
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Change in Net Position - Governmental Activities	\$	<u>(1,649,856)</u>
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ANIMAS HIGH SCHOOL
STATEMENT OF NET POSITION (DEFICIT)
PROPRIETARY FUND TYPE
JUNE 30, 2017

	<u>Building Corporation</u>
ASSETS:	
Current Assets	
Cash	\$ <u>161</u>
Total Current Assets	<u>161</u>
Noncurrent Assets	
Capital assets, net of accumulated depreciation	<u>2,703,791</u>
Total Noncurrent Assets	<u>2,703,791</u>
Total Assets	<u>2,703,952</u>
LIABILITIES:	
Current Liabilities	
Accounts payable	1,983
Unearned revenue	12,804
Current portion of long-term debt	<u>91,229</u>
Total Current Liabilities	106,016
Note payable, net of current portion	<u>2,702,456</u>
Total Liabilities	<u>2,808,472</u>
NET POSITION (DEFICIT):	
Investment in capital assets, net of related debt	(89,894)
Unrestricted	<u>(14,626)</u>
Total Net Position (Deficit)	<u>\$ (104,520)</u>

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

ANIMAS HIGH SCHOOL
STATEMENT OF REVENUES, EXPENSES
AND CHANGE IN NET POSITION (DEFICIT) - PROPRIETARY FUND TYPE
YEAR ENDED JUNE 30, 2017

	<u>Building Corporation</u>
OPERATING REVENUES:	
Lease revenue	\$ <u>240,339</u>
Total Operating Revenues	<u>240,339</u>
OPERATING EXPENSES:	
Depreciation	78,259
Other operating expenses	<u>1,981</u>
Total Operating Expenses	<u>80,240</u>
Operating Income	<u>160,099</u>
NON-OPERATING EXPENSES:	
Interest expense	<u>193,584</u>
Total Non-Operating Expenses	<u>193,584</u>
Net Loss	(33,485)
NET POSITION, Beginning	<u>(71,035)</u>
NET POSITION (DEFICIT), Ending	<u><u>\$ (104,520)</u></u>

ANIMAS HIGH SCHOOL
STATEMENT OF CASH FLOWS - PROPRIETARY FUND TYPE
YEAR ENDED JUNE 30, 2017

	<u>Building Corporation</u>
CASH FLOWS FROM OPERATING ACTIVITIES:	
Cash received	\$ 253,143
Interest paid	(193,584)
Operating expenses	<u>2</u>
Net Cash Provided by Operating Activities	<u>59,561</u>
CASH FLOWS FROM FINANCING ACTIVITIES:	
Principal payments	<u>(59,561)</u>
Net Cash Used by Financing Activities	<u>(59,561)</u>
Net Change in Cash	-
Cash, Beginning	<u>161</u>
Cash, Ending	<u><u>\$ 161</u></u>
RECONCILIATION OF NET INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:	
Net Income (Loss)	\$ (33,485)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	78,259
Increase/Decrease in assets and liabilities:	
Accounts payable	1,983
Deferred revenue	<u>12,804</u>
Net cash provided by operating activities	<u><u>\$ 59,561</u></u>
SUPPLEMENTAL DISCLOSURES:	
Noncash investing and financing transactions:	
Acquisition of land improvements	\$ 44,072
Note payable	(44,072)

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

ANIMAS HIGH SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Animas High School (AHS or the School), a Colorado non-profit corporation, was created in 2006 for the sole purpose of developing and operating a public, free charter school located in Durango, Colorado.

AHS' 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 in GAAP and used by the School are discussed below.

Financial Reporting Entity

The financial reporting entity consists of the School and organizations for which the School is financially accountable. 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.

The Animas High School Building Corporation (AHSBC or the Corporation) is considered to be financially accountable to the School. The purpose of the Corporation is to hold title to property and facilitate the acquiring, leasing, constructing, improving, equipping and financing various facilities, land, equipment and other improvements in connection with property to be leased to 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 a proprietary fund. Separate financial statements are not available.

AHS is managed under the direction of the Board of Directors. All Directors have been elected, appointed, or designated.

The School's mission and core values are to prepare students for post-secondary success by creating critical thinkers and engaged, service-oriented citizens able to meet the challenges of the 21st century. This is accomplished through:

- A rigorous academic program that inspires a love of learning and teaches habits of success.
- Engaging students through project-based learning and community partnerships that make education uniquely relevant to students.

ANIMAS HIGH SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial Reporting Entity (Continued)

- A commitment to a collaborative environment within the school.
- A culture of excellence that challenges yet supports each student.
- The utilization of applied technology.
- A small school environment where strong faculty-student relationships develop.

In preparing students for post-secondary success, Animas High School fosters the fundamental attributes of compassion, respect, integrity and resilience. Students are held to high standards of personal responsibility, as demonstrated by their attitudes, behaviors and scholarship. Ultimately, students will become effective citizens, contributing competently and energetically to the world around them.

Basis of Presentation

Government-wide and Fund Financial Statements:

The Statement of Net Position (Deficit) and Statements of Activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds (of which AHS has none). The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

The Statement of Activities demonstrates the degree to which the direct expenses of the given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include charges to students or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

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

ANIMAS HIGH SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements (Continued):

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 activities except those legally or administratively required to be accounted for in other funds.

Additionally, the School reports the following major proprietary fund:

The Building Corporation Fund – This fund is used to account for the activities of the Building Corporation.

Measurement Focus and Basis of Accounting

Measurement focus is a term used to describe “which” transactions are recorded within the various financial statements. Basis of accounting refers to “when” transactions are recorded regardless of the measurement focus applied.

Measurement Focus:

In the government-wide financial statements, governmental activities are presented using the economic resources measurement focus as defined in item b. below.

In the fund financial statements, the “current financial resources” measurement focus or the “economic resources” measurement focus is used as appropriate:

a. Current Financial Resources - Only current financial assets and liabilities are generally included on the balance sheet. Operating statements present sources and uses of available spendable financial resources during a given period. The fund uses a fund balance as the measure of available spendable financial resources at the end of the period.

b. Economic Resources - The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported.

ANIMAS HIGH SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus and Basis of Accounting (Continued)

Basis of Accounting:

In the government-wide financial statements, governmental activities are presented using the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlays) are recorded when the related fund liability is incurred.

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

Cash:

For the purpose of both the government-wide and fund financial statements, cash includes the checking and savings accounts for AHS and AHSBC.

Receivables:

In the government-wide statements, receivables consist of all revenues earned at year-end and not yet received.

In the fund financial statements, grants receivables in governmental funds include revenue accruals such as grants and other similar intergovernmental revenues since they are usually both measurable and available.

Prepaid Expenses:

Payments made to vendors for services that will benefit periods beyond the current year are recorded as prepaid expenses. Expenditures are reported in the year in which the services are consumed.

Capital Assets:

In the government-wide financial statements, fixed assets are accounted for as capital assets. All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation. AHS' policy is to capitalize all capital assets with a unit value of \$1,000 or greater. Repairs and maintenance expenses are charged as expenditures when incurred.

ANIMAS HIGH SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Assets:

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position (Deficit). Depreciation is provided over the assets estimated useful lives using the straight-line method of depreciation. Capital assets are depreciated over their estimated useful lives of three to thirty-nine years.

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

Unearned Revenues:

Unearned revenues includes amounts received but not available to recognize as revenue as the related expenses have not been incurred.

Pensions:

AHS 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.

Fund Balance / Net Position (Deficit) Classifications:

Government-wide Statements:

Net position (deficit) is classified in the following categories:

Investment in capital assets, net of related debt – This classification includes capital assets net of accumulated depreciation and related debt.

Restricted for TABOR – This classification includes the TABOR Reserve Fund which requires AHS to maintain a reserve for emergencies equal to 3% of the eligible annual revenues as required by law.

ANIMAS HIGH SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Fund Balance / Net Position (Deficit) Classifications (Continued):

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Unrestricted – This classification includes net assets that have not been restricted for other purposes.

AHS may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted-net position and unrestricted-net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is AHS' policy to consider restricted-net position to have been depleted before unrestricted-net position is applied.

Fund Statements:

Fund balances are classified in the following categories:

Nonspendable – This classification includes all assets which are not expected to convert to cash.

Restricted for TABOR – This classification includes the TABOR Reserve Fund which requires AHS to maintain a reserve for emergencies equal to 3% of the eligible annual revenues as required by law.

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.

Assigned – This classification includes amounts that are constrained by the School's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to management through the budgetary process. This classification also includes the remaining positive fund balance for any governmental funds except for the General Fund.

ANIMAS HIGH SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

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

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

Fund Balance / Net Position (Deficit) Classifications (Continued):

Unassigned – This classification includes the residual fund balance for the General Fund.

AHS would typically use Restricted fund balances first, followed by Committed resources (if any), and then Assigned resources (if any), as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

Use of Estimates

The preparation of the basic financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the reporting period. Actual results could differ from these estimates.

NOTE 2 **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budget and Budgetary Accounting

The budget is adopted for the General Fund on a basis consistent with generally accepted accounting principles.

The 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 prior to June 30. Expenditures may not legally exceed appropriations at the fund level. Revisions must be approved by the Board of Directors. The budget includes proposed expenditures and the means of financing them. All appropriations lapse at fiscal year end.

NOTE 3 **DETAIL NOTES ON TRANSACTIONS/ACCOUNTS**

Cash

As of June 30, 2017, the School had the following cash:

Checking and savings	\$ 431,050
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ANIMAS HIGH SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE 3 **DETAIL NOTES ON TRANSACTIONS/ACCOUNTS (Continued)**

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The 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 uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

Capital Assets

Capital assets activity for the year ended June 30, 2017 is as follows:

	Balance			Balance
<u>Governmental Activities:</u>	<u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>
<u>Capital Assets:</u>				
FFE	\$ 132,077	\$ 17,000	\$ -	\$ 149,077
Total Capital Assets	<u>132,077</u>	<u>17,000</u>	<u>-</u>	<u>149,077</u>
 <u>Accumulated Depreciation:</u>				
FFE	<u>119,390</u>	<u>12,780</u>	<u>-</u>	<u>132,170</u>
Total Accumulated Depreciation	<u>119,390</u>	<u>12,780</u>	<u>-</u>	<u>132,170</u>
 Net Capital Assets	 <u>\$ 12,687</u>			 <u>\$ 16,907</u>
 <u>Business-type Activities:</u>				
<u>Capital Assets:</u>				
Building	\$ 2,966,142	\$ -	\$ -	\$ 2,966,142
Land Improvements	<u>-</u>	<u>44,072</u>	<u>-</u>	<u>44,072</u>
Total Capital Assets	<u>2,966,142</u>	<u>44,072</u>	<u>-</u>	<u>3,010,214</u>
 <u>Accumulated Depreciation:</u>				
Building	228,164	76,055	-	304,219
Land Improvements	<u>-</u>	<u>2,204</u>	<u>-</u>	<u>2,204</u>
Total Accumulated Depreciation	<u>228,164</u>	<u>78,259</u>	<u>-</u>	<u>306,423</u>
 Net Capital Assets	 <u>\$ 2,737,978</u>			 <u>\$ 2,703,791</u>

ANIMAS HIGH SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE 3 DETAIL NOTES ON TRANSACTIONS/ACCOUNTS (Continued)

Capital Assets

Depreciation expense in the Statement of Activities - Governmental Activities for the Instructional and Supporting Services programs was \$9,308 and \$3,472, respectively.

Depreciation expense in the Statement of Activities - Business-type Activities was \$78,259.

Unearned Revenues

Unearned revenues represent funds the School received from funding agencies and private contributors with specific spending requirements as well as student fees collected for the next school year. As of June 30, 2017, AHS had the following unearned revenues:

2017 – 2018 Student fees	\$	21,637
2017 – 2018 Student clubs		8,821
2017 - 2018 Student lunch balances		698
Total	\$	31,156

Long-term Debt

The Building Corporation entered into a note payable for the construction of the Animas High School building in 2013; the debt initially matured in July 2017. The Building Corporation renewed the note payable and received an extension on the maturity of the debt through November 2018. The note payable carries an interest rate of 5.50% and has monthly payments of \$20,028. The monthly payments are made by the School via the lease agreement entered into by and between the School and Corporation (See Note 8).

Additionally, the Building Corporation utilized the remaining loan funds on the note payable for land improvements incurred during the fiscal year ended June 30, 2017; thereby increasing the loan balance during the year by \$44,072.

The following is the change in the long-term debt:

June 30, 2016	\$	2,809,174
Plus: Loan proceeds		44,072
Less: Principal payments		59,561
June 30, 2017	\$	2,793,685

ANIMAS HIGH SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE 3 DETAIL NOTES ON TRANSACTIONS/ACCOUNTS (Continued)

Long-term Debt (Continued)

The following is the maturity of the long-term debt:

June 30, 2018	\$	91,229
June 30, 2019		<u>2,702,456</u>
Total		<u>\$ 2,793,685</u>

Restricted Fund Balance

Restricted fund balance consists of contributions received from funding agencies or individuals which have been earmarked for specific uses. As of June 30, 2017, the School had the following restricted funds:

Development - Grant Writing	\$	3,025
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Prior Period Adjustment

During the year ended June 30, 2017, the Colorado Department of Education completed its audit of the School's State Equalization payments received for the years ended June 30, 2013, 2014 and 2016 on behalf of the Charter School Institute (CSI). The following amounts were identified as overpayments received by the School:

Fiscal year ended June 30,:		
2013	\$	12,341
2014		18,980
2016		<u>7,025</u>
Total		<u>\$ 38,346</u>

A prior period adjustment in the amount of \$38,346 was recorded for the fiscal year ended June 30, 2017; the adjustment increase accounts payable and decreased net assets. Funds due to CSI are required to be repaid during the fiscal year ending June 30, 2018.

ANIMAS HIGH SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE 4 **DEFINED BENEFIT PENSION PLAN**

General Information about the Pension Plan

Plan Description – Eligible employees of AHS 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. Section 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 annualized into a monthly benefit based on life expectancy and other actuarial factors.

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 annualized 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.

ANIMAS HIGH SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE 4 **DEFINED BENEFIT PENSION PLAN (Continued)**

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

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefits 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 Works (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, and the qualified survivor(s) who will receive the benefits.

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

ANIMAS HIGH SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE 4 **DEFINED BENEFIT PENSION PLAN (Continued)**

The employer contribution requirements are summarized in the table below:

	For the Year Ended December 31, 2016
Employer Contribution Rate	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. Section 24-51-208(1)(f)	(1.02)%
Amount Apportioned to the SCHDTF	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. Section 24-51-411	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. Section 24-51-411	4.50%
Total Employer Contribution Rate to the SCHDTF	18.13%

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and AHS is statutorily committed to pay the contribution to the SCHDTF. Employer contributions recognized by the SCHDTF from AHS were \$274,121 for the year ended June 30, 2017.

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

At June 30, 2017, AHS reported a liability of \$9,495,954 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. AHS proportion of the net pension liability was based on AHS' contributions to the SCHDTF for the calendar year 2016 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2016, AHS' proportion was .0318935861 percent, which was an decrease of .0036418495 percent from its proportion measured as of December 31, 2015.

ANIMAS HIGH SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE 4 DEFINED BENEFIT PENSION PLAN (Continued)

For the year ended June 30, 2017, AHS recognized pension expense of \$1,867,925. At June 30, 2017, AHS 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	\$ 3,517,477	\$ 42,906
Changes in assumptions or other inputs	-	-
Net difference between projected and actual earnings on pension plan investments	188,213	-
Changes in proportion and difference between contributions recognized and proportionate share of contributions	20,997	363,150
Contributions subsequent to the measurement date	139,164	-
Total	\$ 3,865,851	\$ 406,056

\$139,164 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

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

Year ended June 30,	
2018	\$ 263,799
2019	71,305

Actuarial assumptions – The total pension liability in the December 31, 2015 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
Discount rate	7.50 percent
Post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07 and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

ANIMAS HIGH SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE 4 **DEFINED BENEFIT PENSION PLAN (Continued)**

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

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.70 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	5.26 percent
Post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07 and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates used in the December 31, 2015 valuation were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years.

Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

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

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

ANIMAS HIGH SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE 4 **DEFINED BENEFIT PENSION PLAN (Continued)**

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

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

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

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

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

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

ANIMAS HIGH SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE 4 **DEFINED BENEFIT PENSION PLAN (Continued)**

Several factors were considered in evaluating the long-term rate of return assumption for the SCHDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

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

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 Bonds	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100.00%	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

Discount rate – The discount rate used to measure the total pension liability was 5.26 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above.

ANIMAS HIGH SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE 4 **DEFINED BENEFIT PENSION PLAN (Continued)**

In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, 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.

ANIMAS HIGH SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE 4 **DEFINED BENEFIT PENSION PLAN (Continued)**

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

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

Based on the above assumptions and methods, the projection test indicates the SCHDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.86 percent, resulting in a discount rate of 5.26 percent.

As of the prior measurement date, the projection test indicated the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments of 7.50 percent was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use a municipal bond index rate and the discount rate was 7.50 percent, 2.24 percent higher compared to the current measurement date.

ANIMAS HIGH SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE 4 **DEFINED BENEFIT PENSION PLAN (Continued)**

Sensitivity of the AHS 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%)
Proportionate share of the net pension liability	\$ 11,940,857	\$ 9,495,954	\$ 7,504,669

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.

NOTE 5 **POSTEMPLOYMENT HEALTH CARE BENEFITS**

Health Care Trust Fund

Plan Description – AHS contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer healthcare trust administered by the 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.

Funding Policy – AHS is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for AHS are established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending December 31, 2016, 2015 and 2014 AHS’ contributions to the HCTF were \$14,401, \$15,796 and \$16,578, respectively, equal to their required contributions for each year.

ANIMAS HIGH SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE 6 **CONCENTRATION OF CREDIT RISK**

AHS' financial instruments that are exposed to concentrations of credit risk consist of cash, grants receivable and accounts receivable. AHS places its cash with high credit quality institutions. AHS routinely assesses the financial strength of its donors and, as a consequence, believes that its accounts receivable credit risk exposure is limited.

NOTE 7 **RISK OF LOSS**

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

NOTE 8 **COMMITMENTS AND CONTINGENCIES**

Lease Commitments

School Lease Agreement

The School entered into a lease agreement with the Building Corporation to lease the school for a monthly payment equal to the Building Corporation's monthly loan payment of \$20,028. The lease is scheduled to terminate on the earlier of:

- a. the exercise of the School of the option to acquire the school site or
- b. seven years from the occupancy date of July 1, 2013

The following are the future lease obligations should the School exercise the seven year lease termination option:

For the year ending:	
June 30, 2018	\$ 240,339
June 30, 2019	\$ 240,339
June 30, 2020	\$ 240,339

Occupancy expense for the year ended June 30, 2017 was \$240,339.

ANIMAS HIGH SCHOOL
NOTES TO BASIC FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2017

NOTE 8 **COMMITMENTS AND CONTINGENCIES (Continued)**

Office Equipment Leases

The School entered into two leases for office equipment. One lease is a month to month lease which can be terminated with a 30 day notice. The second lease requires a monthly lease payment of \$310 and is scheduled to terminate in March 2020; the following are the future lease obligations:

For the year ending:		
June 30, 2018	\$	3,724
June 30, 2019	\$	3,724
June 30, 2020	\$	2,793

In addition, the School entered into month to month leases for the rental of mobile storage units; all leases can be terminated with a 30 day notice.

Taxpayer's Bill of Rights (TABOR)

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 an expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

Current Vulnerability Due to Certain Concentrations and Uncertainties

The School is dependent on various government agencies for funding and is responsible for meeting the requirements of such agencies. If the School were to lose students or the related government funding, there could be a substantial effect on its ability to continue operations.

NOTE 9 **EVALUATION OF SUBSEQUENT EVENTS**

The School has evaluated subsequent events through September 27, 2017, the date which the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

ANIMAS HIGH SCHOOL
SCHEDULE OF EMPLOYER'S SHARE OF
NET PENSION LIABILITY AND COVERED PAYROLL
JUNE 30, 2017

	December 31,			
	2013	2014	2015	2016
School's proportion of net pension liability	0.0300723167%	0.0339487260%	0.0355354356%	0.0318935861%
School's proportionate share of the net pension liability	\$ 3,835,716	\$ 4,601,193	\$ 5,434,894	\$ 9,495,954
School's covered-employee payroll	\$ 1,212,320	\$ 1,422,208	\$ 1,548,626	\$ 1,548,626
School's proportionate share of the net pension liability as a percentage of its covered-employee payroll	316.39%	323.52%	350.95%	613.19%
Plan fiduciary net position as a percentage of the total pension liability	64.10%	62.80%	59.20%	43.10%

* Complete 10-year information to be presented in future years as it becomes available.

ANIMAS HIGH SCHOOL
SCHEDULE OF EMPLOYER'S STATUTORY PAYROLL
CONTRIBUTIONS AND COVERED PAYROLL
JUNE 30, 2017

	2013	December 31, 2014	2015	2016
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Contractually required contribution	\$ 188,272	\$ 233,669	\$ 268,377	\$ 274,121
Contributions in relation to the contractually required contribution	<u>188,272</u>	<u>233,669</u>	<u>289,814</u>	<u>274,121</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (21,437)</u>	<u>\$ -</u>
School's covered-employee payroll	1,212,320	1,422,208	1,548,626	1,431,441
Contributions as a percentage of covered-employee payroll	15.53%	16.43%	17.33%	19.15%

* Complete 10-year information to be presented in future years as it becomes available.

ANIMAS HIGH SCHOOL
BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED JUNE 30, 2017

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Local Sources	\$ 559,569	\$ 360,162	\$ (199,407)
State Sources	1,984,079	2,189,384	205,305
Federal Sources	50,305	50,306	1
Total Revenues	<u>2,593,953</u>	<u>2,599,852</u>	<u>5,899</u>
Expenditures:			
Instructional Services:			
Salaries and benefits	1,104,133	1,268,358	(164,225)
Materials, supplies and purchased services	146,892	160,775	(13,883)
Total Instructional	<u>1,251,025</u>	<u>1,429,133</u>	<u>(178,108)</u>
Supporting Services:			
Salaries and benefits	836,825	657,707	179,118
Materials, supplies and purchased services	569,870	574,682	(4,812)
Total Supporting Services	<u>1,406,695</u>	<u>1,232,389</u>	<u>174,306</u>
Total Expenditures	<u>2,657,720</u>	<u>2,661,522</u>	<u>(3,802)</u>
Excess (Deficiency) of Revenues over Expenditures	(63,767)	(61,670)	2,097
Fund Balance - beginning of year	<u>492,821</u>	<u>468,612</u>	<u>(24,209)</u>
Fund Balance - end of year:			
Nonspendable	-	28,770	28,770
Restricted for Tabor	62,675	64,000	1,325
Restricted	-	3,025	3,025
Assigned	241,259	241,259	-
Unassigned	125,120	69,888	(55,232)
Total Fund Balance - end of year	<u>\$ 429,054</u>	<u>\$ 406,942</u>	<u>\$ (22,112)</u>