

**Cesar Chavez Academy Denver**  
*(A Component Unit of Denver Public Schools)*  
**Denver, Colorado**

**Financial Statements**

June 30, 2018

**Cesar Chavez Academy Denver**  
*(A Component Unit of Denver Public Schools)*  
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June 30, 2018

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**HINKLE &  
COMPANY**  
*Strategic* PC  
*Business Advisors*

## **Independent Auditors' Report**

Board of Directors  
Cesar Chavez Academy Denver  
Denver, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Cesar Chavez Academy Denver, component unit of Denver Public Schools, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Cesar Chavez Academy Denver, 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.

### **Auditors' 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 auditors' 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 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 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, the business-type activities, and each major fund of the Cesar Chavez Academy Denver as of June 30, 2018, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

#### *Going Concern*

The accompanying financial statements have been prepared assuming that the Cesar Chavez Academy Denver will continue as a going concern. As discussed in Note 10 to the financial statements, the Cesar Chavez Academy Denver ceased operations effective June 30, 2018. Our opinion is not modified with respect to this matter.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information 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 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.

*Hick & Company, PC*

Greenwood Village, Colorado  
October 31, 2018



**Cesar Chavez Academy Denver**  
Management's Discussion and Analysis  
Fiscal Year Ending June 30, 2018

As management of Cesar Chavez Academy Denver (CCAD or the School), we offer readers of Cesar Chavez Academy Denver's basic financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information provided in the accompanying financial statements.

## **Financial Highlights**

The year ended June 30, 2018 is the ninth year and final year of operations for CCAD. On February 20, 2018 the School's Board of Directors entered into an acquisition of agreement with Rocky Mountain Preparatory Schools (RMP). The School ceased operations as of June 30, 2018 and sold all property to RMP. RMP will continue school operations at the existing location.

As of June 30, 2018, net position increased by \$1,113,701 to \$793,947. Cesar Chavez Academy Denver's governmental fund reported an ending fund balance of \$793,947, a decrease of \$(1,161,318) from the prior year. The School's proprietary fund reported an ending fund balance of \$0, an increase of \$256,224 from the prior year.

The operations of the School are funded primarily by tax revenue received under the Colorado School Finance Act in Per Pupil Revenue (PPR). Tax revenue for the year from PPR was \$1,938,979.

## **Overview of 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 are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

### ***Government-Wide Financial Statements***

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

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

The statement of activities presents information showing how net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses

are reported in the statement for some items that will only result in cash flows in future periods (for example, salaries and benefits earned but unpaid as of year-end).

The government-wide statement of activities distinguishes functions/programs of the School supported primarily by Per Pupil Revenue or other revenues passed through from the School's authorizer (Denver Public Schools). The governmental activities of CCAD include instruction and supporting services.

### ***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School keeps track of these monies to ensure and demonstrate compliance with finance-related legal requirements.

### **Governmental Funds**

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

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

The School maintains one governmental fund, and adopts an annually appropriated budget for the fund. A budgetary comparison schedule is included to demonstrate that spending did not exceed the budget.

### **Proprietary Funds**

The School also maintains a proprietary fund to record the activity of the CCA Denver Building Corporation (the "Corporation"). The Corporation was organized for the purpose of acquiring, leasing, constructing, improving, equipping and financing various facilities, land, equipment, and other improvements in connection with property intended to be leased to the School.

### ***Notes to the Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

## **Government-Wide Financial Analysis**

As noted previously, net position may serve over time as a useful indicator of the School's financial position. For the fiscal year ended June 30, 2018, CCAD's net position was \$793,947, a change of \$857,477 largely related to gains on the disposal of operations. More information on this special item may be found in Note 10 to the financial statements.

During the year ended June 30, 2018 the school contributed the Denver Public Schools Division Trust Fund (DPSD), a single-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). However, effective June 30, 2018, the School was closed, had no requirement to make further contributions to the plan, and did not have a payable to the plan. Therefore, no net pension liability, or deferred outflows of resources and deferred inflows of resources related to pensions were reported in the financial statements at June 30, 2018.

## Cesar Chavez Academy Denver's Net Position

	<b>2017-2018</b>	<b>2016-2017</b>
<b>ASSETS</b>		
Cash	\$ 660,296	\$ 1,818,047
Restricted Cash and Investments	-	1,066,127
Accounts Receivable	141,852	36,150
Grants Receivable	20,232	134,614
Prepaid Expenses	-	3,953
Capital Assets, Not Being Depreciated	-	1,750,000
Capital Assets, Net of Accumulated Depreciation	<u>-</u>	<u>3,473,843</u>
<b>TOTAL ASSETS</b>	<u>822,380</u>	<u>8,282,734</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pensions, Net of Accumulated Amortization	<u>-</u>	<u>776,429</u>
<b>LIABILITIES</b>		
Accounts Payable	13,652	193
Accrued Liabilities	14,781	37,306
Accrued Interest Payable	-	217,351
Noncurrent Liabilities		
Due Within One Year	-	80,000
Due in More Than One Year	-	6,225,000
Net Pension Liability	<u>-</u>	<u>2,305,759</u>
<b>TOTAL LIABILITIES</b>	<u>28,433</u>	<u>8,865,609</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pensions, Net of Accumulated Amortization	<u>-</u>	<u>513,308</u>
<b>NET POSITION</b>		
Investment in Capital Assets	-	(1,081,157)
Restricted for Debt Service	-	848,776
Restricted for Emergencies	-	103,000
Unrestricted	<u>793,947</u>	<u>(190,373)</u>
<b>TOTAL NET POSITION</b>	<u>\$ 793,947</u>	<u>\$ (319,754)</u>

## Cesar Chavez Academy Denver's Change in Net Position

	<b>2017-2018</b>	<b>2016-2017</b>
<b>REVENUES</b>		
Per Pupil Revenue (including ECARE)	\$ 1,963,647	\$ 2,530,478
Additional At-Risk Funding	2,860	3,506
District Mill Levy	414,767	527,339
Capital Construction	62,914	90,433
Charges for Services	67,375	87,290
Operating Grants and Contributions	215,003	353,550
Capital Grants and Contributions	9,087	36,000
Investment Income	4,641	1,179
Other	18,776	34,592
	<u>2,759,070</u>	<u>3,664,367</u>
<b>TOTAL REVENUE</b>	<u>2,759,070</u>	<u>3,664,367</u>
<b>SPECIAL ITEM</b>	1,464,444	-
<b>EXPENSES</b>		
Instruction	1,139,448	1,801,252
Support Services	1,646,602	1,161,266
Building Corporation	323,763	509,700
	<u>3,109,813</u>	<u>3,472,218</u>
<b>TOTAL EXPENSES</b>	<u>3,109,813</u>	<u>3,472,218</u>
<b>CHANGE IN NET POSITION</b>	1,113,701	192,149
<b>NET POSITION, Beginning</b>	<u>(319,754)</u>	<u>(511,903)</u>
<b>NET POSITION, Ending</b>	<u>\$ 793,947</u>	<u>\$ (319,754)</u>

### Financial Analysis of the Government's Fund

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

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, unassigned fund balance 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 general fund reported an ending fund balance of \$793,947, a decrease of \$(1,161,318) from the prior year largely related to the disposal of operations.

As of the end of the current fiscal year, the School's proprietary fund reported an ending fund balance of \$0, a \$256,224 increase from the prior year largely related to the disposal of operations.

## **General Fund Budgetary Highlights**

CCAD recognized \$41,563 more revenue than expected and spent \$613,268 less than planned, when compared to the final budget. There were budget amendments during the year, which reflected changes in revenues and expenditures. Overall, revenue and expenses were fine-tuned to account for changes to student enrollment and to account for expenses related to the School's closure.

## **Capital Assets & Long-Term Debt**

The School had invested in capital assets for equipment in support of the School's educational program, School land, and the School's educational facility. During the year the School sold its capital assets to RMP. More information regarding capital assets may be found in Note 3 to the financial statements. More information about the disposal of operations may be found in Note 10 to the financial statements.

The School had long-term debt in the form of 2013 Charter School Refunding Revenue Bonds used to refund existing debt on the School's facilities, allowing the Corporation to purchase the facilities. On February 21, 2018 the bonds were paid in full upon sale of related capital assets. More information regarding long-term debt may be found in Note 4 to the financial statements.

## **Requests for Information**

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

Cesar Chavez Academy Denver  
3752 Tennyson Street  
Denver, CO 80212

## **Basic Financial Statements**

**Cesar Chavez Academy Denver**  
*(A Component Unit of Denver Public Schools)*  
**Statement of Net Position**  
**June 30, 2018**

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and Investments	\$ 660,296	\$ -	\$ 660,296
Grants Receivable	20,232	-	20,232
Accounts Receivable	141,852	-	141,852
Total Assets	822,380	-	822,380
<b>Liabilities</b>			
Accounts Payable	13,652	-	13,652
Accrued Liabilities	14,781	-	14,781
Total Liabilities	28,433	-	28,433
<b>Net Position</b>			
Unrestricted	793,947	-	793,947
Total Net Position	\$ 793,947	\$ -	\$ 793,947

**Cesar Chavez Academy Denver**  
(A Component Unit of Denver Public Schools)  
Statement of Activities  
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government</b>							
<i>Governmental Activities</i>							
Instruction	\$ 1,139,448	\$ 38,246	\$ 177,555	\$ 9,087	\$ (914,560)	\$ -	\$ (914,560)
Supporting Services	<u>1,646,602</u>	<u>29,129</u>	<u>37,448</u>	<u>-</u>	<u>(1,580,025)</u>	<u>-</u>	<u>(1,580,025)</u>
Total Governmental Activities	<u>2,786,050</u>	<u>67,375</u>	<u>215,003</u>	<u>9,087</u>	<u>(2,494,585)</u>	<u>-</u>	<u>(2,494,585)</u>
<i>Business-Type Activities</i>							
Building Corporation	<u>323,763</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(323,763)</u>	<u>(323,763)</u>
Total Primary Government	<u>\$ 3,109,813</u>	<u>\$ 67,375</u>	<u>\$ 215,003</u>	<u>\$ 9,087</u>	<u>(2,494,585)</u>	<u>(323,763)</u>	<u>(2,818,348)</u>
<b>General Revenues</b>							
Per Pupil Revenue					1,938,979	-	1,938,979
Early Childhood At-Risk Enhancement					24,668	-	24,668
Additional At-Risk Funding					2,860	-	2,860
District Mill Levy					414,767	-	414,767
Capital Construction					62,914	-	62,914
Investment Income					-	4,641	4,641
Other					18,776	-	18,776
<b>Transfers</b>					(317,552)	317,552	-
<b>Special Item</b>							
Disposal of Operations					<u>1,206,650</u>	<u>257,794</u>	<u>1,464,444</u>
Total General Revenues, Transfers, and Special Item					<u>3,352,062</u>	<u>579,987</u>	<u>3,932,049</u>
Change in Net Position					857,477	256,224	1,113,701
<b>Net Position, Beginning of year</b>					<u>(63,530)</u>	<u>(256,224)</u>	<u>(319,754)</u>
<b>Net Position, End of year</b>					<u>\$ 793,947</u>	<u>\$ -</u>	<u>\$ 793,947</u>

**Cesar Chavez Academy Denver**  
*(A Component Unit of Denver Public Schools)*  
 Balance Sheet  
 Governmental Fund  
 June 30, 2018

	General
<b>Assets</b>	
Cash and Investments	\$ 660,296
Grants Receivable	20,232
Accounts Receivable	141,852
Total Assets	\$ 822,380
<b>Liabilities and Fund Balance</b>	
<i>Liabilities</i>	
Accounts Payable	\$ 13,652
Accrued Liabilities	14,781
Total Liabilities	28,433
<i>Fund Balance</i>	
Unrestricted, Unassigned	793,947
Total Fund Balance	793,947
Total Liabilities and Fund Balance	\$ 822,380

**Cesar Chavez Academy Denver**  
*(A Component Unit of Denver Public Schools)*  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Fund  
For the Year Ended June 30, 2018

	General
<b>Revenues</b>	
Local Sources	\$ 2,448,984
State Sources	157,620
Federal Sources	147,825
Total Revenues	2,754,429
<b>Expenditures</b>	
Instruction	1,396,821
Supporting Services	1,600,577
Total Expenditures	2,997,398
<b>Excess of Revenues Over (Under) Expenditures</b>	(242,969)
<b>Other Financing Sources (Uses)</b>	
Transfers In	44,781
Transfers Out	(20,000)
Total Other Financing Sources (Uses)	24,781
<b>Special Item</b>	
Disposal of Operations	(943,130)
<b>Net Change in Fund Balance</b>	(1,161,318)
<b>Fund Balance, <i>Beginning of year</i></b>	1,955,265
<b>Fund Balance, <i>End of year</i></b>	\$ 793,947

**Cesar Chavez Academy Denver**  
*(A Component Unit of Denver Public Schools)*  
Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Fund  
For the Year Ended June 30, 2018

	Building Corporation
<b>Operating Revenues</b>	
Lease Income	\$ <u>342,333</u>
Total Operating Revenues	<u>342,333</u>
<b>Operating Expenses</b>	
Depreciation	50,000
Debt Service	
Interest and Fiscal Charges	<u>273,763</u>
Total Operating Expenses	<u>323,763</u>
<b>Net Operating Loss</b>	18,570
<b>Nonoperating Revenues</b>	
Investment Income	<u>4,641</u>
<b>Net Income Before Transfers and Special Item</b>	<u>23,211</u>
<b>Transfers</b>	
Transfers In	20,000
Transfers Out	<u>(44,781)</u>
Total Transfers	<u>(24,781)</u>
<b>Special Item</b>	
Disposal of Operations	<u>257,794</u>
<b>Change in Net Position</b>	256,224
<b>Net Position, <i>Beginning of year</i></b>	<u>(256,224)</u>
<b>Net Position, <i>End of year</i></b>	\$ <u><u>          -</u></u>

**Cesar Chavez Academy Denver**  
*(A Component Unit of Denver Public Schools)*  
Statement of Cash Flows  
Proprietary Fund  
Increase (Decrease) in Cash and Cash Equivalents  
For the Year Ended June 30, 2018

	Building Corporation
<b>Cash Flows From Operating Activities</b>	
Lease Payments Received	\$ 342,333
Loan Interest and Fees Paid	(491,114)
Loan Principal Paid	<u>(80,000)</u>
Net Cash Provided (Used) by Operating Activities	<u>(228,781)</u>
<b>Cash Flows From Capital and Related Financing Activities</b>	
Cash Transferred	(809,570)
Closing Costs	(7,636)
Payment from the School	20,000
Payments to the School	<u>(44,781)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(841,987)</u>
<b>Cash Flows From Investing Activities</b>	
Investment Income Received	<u>4,641</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(1,066,127)
<b>Cash and Cash Equivalents, <i>Beginning of year</i></b>	<u>1,066,127</u>
<b>Cash and Cash Equivalents, <i>End of year</i></b>	<u><u>\$ -</u></u>
<b>Reconciliation of Net Operating Loss to Net Cash Provided (Used) by Operating Activities</b>	
Net Operating Loss	\$ 18,570
Adjustments to Reconcile Net Operating Loss to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	50,000
Changes in Assets and Liabilities	
Accrued Interest Payable	(217,351)
Loan Payable	<u>(80,000)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ (228,781)</u></u>

See Notes to Financial Statements.

**Cesar Chavez Academy Denver**  
*(A Component Unit of Denver Public Schools)*  
Notes to Financial Statements  
June 30, 2018

**Note 1: Summary of Significant Accounting Policies**

The Cesar Chavez Academy Denver (the School) began operations on July 1, 2009, as a charter school within Denver Public Schools (the District).

The accounting policies of the School conform to generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the more significant policies.

**Reporting Entity**

The financial reporting entity consists of the School, organizations for which the School is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the School. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the School. Legally separate organizations for which the School is financially accountable are considered part of the reporting entity. Financial accountability exists if the School appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if the organization has the potential to provide benefits to, or impose financial burdens on, the School.

Based on the application of this criteria, the School includes the CCA Denver Building Corporation (the Corporation) within its reporting entity. The Corporation was organized and shall be operated exclusively for acquiring, leasing, constructing, improving, equipping and financing various facilities, land, equipment, and other improvements in connection with property intended to be leased to the School. The Corporation is blended into the School's financial statements as an enterprise fund, and does not issue separate financial statements.

The School is a component unit of the District. The School's charter was granted by the District and the majority of the School's funding is provided by the District.

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the School. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

**Cesar Chavez Academy Denver**  
(A Component Unit of Denver Public Schools)  
Notes to Financial Statements  
June 30, 2018

**Note 1: Summary of Significant Accounting Policies (Continued)**

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

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to students or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted revenues not properly included among program revenues are reported instead as *general revenues*. Internally dedicated resources are reported as general revenues rather than as program revenues.

Separate financial statements are provided for the governmental fund and the proprietary fund. Major individual funds are reported as separate columns in the fund financial statements.

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current year. Intergovernmental revenues, grants, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the School. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Cesar Chavez Academy Denver**  
*(A Component Unit of Denver Public Schools)*  
Notes to Financial Statements  
June 30, 2018

**Note 1: Summary of Significant Accounting Policies (Continued)**

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

(Continued)

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

The School reports the following major governmental fund:

*General Fund* - This fund is the general operating fund of the School. It is currently used to account for all financial activities of the School.

The School reports the following major proprietary fund:

*Building Corporation* - This fund is used to account for the financial activities of the Corporation, which are primarily for capital purposes and the related debt service.

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

*Cash Equivalents* - Cash equivalents include investments with original maturities of three months or less.

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

*Capital Assets* - Capital assets, which consist of land, buildings and equipment, are reported in the government-wide financial statements and the proprietary fund in the fund financial statements. Capital assets are defined as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value on the date of donation.

Depreciation of exhaustible capital assets is charged as an expense against operations in the statement of activities, and accumulated depreciation is reported in the statement of net position in the government-wide and proprietary fund financial statements. Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings	50 years
Equipment	3 - 10 years

**Cesar Chavez Academy Denver**  
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Notes to Financial Statements  
June 30, 2018

**Note 1: Summary of Significant Accounting Policies (Continued)**

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

*Long-Term Debt* - In the government-wide financial statements and the proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net position. Premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. In the fund financial statements, governmental funds recognize the face amount of debt issued as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses.

Issuance costs, whether or not withheld from the debt proceeds, are reported as current expenses or expenditures.

*Net Position/Fund Balance* - In the government-wide and fund financial statements, net position and fund balance are restricted when constraints placed on the use of resources are externally imposed. The Board of Directors is authorized to establish a fund balance commitment through passage of a resolution, and may assign fund balances to a specific purpose through an informal action.

The School has not established a formal policy for its use of restricted and unrestricted fund balances. However, if both restricted and unrestricted fund balances are available for a specific purpose, the School uses restricted fund balance first, followed by committed, assigned, and unassigned balances.

**Risk Management**

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

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**Note 2: Cash and Investments**

**Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires all 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 financial institution is allowed 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. At June 30, 2018, the School had bank deposits of \$467,297 collateralized with securities held by the financial institution's agent but not in the School's name.

**Investments**

The School is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk.

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

*Interest Rate Risk* - State statutes generally limit investments to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years.

*Credit Risk* - State statutes limit certain investments to those with specified ratings from nationally recognized statistical rating organizations, depending on the type of investment.

*Concentration of Credit Risk* - State statutes do not limit the amount the School may invest in a single issuer, except for corporate securities.

At June 30, 2018, the School had no investments.

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**Note 3: Capital Assets**

Changes in capital assets for the year ended June 30, 2018, are summarized below.

	<u>Balance 6/30/17</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/18</u>
<b>Governmental Activities</b>				
<i>Capital Assets, Being Depreciated</i>				
Equipment	\$ 261,334	\$ -	\$ (261,334)	\$ -
Accumulated Depreciation	<u>(237,491)</u>	<u>(17,434)</u>	<u>254,925</u>	<u>-</u>
Governmental Activities Capital Assets, <i>Net</i>	<u>\$ 23,843</u>	<u>\$ (17,434)</u>	<u>\$ (6,409)</u>	<u>\$ -</u>
<b>Business-Type Activities</b>				
<i>Capital Assets, Not Being Depreciated</i>				
Land	<u>\$ 1,750,000</u>	<u>\$ -</u>	<u>\$ (1,750,000)</u>	<u>\$ -</u>
Total Capital Assets, <i>Not Being Depreciated</i>	<u>1,750,000</u>	<u>-</u>	<u>(1,750,000)</u>	<u>-</u>
<i>Capital Assets, Being Depreciated</i>				
Buildings	3,750,000	-	(3,750,000)	-
Accumulated Depreciation	<u>(300,000)</u>	<u>(50,000)</u>	<u>350,000</u>	<u>-</u>
Total Capital Assets, <i>Being Depreciated, Net</i>	<u>3,450,000</u>	<u>(50,000)</u>	<u>(3,400,000)</u>	<u>-</u>
Business-Type Activities Capital Assets, <i>Net</i>	<u>\$ 5,200,000</u>	<u>\$ (50,000)</u>	<u>\$ (5,150,000)</u>	<u>\$ -</u>

**Note 4: Long-Term Debt**

	<u>Balance 6/30/17</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 6/30/18</u>	<u>Due Within One Year</u>
<b>Business-Type Activities</b>					
2013 CECFA Loan	<u>\$ 6,305,000</u>	<u>\$ -</u>	<u>\$ (6,305,000)</u>	<u>\$ -</u>	<u>\$ -</u>

On July 3, 2013, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$6,140,000 Charter School Refunding Revenue Bonds, Series 2013A, and \$310,000 Taxable Charter School Refunding Revenue Bonds, Series 2013B. Proceeds of the bonds were used to refund existing debt on the School's educational facilities, allowing the Corporation to purchase the facilities. The School was required to make monthly lease payments to the Corporation for using the facilities. The Corporation was required to make similar payments to the Trustee, for payment of the bonds. The bonds accrued interest at rates ranging from 6% to 7.75%. Interest payments were due semi-annually on January 1 and July 1, through July 1, 2043. Principal payments were due annually on July 1. On February 21, 2018, the bonds were paid in full upon sale of the related capital assets.

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Notes to Financial Statements  
June 30, 2018

**Note 5: Interfund Transactions**

During the year ended June 30, 2018, the School transferred \$20,000 to the Corporation to fund the repair and replacement reserve, as required by the CECFA loan agreement (See Note 4). In addition, the Corporation transferred all of its assets and liabilities to RMP Berkeley Facility LLC and excess cash of \$44,781 was paid to the School.

**Note 6: Defined Benefit Pension Plan**

During the year ended June 30, 2018, the School contributed to the Denver Public Schools Division Trust Fund (DPSD), a single-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). All employees of the School participated in the DPSD. Title 24, Article 51 of the Colorado Revised Statutes (CRS) assigns the authority to establish and amend plan provisions to the State Legislature. PERA issues a publicly available financial report that includes information on the DPSD. That report may be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

Effective June 30, 2018, the School was closed, had no requirement to make further contributions to the plan, and did not have a payable to the plan. Therefore, no net pension liability, or deferred outflows of resources and deferred inflows of resources related to pensions were reported in the financial statements at June 30, 2018. For the year ended June 30, 2018, the School recognized pension expense of \$90,509.

*Contributions* - The School and eligible employees were required to contribute to the DPSD at rates established by Title 24, Article 51, Part 4 of the CRS. These contribution requirements are established and may be amended by the State Legislature. The contribution rate for employees was 8% of covered salaries. The School's contribution rate for calendar years 2018 and 2017 was 20.15% and 19.65% of covered salaries, respectively. However, the State Legislature allowed the School to offset its contribution rates by an amount equal to the obligations of the District with respect to its outstanding PCOPs (See Note 7). As a result, the School's contribution rates for calendar years 2018 and 2017 were 5.97% and 5.09% of covered salaries, respectively. In addition, a portion of the School's contribution (1.02% of covered salaries) was allocated to the Health Care Trust Fund (See Note 8). The School's contributions to the DPSD for the year ended June 30, 2018, were \$64,265, equal to the required contributions.

**Note 7: Pension Certificates of Participation**

Beginning in 2008, the District issued Taxable Pension Certificates of Participation (PCOPs) to fund the liabilities of the DPSD (See Note 6). For the year ended June 30, 2018, the School contributed 9.6% of covered salaries, totaling \$111,676, to the District to cover its obligation relating to the PCOPs.

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Notes to Financial Statements  
June 30, 2018

**Note 8: Postemployment Healthcare Benefits**

All employees of the School were eligible to receive postemployment benefits other than pensions (OPEB) through the Denver Public Schools Health Care Trust Fund a single-employer defined benefit postemployment healthcare plan administered by the Public Employees' Retirement Association of Colorado (PERA). Title 24, Article 51, Part 12 of the Colorado Revised Statutes (CRS) assigns the authority to establish and amend plan provisions to the State Legislature. PERA issues a publicly available financial report that includes information on the HCTF. That report may be obtained as described previously.

The School's net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB were not significant at June 30, 2018 or 2017, and therefore, have not been reported in the financial statements. For the year ended June 30, 2018, the School recognized OPEB expense of \$11,866.

*Contributions* - As established by Title 24, Article 51, Section 208 of the CRS, 1.02% of the School's contributions to the Denver Public Schools Division Trust Fund (DPSD) (See Note 6) was apportioned to the HCTF. No employee contributions were required. These contribution requirements are established and may be amended by the State Legislature. The School's apportionment to the HCTF for the year ended June 30, 2018, was \$11,866, equal to the required amount.

**Note 9: Commitments and Contingencies**

**Lease Agreement**

On February 21, 2018, the School entered into a lease agreement with RMP Berkeley Facility LLC for use of the existing education facilities through June 30, 2018. Base rent payments for the term of the lease totaled \$102,000.

**Note 10: Disposal of Operations**

On February 20, 2018, the Board of Directors entered into an acquisition agreement with Rocky Mountain Preparatory Schools under which the School will cease its operations as a charter school as of June 30, 2018, and Rocky Mountain Preparatory Schools will purchase the real and personal property for the purpose of continuing charter school operations at the existing location. As such, the Corporation's property was transferred to the RMP Berkeley Facility LLC on February 21, 2018, and the School ceased operations effective June 30, 2018. All remaining cash is expected to be paid to Rocky Mountain Preparatory Schools by December 31, 2018. The financial activity related to this matter is reported as a special item in the financial statements.

## **Required Supplementary Information**

**Cesar Chavez Academy Denver**  
(A Component Unit of Denver Public Schools)  
Budgetary Comparison Schedule  
General Fund  
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>				
<i>Local Sources</i>				
Per Pupil Revenue	\$ 2,215,957	\$ 1,864,280	\$ 1,938,979	\$ 74,699
District Mill Levy	452,376	381,027	414,767	33,740
Student Fees	21,713	18,230	38,246	20,016
Pupil Activities	19,704	16,784	-	(16,784)
Rental Income	28,800	28,800	29,129	329
Grants	27,923	23,492	-	(23,492)
Investment Income	100	100	-	(100)
Other	53,000	53,000	27,863	(25,137)
<b>Total Local Sources</b>	<u>2,819,573</u>	<u>2,385,713</u>	<u>2,448,984</u>	<u>63,271</u>
<i>State Sources</i>				
Early Childhood At-Risk Enhancement	-	-	24,668	24,668
Additional At-Risk Funding	-	-	2,860	2,860
Capital Construction	68,440	57,578	62,914	5,336
Grants	113,190	113,190	67,178	(46,012)
<b>Total State Sources</b>	<u>181,630</u>	<u>170,768</u>	<u>157,620</u>	<u>(13,148)</u>
<i>Federal Sources</i>				
Grants	159,606	156,385	147,825	(8,560)
<b>Total Revenues</b>	<u>3,160,809</u>	<u>2,712,866</u>	<u>2,754,429</u>	<u>41,563</u>
<b>Expenditures</b>				
Salaries	1,390,716	1,516,117	1,273,639	242,478
Employee Benefits	352,821	364,836	288,667	76,169
Purchased Services	1,351,814	1,421,601	1,266,560	155,041
Supplies	216,029	201,895	156,375	45,520
Property	59,532	50,789	9,959	40,830
Other	55,986	55,428	2,198	53,230
<b>Total Expenditures</b>	<u>3,426,898</u>	<u>3,610,666</u>	<u>2,997,398</u>	<u>613,268</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(266,089)</u>	<u>(897,800)</u>	<u>(242,969)</u>	<u>654,831</u>
<b>Other Financing Sources (Uses)</b>				
Transfers In	-	-	44,781	44,781
Transfers Out	-	(20,000)	(20,000)	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>(20,000)</u>	<u>24,781</u>	<u>44,781</u>
<b>Special Item</b>				
Disposal of Operations	-	-	(943,130)	(943,130)
<b>Net Change in Fund Balance</b>	<u>(266,089)</u>	<u>(917,800)</u>	<u>(1,161,318)</u>	<u>(243,518)</u>
<b>Fund Balance, Beginning of year</b>	<u>1,386,892</u>	<u>1,955,265</u>	<u>1,955,265</u>	<u>-</u>
<b>Fund Balance, End of year</b>	<u>\$ 1,120,803</u>	<u>\$ 1,037,465</u>	<u>\$ 793,947</u>	<u>\$ (243,518)</u>

See accompanying Independent Auditors' Report.

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Notes to Required Supplementary Information  
June 30, 2018

**Note 1: Stewardship, Compliance and Accountability**

**Budgets and Budgetary Accounting**

A budget is adopted for the School on a basis consistent with generally accepted accounting principles.

Management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1, for their approval. The budget includes proposed expenditures and the means of financing them.

Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Board of Directors.

All appropriations lapse at fiscal year-end.