COLORADO SPRINGS EARLY COLLEGES

BASIC FINANCIAL STATEMENTS

June 30, 2016

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JOHN CUTLER & ASSOCIATES

Board of Directors
Colorado Springs Early Colleges
Colorado Springs, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Colorado Springs Early Colleges (the "School"), as of and year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, the business-type activities, and each major fund of the Colorado Springs Early Colleges, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, schedule of the school's proportionate share, and schedule of the school's contributions on pages 31-33 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.

John Cutler & Associates, LLC

October 13, 2016

Colorado Springs Early Colleges
Management's Discussion and Analysis
Year Ended June 30, 2016

As management of Colorado Springs Early Colleges (CSEC), we offer readers of these financial statements this narrative and analysis of the financial activities of CSEC for the year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information provided in the financial statements.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to CSEC's financial statements. The statements are comprised of three components: 1) governmental financial statements, 2) fund financial statements, and 3) notes to the financial statements. For the year ended June 30, 2016, CSEC had its eighth financial audit completed.

Governmental Financial Statements

The governmental financial statements are designed to provide readers with a broad overview of CSEC's finances in a manner similar to a private-sector business.

The statement of net assets presents information on all of CSEC's net assets changed during the year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows in future periods.

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. CSEC, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Governmental funds are used to account for essentially the same functions reported as governmental fund, its general fund.

CSEC adopts an annual budget for its general fund. A budgetary comparison has been provided for the general fund on page 31 as part of the basic financial statements.

Notes to Financial Statements

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

Governmental Financial Analysis

As noted previously, net assets may serve over time as a useful indicator of CSEC's financial position. For the year ended June 30, 2016, CSEC's liabilities were more than its assets by $3,237,122. Approximately $209,000 of total net assets is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. Invested in capital assets is $(3,457,600), which includes unrestricted cash and investments of $6,051,750, less accounts payable of $183,216, less accrued salaries of $208,758 and accrued interest of $96,788 and deposit liabilities from property acquisition of $124,741. You will note the Interfund Balances are from combining the Colorado Early Colleges-Building Corp. with Colorado Springs Early Colleges.

Net assets as of June 30, 2016

Assets:	
Current assets	$ 6,051,750
Fixed assets, net	32,962,400
Total Assets	39,014,150
Deferred Outflows of Resources	
Related to Pensions	1,029,660
Liabilities:	
Accounts Payable	183,216
Accrued Salaries and Benefits	208,758
Accrued Interest	96,788
Deposit Liability	124,741
Noncurrent Liabilities	
Due in More Than One Year	36,420,000
Net Pension Liability	6,160,119
Total Liabilities	43,193,622
Deferred Inflows of Resources	
Related to Pensions	87,310
Net Position:	
Net Investment in Capital Assets	(3,457,600)
Restricted for TABOR	209,000
Unrestricted	11,478
Total Net Position	$ (3,237,122)

The total net position of CSEC/BC decreased to $(3,237,122) for the year ended June 30, 2016 from the prior year adjusted figure of $(1,361,443) for the year ended June 30, 2015. This decrease in net assets of $1,875,679 resulted, primarily, from the deferred charges related to pensions in accordance with GASB 68.

Change in net assets for the year ended June 30, 2016

Revenue:	
Program revenues	
Grants and contributions	$ 261,560
Charges for Services	1,421,658
CEC Network Charges	597,365
Building Corporation	2,739,975
General Revenue	
School Finance Act revenue	4,442,916
Other	477,733
Total Revenue	9,941,207
Expenses:	
Current:	
Instruction	2,626,643
Supporting Services	4,681,682
Forgiveness of Advance	471,322
Building Corporation	4,037,239
Total expenses	11,816,886
Change in net assets	$(1,875,679)

The operations of CSEC are funded primarily by the per pupil revenue received under the State School Finance Act. State revenue for fiscal year 2016 totaled approximately $4,442,916, representing an increase of $288,726 over the total for the year ended June 30, 2015. The increase in per pupil revenue for the year ended June 30, 2016 was due to an increase in students.

Financial Analysis of CESC's Funds

CSEC has one governmental fund, the general fund. The general fund is considered a major fund and is used to account for CSEC's general operations. The general fund had a positive funds balance of $1,988,566 at the beginning of the year. The fund balance of the general fund decreased by $134,465 at June 30, 2016. In addition, a reserve of approximately $209,000 at June 30, 2016 has been made to satisfy the requirements of the TABOR Amendment. CSEC has a positive unreserved fund balance of $1,854,101, which is shown net of nonspendable funds, accounts payable and accrued salaries and benefits.

Capital Assets and Debt Administration

As of June 30, 2016, capital assets consist primarily of the buildings, school busses, leasehold improvements and food service equipment. Capital assets, totaling $32,962,400 as of June 30, 2016, are shown net of accumulated depreciation. See Note 4 for more information.

General Fund Budgetary Highlights

The School approves a final general fund budget in May based on enrollment projections for the school year. In October, after enrollment stabilizes, adjustments are made to the budget. At year-end, the school had some variances between its final budgeted and actual activities. Overall, the school recognized $110,907 less revenue than expected but spent $1,543,810 less than planned, when compared to the final budget. A budget amendment was adopted in January 2016 for FY 2015-2016.

Economic Factors and Next Year's Budget

The primary factor in budget development for CSEC is student enrollment. CSEC's enrollment was 627 students for the 2015-2016 school year. Based on historical trends and current projections, CSEC expects an increase in enrollment for the 2016-2017 school year. CSEC also considers stability in per pupil funding levels to be an important factor in developing its budget for fiscal year 2017.

Requests for Information

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

Colorado Springs Early Colleges
Attention of Keith King
4405 N. Chestnut, Suite E
Colorado Springs, CO 80907

BASIC FINANCIAL STATEMENTS

COLORADO SPRINGS EARLY COLLEGES

STATEMENT OF NET POSITION
June 30, 2016

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTALS 2016	TOTALS 2015
ASSETS				
Cash and Investments	$ 1,922,185	$ 211,102	$ 2,133,287	$ 2,074,704
Restricted Cash and Investments	-	3,407,450	3,407,450	2,292,572
Accounts Receivable	68,186	212,042	280,228	173,018
Due from Related Parties	230,382	-	230,382	471,322
Deposits	-	-	-	4,576
Prepaid Items	403	-	403	-
Capital Assets, Depreciated,				
Net of Accumulated Depreciation	590,093	32,372,307	32,962,400	15,811,908
TOTAL ASSETS	2,811,249	36,202,901	39,014,150	20,828,100
DEFERRED OUTFLOWS OF RESOURCES				
Related to Pensions	1,029,660	-	1,029,660	646,738
LIABILITIES				
Accounts Payable	158,297	24,919	183,216	91,793
Accrued Salaries and Benefits	208,758	-	208,758	198,834
Due to Related Parties	-	-	-	73,815
Accrued Interest	-	96,788	96,788	-
Deposit Liability	-	124,741	124,741	-
Noncurrent Liabilities				
Due in One Year	-	-	-	796,264
Due in More Than One Year	-	36,420,000	36,420,000	16,178,746
Net Pension Liability	6,160,119	-	6,160,119	5,496,522
TOTAL LIABILITIES	6,527,174	36,666,448	43,193,622	22,835,974
DEFERRED INFLOWS OF RESOURCES				
Related to Pensions	87,310	-	87,310	307
NET POSITION				
Net Investment in Capital Assets	590,093	(4,047,693)	(3,457,600)	(1,163,102)
Restricted for Emergencies	209,000	-	209,000	144,000
Unrestricted	(3,572,668)	3,584,146	11,478	(342,341)
TOTAL NET POSITION	$ (2,773,575)	$ (463,547)	$ (3,237,122)	$ (1,361,443)

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

COLORADO SPRINGS EARLY COLLEGES

STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

		PROGRAM REVENUES		
FUNCTIONS/PROGRAMS	EXPENSES	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities				
Instruction	$ 2,626,643	$ 1,421,658	$ -	$ -
Supporting Services	4,681,682	-	696,851	162,074
Total Governmental Activities	7,308,325	1,421,658	696,851	162,074
Business-Type Activities				
Building Corporation	1,302,793	2,735,286	-	-
Interest and Other Fiscal Charges	2,734,446	-	-	-
Total Business-Type Activities	4,037,239	2,735,286	-	-
Total Primary Government	$ 11,345,564	$ 4,156,944	$ 696,851	$ 162,074

GENERAL REVENUES
Per Pupil Revenues
Investment Earnings
Other
SPECIAL ITEMS
Insurance Proceeds
Forgiveness of Advances

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

NET POSITION, Beginning

NET POSITION, Ending

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

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-Type Activities	TOTALS 2016	TOTALS 2015
$ (1,204,985)	$ -	$ (1,204,985)	$ (2,055,126)
(3,822,757)	-	(3,822,757)	(1,591,904)
(5,027,742)	-	(5,027,742)	(3,647,030)
-	1,432,493	1,432,493	(673,721)
-	(2,734,446)	(2,734,446)	(738,749)
-	(1,301,953)	(1,301,953)	(1,412,470)
(5,027,742)	(1,301,953)	(6,329,695)	(5,059,500)
4,442,916	-	4,442,916	4,154,190
67	-	67	939
477,666	4,689	482,355	221,659
-	-	-	870,756
(471,322)	-	(471,322)	-
4,449,327	4,689	4,454,016	5,247,544
(578,415)	(1,297,264)	(1,875,679)	188,044
(2,195,160)	833,717	(1,361,443)	(1,549,487)
$ (2,773,575)	$ (463,547)	$ (3,237,122)	$ (1,361,443)

COLORADO SPRINGS EARLY COLLEGES

BALANCE SHEET
GENERAL FUND
June 30, 2016

	GENERAL FUND 2016	GENERAL FUND 2015
ASSETS		
Cash and Investments	$ 1,922,185	$ 1,678,924
Accounts Receivable	68,186	173,018
Due from Related Parties	230,382	471,322
Deposits	-	2,800
Prepaid Items	403	-
TOTAL ASSETS	$ 2,221,156	$ 2,326,064
LIABILITIES AND FUND EQUITY		
LIABILITIES		
Accounts Payable	$ 158,297	$ 64,849
Accrued Salaries and Benefits	208,758	198,834
Due to Related Parties	-	73,815
TOTAL LIABILITIES	367,055	337,498
FUND BALANCES		
Nonspendable	403	2,800
Restricted for Emergencies	209,000	144,000
Unassigned	1,644,698	1,841,766
TOTAL FUND BALANCES	1,854,101	1,988,566
TOTAL LIABILITIES AND FUND BALANCES	$ 2,221,156	$ 2,326,064

Amounts reported for governmental activities in the statement of net position are different because:

	2016	2015
Fund Balance	$ 1,854,101	$ 1,988,566
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.	590,093	666,365
Long-term liabilities and related assets are not due and payable in the current period and, therefore, are not reported in the funds. This liability includes net pension liability of ($6,160,119), deferred outflows related to pensions of $1,029,660, and deferred inflows related to pensions of ($87,310).	(5,217,769)	(4,850,091)
Net position of governmental activities	$ (2,773,575)	$ (2,195,160)

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

COLORADO SPRINGS EARLY COLLEGES

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GENERAL FUND
Year Ended June 30, 2016

	GENERAL FUND	
	2016	2015
REVENUES		
Local Sources		
Per Pupil Revenue	$ 4,442,916	$ 4,154,190
Charges for Services	1,421,658	601,471
CEC Network Charges	597,365	-
Interest	67	939
Other	477,666	31,706
State Sources		
Grants	261,560	329,535
TOTAL REVENUES	7,201,232	5,117,841
EXPENDITURES		
Instruction	2,421,837	2,656,597
Supporting Services	4,442,538	2,336,095
TOTAL EXPENDITURES	6,864,375	4,992,692
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	336,857	125,149
OTHER FINANCING USES		
Transfer Out	-	(267,471)
Forgiveness of Advances	(471,322)	(865,000)
TOTAL OTHER FINANCING USES	(471,322)	(1,132,471)
NET CHANGE IN FUND BALANCE	(134,465)	(1,007,322)
FUND BALANCES, Beginning	1,988,566	2,995,888
FUND BALANCES, Ending	$ 1,854,101	$ 1,988,566

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

COLORADO SPRINGS EARLY COLLEGES

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	$	(134,465)
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation expense ($165,807) exceeded capital outlay $89,535, for the year.		(76,272)
Deferred Charges related to pensions are not recognized in the governmental funds. However, for the government-wide funds that amounts are capitalized and amortized.		(367,678)
Change in net position of governmental activities	$	(578,415)

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

COLORADO SPRINGS EARLY COLLEGES

STATEMENT OF NET POSITION
PROPRIETARY FUND TYPE
June 30, 2016

	BUILDING CORPORATION 2016	BUILDING CORPORATION 2015
ASSETS		
Current Assets		
Cash and Investments	$ 211,102	$ 395,780
Restricted Cash and Investments	3,407,450	2,292,572
Accounts Receivable	212,042	-
Deposits	-	1,776
Total Current Assets	3,830,594	2,690,128
Long-term Assets		
Capital Assets, Net of Accumulated Depreciation	32,372,307	15,145,543
Total Long-term Assets	32,372,307	15,145,543
TOTAL ASSETS	36,202,901	17,835,671
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts Payable	24,919	26,944
Accrued Interest	96,788	-
Deposit Liability	124,741	-
Total Current Liabilities	246,448	26,944
Long-term Liabilities		
Notes Payable	36,420,000	16,975,010
Total Long-term Assets	36,420,000	16,975,010
TOTAL LIABILITIES	36,666,448	17,001,954
NET POSITION		
Net Investment in Capital Assets	(640,243)	463,105
Unrestricted	176,696	370,612
TOTAL NET POSITION	$ (463,547)	$ 833,717

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

COLORADO SPRINGS EARLY COLLEGES

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUND TYPE
Year Ended June 30, 2016

	BUILDING CORPORATION	
	2016	2015
OPERATING REVENUES		
Rent	$ 2,735,286	$ 1,666,271
Other Income	4,689	189,953
TOTAL OPERATING REVENUES	2,739,975	1,856,224
OPERATING EXPENSES		
Purchased Services	687,057	1,980,957
Depreciation	615,736	359,035
TOTAL OPERATING EXPENSES	1,302,793	2,339,992
OPERATING INCOME (LOSS)	1,437,182	(483,768)
NON-OPERATING (REVENUE) EXPENSES		
Insurance Proceeds	-	870,756
Transfers In	-	267,471
Forgiveness of Advance from Other Funds	-	865,000
Debt Issuance Costs	(1,750,285)	(188,504)
Interest Expense	(984,161)	(550,245)
TOTAL NON-OPERATING (REVENUES) EXPENSES	(2,734,446)	1,264,478
NET INCOME (LOSS)	(1,297,264)	780,710
NET POSITION, Beginning	833,717	53,007
NET POSITION, Ending	$ (463,547)	$ 833,717

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

COLORADO SPRINGS EARLY COLLEGES

STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
Year Ended June 30, 2016

	BUILDING CORPORATION	
	2016	2015
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Rental Operations	$ 2,529,709	$ 1,957,062
Cash Paid to Suppliers	(564,341)	(1,955,482)
Net Cash Provided by Operating Activities	1,965,368	1,580
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Insurance Proceeds	-	870,756
Purchase of Capital Assets	(17,842,500)	(10,042,078)
Proceeds from the Issuance of Note Payable	19,444,990	17,360,000
Payment of Costs Related to Debt Issuance	(1,750,285)	(188,504)
Payments on Long-term Debt	-	(5,134,990)
Transfers from Other Funds	-	267,471
Interest Payments	(887,373)	(550,245)
Net Cash Used by Capital and Related Financing Activities	(1,035,168)	2,582,410
NET INCREASE IN CASH	930,200	2,583,990
Cash, Beginning	2,688,352	104,362
Cash, Ending	$ 3,618,552	$ 2,688,352
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	$ 1,437,182	$ (483,768)
Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities		
Depreciation	615,736	359,035
Changes in Assets and Liabilities		
Accounts Receivable	(212,042)	-
Due From Other Funds	-	71,788
Due from Related Party	-	8,292
Deposits	1,776	20,758
Accounts Payable	(2,025)	25,475
Deposit Liability	124,741	-
TOTAL NET POSITION	$ 1,965,368	$ 1,580

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

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

Colorado Springs Early Colleges (the "School") was formed in 2006 pursuant to the Colorado Charter Schools Act to form and operate a charter school. The School provides a means for students to obtain college credit while completing their High School diploma requirements. The School is a member of the Charter School Institute and receives State funding from that organization.

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

Reporting Entity

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

The School includes the Colorado Early Colleges Building Corporation (the "Building Corporation") within its reporting entity. The Building Corporation was formed during fiscal year 2013 to support and assist the School to perform its function and to carry out its purpose, specifically to oversee the leasing activities of the school's real estate properties and to assist in the financing of the School's facilities. The Building Corporation is reported in the School's financial statements as an enterprise fund. Separate financial statements are not available for this entity.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the School. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported in a single column.

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

Government-Wide and Fund Financial Statements (Continued)

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (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 financial resources except those required to be accounted for in another fund.

The School reports the following enterprise fund:

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

Deferred Outflows/Inflows of Resources

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

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

Assets, Liabilities and Fund Balance/Net Position

Investments – Investments are recorded at fair value.

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

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

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

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

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net position in the government-wide financial statements. Depreciation has been provided over the following estimated useful lives of the capital assets using the straight-line method: leasehold improvements and machinery, 5 years, vehicles 10 years.

Net Position – The government-wide and business-type fund financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted. Investment in capital assets is intended to reflect the portion of net position which is associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost. Restricted net position is liquid assets, which have third party limitations on their use. Unrestricted net position represents assets that do not have any third party limitations on their use.

Fund Balance Classification – The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the School is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The School classifies Prepaid Items, Deposits, and Advances to Other Funds as nonspendable as these items are not expected to be converted to cash within the next year.

- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The School has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies.

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

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

- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The School did not have any committed resources as of June 30, 2016.

- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The School would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend the Unassigned fund balance.

Compensated Absences

The School's policy allows employees to be given a set amount of paid time off (PTO) in a 'bank' at the beginning of the school year. There is no PTO payout under the policy that went into effect August 1, 2015. Therefore, no liability has been accrued for these absences.

Long-Term Obligations

In the government-wide financial statements, and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

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

Long-Term Obligations (Continued)

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Interfund Transactions

Interfund transactions are reflected as either loans, services provided, reimbursements or transfers. Loans are reported as receivables and payables as appropriate, are subject to elimination upon consolidation and are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the noncurrent portion of interfund loans). Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "Internal Amounts". Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not available financial resources.

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. Settled claims have not exceeded insured amounts in the last three years.

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

Budgets and Budgetary Accounting

A budget is adopted for the General Fund 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 July1. 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: *CASH AND INVESTMENTS*

Cash and Investments at June 30, 2016 consisted of the following:

Cash on Hand	$ 1,403
Deposits	2,131,884
Investments	3,407,450
Total	**$ 5,540,737**

Cash and Investments are reported in the financial statements as follows:

Cash and Investments	$ 2,133,287
Restricted Cash and Investments	3,407,450
Total	**$ 5,540,737**

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At June 30, 2016 State regulatory commissioners have indicated that all financial institutions holding deposits for the School are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held.

The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The School has no policy regarding custodial credit risk for deposits.

At June 30, 2016, the School had deposits with financial institutions with a carrying amount of $2,131,884. The bank balances with the financial institutions were $2,736,484. Of these balances, $467,984 was covered by federal depository insurance and $2,268,500 was covered by collateral held by authorized escrow agents in the financial institution's name (PDPA).

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

Investments

Interest Rate Risk

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

Credit Risk

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

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

At June 30, 2016, the School had $3,407,450 invested in a money market mutual fund. The fund invests only in U.S. Treasury obligations and is rated AAAm by Standard and Poor's.

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

Restricted Cash and Investments

Cash in the amount in the amount of $3,407,450 are restricted in the Building Corporation for debt service and capital projects.

NOTE 4: ***CAPITAL ASSETS***

Capital Assets activity for the year ended June 30, 2016 is summarized below.

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Governmental Activities				
Capital Assets, Being Depreciated				
Building Improvements	$ 759,846	$ -	$ -	$ 759,846
Vehicles	437,150	89,535	-	526,685
Furniture and Equipment	186,058	-	-	186,058
Total Capital Assets, Being Depreciated	1,383,054	89,535	-	1,472,589
Accumulated Depreciation				
Building Improvements	396,523	90,831	-	487,354
Vehicles	259,035	43,744	-	302,779
Furniture and Equipment	61,131	31,232	-	92,363
Total Accumulated Depreciation	716,689	165,807	-	882,496
Net Capital Assets	**$ 666,365**	**$ (76,272)**	**$ -**	**$ 590,093**

Depreciation has been charged to the Supporting Services program of the School.

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Business-type Activities				
Capital Assets, Being Depreciated				
Buildings	$ 15,792,078	$ 17,842,500	$ -	$ 33,634,578
Accumulated Depreciation				
Buildings	646,535	615,736	-	1,262,271
Net Capital Assets	**$ 15,145,543**	**$ 17,226,764**	**$ -**	**$ 32,372,307**

NOTE 5: ***ACCRUED SALARIES AND BENEFITS***

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from August to July but are earned during a school year of nine months. The salaries and benefits earned, but unpaid, as of June 30, 2016, were $208,758 in the General Fund.

NOTE 6: ***LONG-TERM DEBT***

Business-type Activities

Following is a summary of long-term debt transactions for the business-type activities for the year ended June 30, 2016.

	Balance June 30 2015	Additions	Payments	Balance June 30, 2016	Due In One Year
2014 Note Payable	$ 16,975,010	$ -	16,975,010	$ -	$ -
Series 2016 Charter School Bonds	-	36,420,000	-	36,420,000	-
Total	**$ 16,975,010**	**$ 36,420,000**	**$ 16,975,010**	**$ 36,420,000**	**$ -**

Series 2016A and 2016B Charter School Revenue Bonds

In June 2016, the Public Finance Authority issued $36,420,000 Charter School Revenue Refunding and Improvement Bonds, Series 2016A and 2016B. Proceeds from the bonds were used to refinance the Building Corporation's outstanding debt, to purchase Fort Collins and Aurora school facilities and to provide funding for improvements. The Schools are required to make lease payments to the Building Corporation for the use of their buildings and the Building Corporation is required to make equal lease payments to the Trustee, for payment of the bonds. Interest for the Series 2016A and 2016B Bonds accrues at a rate of 4.25% and 5.75% per year, respectively. The bonds mature in July 2023.

The School is approved for additional Series 2016A bonds in the amount of $7,695,000. These funds will be issued in November 2016 and will accrue interest at a rate of 4.25%. These bonds will mature in July 2023.

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

2014 Note Payable – Sunflower Bank

In December 2014, the Building Corporation entered into a loan agreement for $17,360,000 to purchase the Colorado Springs and Douglas County buildings at a combined cost of $10,042,078. Proceeds were also used to pay off the Promissory Note for the Ft. Collins Facility in the amount of $4,750,000. In June 2016, the balance of this note was paid through proceeds from the 2016 Charter School Bonds.

Annual debt service requirements for the outstanding notes and bonds at June 30, 2016 are as follows:

Year Ended June 30,	Principal	Interest	Total
2017	$ -	$ 949,442	$ 949,442
2018	150,000	1,688,812	1,838,812
2019	620,000	1,671,363	2,291,363
2020	650,000	1,642,276	2,292,276
2021	675,000	1,611,907	2,286,907
2022-2024	34,325,000	3,891,945	38,216,945
Total Debt Service Requirements	**$36,240,000**	**$11,455,745**	**$47,875,745**

NOTE 7: ***DEFINED BENEFIT PENSION PLAN***

Summary of Significant Accounting Policies

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

NOTE 7: *DEFINED BENEFIT PENSION PLAN* (Continued)

General Information about the Pension Plan

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

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

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit

- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned.

If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

NOTE 7: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

General Information about the Pension Plan (Continued)

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the SCHDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled. Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions. Eligible employees and the School are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq*. Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

NOTE 7: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

General Information about the Pension Plan (Continued)

	For the Year Ended December 31, 2015	For the Year Ended December 31, 2016
Employer Contribution Rate[1]	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) [1]	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF[1]	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 [1]	4.20%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 [1]	4.00%	4.50%
Total Employer Contribution Rate to the SCHDTF[1]	17.33%	18.13%

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF School were $353,612 for the year ended June 30, 2016.

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

At June 30, 2016 the School reported a liability of $6,160,119 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The School's proportion of the net pension liability was based on the School's contributions to the SCHDTF for the calendar year 2015 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2015, the School's proportion was 0.04028%, which was a decrease of 0.00028% from its proportion measured as of December 31, 2014.

NOTE 7: ***DEFINED BENEFIT PENSION PLAN*** (Continued

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

For the year ended June 30, 2016 the School recognized pension expense of $721,293. At June 30, 2016, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 81,345	$ 257
Net difference between projected and actual earnings on pension plan investments	$ 523,783	N/A
Changes in proportion and differences between contributions recognized and proportionate share of contributions	$ 236,038	N/A
Changes in assumptions and other inputs	N/A	$ 87,053
Contributions subsequent to the measurement date	$ 188,494	N/A
Total	$ 1,029,660	$ 87,310

$188,494 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, 2017. 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,	
2017	$257,802
2018	$257,848
2019	$130,797
2020	$107,409

NOTE 7: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

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

Actuarial assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.80%
Real wage growth	1.10%
Wage inflation	3.90%
Salary increases, including wage inflation	3.90%-10.10%
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50%
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00%
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

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

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

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

The following programming changes were made:

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

NOTE 7: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

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

The following methodology changes were made:

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

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

As of the November 15, 2013 adoption of the 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**	**10 Year Expected Geometric Real Rate of Return**
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%
Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
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 7.50%.

NOTE 7: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

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

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.90%.

- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

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

NOTE 7: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

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

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

Sensitivity of the School's proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	$7,985,314	$6,160,119	$4,641,880

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 7: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

Other Post-Employment Benefits

Health Care Trust Fund

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

Funding Policy – The School is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the School are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2014, 2015, and 2016, the School's employer contributions to the HCTF were $17,262, $17,316, and $19,218, respectively, equal to their required contributions for each year.

NOTE 8: ***COMMITMENTS AND CONTINGENCIES***

Operating Lease

In June 2016, the School entered into Master Lease Agreement with the Colorado Early Colleges Building Corporation (the "Corporation") for the use of facility. The Master Lease Agreement includes all the buildings owned by the Building Corporation located in Colorado Springs, Fort Collins, Aurora and Douglas County.

The total amount of the lease payment due to the Corporation will be split among four schools. The School's estimated share of the total monthly lease payments range from $76,106 to $110,944. In addition, the School pays a monthly CAM payment and remits additional rents collected from a third party lessee. The master lease agreement expires in July 2023.

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

Operating Lease (Continued)

Future minimum lease payments under the Master Lease Agreement are as follows:

Year Ended June 30	
2017	$ 943,340
2018	1,214,324
2019	1,221,853
2020	1,219,995
2021	1,220,032
Thereafter	3,217,904
Total	**$ 9,037,448**

For the year ended June 30, 2016 the School has paid rent, including CAM and third party rents, in the amount of $1,634,850 for the use of its facility.

Claims and Judgments

The School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the School may be required to reimburse the grantor government. As of June 30, 2016, significant amounts of grant expenditures have not been audited, but the School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The School believes it has complied with the Amendment. As required by the Amendment, the School has established a reserve for emergencies. At June 30, 2016, the reserve of $209,000 was recorded as a reservation of net position in the General Fund.

NOTE 9: ***RELATED PARTY TRANSACTIONS***

For the year ended June 30, 2016, the Colorado Early College Network (CEC Network) included the Douglas County, Fort Collins, and Colorado Springs Schools. Each school has budgeted and paid CEC Network and Human Resources Project Fees to the School in amounts equal to 3% and 1% of operating revenues, respectively. For the year ended June 30, 2016, the School received a total of $597,365 from the CEC Network Schools.

The School paid expenses on behalf of Colorado Early Colleges – Douglas County, a related party. As of June 30, 2016 the related party owed $471,322 to the School. This payable was forgiven in August of 2015.

During the year ended June 30, 2016, the School paid expenses on behalf of Colorado Early Colleges – Douglas County and Colorado Early Colleges – Fort Collins, both related parties. As of June 30, 2016 the related parties owed $101,444 and $128,938, respectively, to the School. These amounts reported as a Due from Related Parties in the financial statements and are expected to be repaid in the current fiscal year.

NOTE 10: ***DEFICIT NET POSITION***

The net position of the governmental activities is in a deficit position of $2,773,575 due to the School including its Net Pension Liability per the requirements of GASB Statement No. 68.

The net position of the business-type activities is in a deficit position as of $463,547 due to timing of the bond refunding and related improvement activity. This deficit is expected decrease as the debt is paid.

REQUIRED SUPPLEMENTARY INFORMATION

COLORADO SPRINGS EARLY COLLEGES

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2016

	2016 ORIGINAL BUDGET	2016 FINAL BUDGET	2016 ACTUAL	2016 VARIANCE Positive (Negative)	2015 ACTUAL
REVENUES					
Local Sources					
Per Pupil Revenue	$ 4,246,590	$ 4,512,494	$ 4,442,916	$ (69,578)	$ 4,154,190
Charges for Services	575,400	1,399,281	1,421,658	22,377	601,471
CEC Network Charges	-	597,365	597,365	-	-
Interest	-	-	67	67	939
Other	312,900	489,615	477,666	(11,949)	31,706
State and Federal Sources					
Grants and Donations	11,567	313,384	261,560	(51,824)	329,535
TOTAL REVENUES	5,146,457	7,312,139	7,201,232	(110,907)	5,117,841
EXPENDITURES					
Instruction					
Salaries	876,331	1,078,918	852,864	226,054	856,179
Employee Benefits	246,346	304,407	309,417	(5,010)	215,056
Purchased Services	1,308,227	1,609,339	1,031,130	578,209	1,124,804
Supplies and Materials	163,294	381,533	177,186	204,347	174,734
Property	125,600	49,000	51,240	(2,240)	285,824
Total Instruction	2,719,798	3,423,197	2,421,837	1,001,360	2,656,597
Supporting Services					
School Administration					
Salaries	682,250	828,409	1,001,876	(173,467)	840,427
Employee Benefits	211,156	220,107	159,290	60,817	211,099
Purchased Services	849,823	2,280,616	2,504,604	(223,988)	1,124,284
Supplies and Materials	-	13,200	133,608	(120,408)	160,285
Property	-	-	89,535	(89,535)	-
Other	-	471,322	553,625	(82,303)	-
Appropriated Reserves	2,485,304	1,171,334	-	1,171,334	-
Total Supporting Services	4,228,533	4,984,988	4,442,538	542,450	2,336,095
TOTAL EXPENDITURES	6,948,331	8,408,185	6,864,375	1,543,810	4,992,692
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(1,801,874)	(1,096,046)	336,857	1,432,903	125,149
OTHER FINANCING USES					
Transfer Out	-	-	-	-	(267,471)
Forgiveness of Advances to Related Parties	-	-	(471,322)	(471,322)	(865,000)
TOTAL OTHER FINANCING USES	-	-	(471,322)	(471,322)	(1,132,471)
NET CHANGE IN FUND BALANCE	(1,801,874)	(1,096,046)	(134,465)	(961,581)	(1,007,322)
FUND BALANCE, Beginning	1,801,874	1,988,566	1,988,566	-	2,995,888
FUND BALANCE, Ending	$ -	$ 892,520	$ 1,854,101	$ (961,581)	$ 1,988,566

See the accompanying independent auditors' report.

COLORADO SPRINGS EARLY COLLEGES

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
SCHOOL DIVISION TRUST FUND

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

	2013	2014	2015
School's proportionate share of the Net Pension Liability	0.039%	0.041%	0.041%
School's proportionate share of the Net Pension Liability	$ 4,969,901	$ 5,496,522	$ 6,160,119
School's covered-employee payroll	$ 1,570,780	$ 1,699,899	$ 1,755,272
School's proportionate share of the Net Pension Liability as a percentage of its covered-employee payroll	316.4%	323.3%	350.9%
Plan fiduciary net position as a percentage of the total pension liability	64.1%	62.8%	59.2%

See the accompanying independent auditors' report.

COLORADO SPRINGS EARLY COLLEGES

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
DENVER PUBLIC SCHOOLS DVISION TRUST FUND

Years Ended June 30,

	2014	2015	2016
Statutorily required contributions	$ 287,803	$ 303,946	$ 353,612
Contributions in relation to the Statutorily required contributions	287,803	303,946	353,612
Contribution deficiency (excess)	$ -	$ -	$ -
School's covered-employee payroll	$ 1,692,345	$ 1,697,681	$ 1,884,130
Contributions as a percentage of covered-employee payroll	17.01%	17.90%	18.77%

See the accompanying independent auditors' report.