COLORADO SPRINGS EARLY COLLEGES

BASIC FINANCIAL STATEMENTS

June 30, 2015

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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, 2015, 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 funds of the Colorado Springs Early Colleges, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, schedule of the school's proportionate share, and schedule of the school's contributions on pages 30-32 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 15, 2015

Colorado Springs Early Colleges
Management's Discussion and Analysis
Year Ended June 30, 2015

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, 2015. 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, 2015, 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 30 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, 2015, CSEC's liabilities were more than its assets by $1,361,443. Approximately $144,000 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 $(1,163,102), which includes unrestricted cash and investments of $2,074,704, less accounts payable of $91,793, less accrued salaries of $198,834 and a noncurrent liabilities Due to Related Party (CECFC) of $73,815. 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, 2015

Assets:	
Current assets	$ 5,016,192
Capital and other assets, net	15,811,908
Total Assets	20,828,100
Deferred Outflows Related to Pension	646,738
Liabilities:	
Accrued liabilities and accounts payable	290,627
Advances Payable	73,815
Notes Payable	16,975,010
Pension Liability	5,496,522
Total Liabilities	22,835,974
Deferred Inflows Related to Pension	307
Net Assets:	
Invested in capital assets, net of related debt	(1,163,102)
Restricted for TABOR	144,000
Unrestricted	(342,341)
Total net assets	$(1,361,443)

The total net assets of CSEC increased to ($1,361,443) for the year ended June 30, 2015 from ($1,549,487), for the year ended June 30, 2014. This increase in net assets of $188,044 resulted primarily from depreciation.

Change in net assets for the year ended June 30, 2015

Revenue:	
Program revenues	
Grants and contributions	$ 329,535
Charges for Services	2,267,742
General Revenue	
School Finance Act revenue	4,154,190
Other	222,598
Insurance Proceeds	870,756
Total Revenue	7,844,821
Expenses:	
Current:	
Instruction	2,656,597
Supporting Services	1,921,439
Building Corporation	2,339,992
Interest Expense	738,749
Total School Expenses	7,656,777
Change in net assets	$ 188,044

The operations of CSEC are funded primarily by the per pupil revenue received under the State School Finance Act. State revenue for fiscal year 2015 totaled approximately $4,154,190, representing a decrease of $135,845 over the total for the year ended June 30, 2014. The decrease in per pupil revenue for the year ended June 30, 2015 was due to the reduction 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 $2,995,888 at the beginning of the year. The fund balance of the general fund decreased to $1,988,566 at June 30, 2015. In addition, a reserve of approximately $144,000 at June 30, 2015 has been made to satisfy the requirements of the TABOR Amendment. CSEC has a positive unreserved fund balance of $1,841,766, which is shown net of nonspendable funds, accounts payable and accrued salaries and benefits.

Capital Assets and Debt Administration

As of June 30, 2015, capital assets consist primarily of the buildings, school busses, leasehold improvements and food service equipment. Capital assets, totaling $15,811,908 as of June 30, 2015, are shown net of accumulated depreciation of $646,535. See Note 4 for more information.

Economic Factors and Next Year's Budget

The primary factor in budget development for CSEC is student enrollment. CSEC's enrollment was 611 students for the 2014-2015 school year. Based on historical trends and current projections, CSEC expects an increase in enrollment for the 2015-2016 school year. CSEC also considers stability in per pupil funding levels to be an important factor in developing its budget for fiscal year 2016.

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, 2015

	GOVERNMENTAL ACTIVITIES	BUSINESS TYPE ACTIVITIES	TOTALS 2015	TOTALS 2014
ASSETS				
Cash and Investments	$ 1,678,924	$ 395,780	$ 2,074,704	$ 2,478,423
Restricted Cash and Investments	-	2,292,572	2,292,572	-
Accounts Receivable	173,018	-	173,018	58,813
Advances Receivable	471,322	-	471,322	451,963
Deposits	2,800	1,776	4,576	491,034
Capital Assets, Depreciated,				
Net of Accumulated Depreciation	666,365	15,145,543	15,811,908	5,684,359
TOTAL ASSETS	2,992,429	17,835,671	20,828,100	9,164,592
DEFERRED OUTFLOWS OF RESOURCES				
Related to Pensions	646,738	-	646,738	-
LIABILITIES				
Accounts Payable	64,849	26,944	91,793	415,087
Accrued Salaries and Benefits	198,834	-	198,834	202,034
Advances Payable	73,815	-	73,815	58,217
Noncurrent Liabilities				
Due in One Year	-	796,264	796,264	-
Due in More Than One Year	-	16,178,746	16,178,746	4,750,000
Net Pension Liability	5,496,522	-	5,496,522	-
TOTAL LIABILITIES	5,834,020	17,001,954	22,835,974	5,425,338
DEFERRED INFLOWS OF RESOURCES				
Related to Pensions	307	-	307	-
NET POSITION				
Net Investment in Capital Assets	666,365	(1,829,467)	(1,163,102)	609,647
Restricted for Emergencies	144,000	-	144,000	133,000
Unrestricted	(3,005,525)	2,663,184	(342,341)	2,996,607
TOTAL NET POSITION	$ (2,195,160)	$ 833,717	$ (1,361,443)	$ 3,739,254

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

COLORADO SPRINGS EARLY COLLEGES

STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities				
Instruction	$ 2,656,597	$ 601,471	$ -	$ -
Supporting Services	1,921,439	-	226,097	103,438
Total Governmental Activities	4,578,036	601,471	226,097	103,438
Business-Type Activities				
Building Corporation	2,339,992	1,666,271	-	-
Interest and Other Fiscal Charges	738,749	-	-	-
Total Business-Type Activities	3,078,741	1,666,271	-	-
Total Primary Government	$ 7,656,777	$ 2,267,742	$ 226,097	$ 103,438

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

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

NET POSITION, Beginning, As Restated

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 2015	TOTALS 2014
$ (2,055,126)	$ -	$ (2,055,126)	$ (2,017,332)
(1,591,904)	-	(1,591,904)	(1,823,006)
(3,647,030)	-	(3,647,030)	(3,840,338)
-	(673,721)	(673,721)	515,519
-	(738,749)	(738,749)	(155,668)
-	(1,412,470)	(1,412,470)	359,851
(3,647,030)	(1,412,470)	(5,059,500)	(3,480,487)
4,154,190	-	4,154,190	4,290,035
939	-	939	1,446
31,706	189,953	221,659	108,721
(267,471)	267,471	-	-
-	870,756	870,756	-
(865,000)	865,000	-	-
3,054,364	2,193,180	5,247,544	4,400,202
(592,666)	780,710	188,044	919,715
(1,602,494)	53,007	(1,549,487)	2,819,539
$ (2,195,160)	$ 833,717	$ (1,361,443)	$ 3,739,254

COLORADO SPRINGS EARLY COLLEGES

BALANCE SHEET
GENERAL FUND
June 30, 2015

	GENERAL FUND	
	2015	2014
ASSETS		
Cash and Investments	$ 1,678,924	$ 2,374,061
Accounts Receivable	173,018	58,813
Advances Recievable	471,322	443,671
Deposits	2,800	468,500
Advances to Other Funds	-	865,000
TOTAL ASSETS	$ 2,326,064	$ 4,210,045
LIABILITIES AND FUND EQUITY		
LIABILITIES		
Accounts Payable	$ 64,849	$ 413,618
Accrued Salaries and Benefits	198,834	202,034
Advances Payable	73,815	58,217
Due To Other Funds	-	540,288
TOTAL LIABILITIES	337,498	1,214,157
FUND BALANCES		
Nonspendable	2,800	1,333,500
Restricted for Emergencies	144,000	133,000
Unassigned	1,841,766	1,529,388
TOTAL FUND BALANCES	1,988,566	2,995,888
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.	666,365	221,859
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 ($5,496,522), deferred outflows related to pensions of $646,738, and deferred inflows related to pensions of ($307).	(4,850,091)	-
Net position of governmental activities	$ (2,195,160)	$ 3,217,747

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, 2015

	GENERAL FUND 2015	GENERAL FUND 2014
REVENUES		
Local Sources		
Per Pupil Revenue	$ 4,154,190	$ 4,290,035
Charges for Services	601,471	-
Interest	939	1,446
Other	31,706	108,721
State Sources		
Grants	329,535	420,393
TOTAL REVENUES	5,117,841	4,820,595
EXPENDITURES		
Instruction	2,656,597	2,017,332
Supporting Services	2,336,095	2,199,655
TOTAL EXPENDITURES	4,992,692	4,216,987
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	125,149	603,608
OTHER FINANCING USES		
Transfer Out	(267,471)	
Forgiveness of Advances to Other Funds	(865,000)	-
TOTAL OTHER FINANCING USES	(1,132,471)	-
NET CHANGE IN FUND BALANCE	(1,007,322)	603,608
FUND BALANCES, Beginning	2,995,888	2,392,280
FUND BALANCES, Ending	$ 1,988,566	$ 2,995,888

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, 2015

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

Net change in fund balances - total governmental funds	$	(1,007,322)
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 capital outlay $610,313 exceeded depreciation expense ($165,807), for the year.		444,506
Deferred Charges related to pensions are not recognized in the governmental funds. However, for the government-wide funds that amounts are capitalized and amortized.		(29,850)
Change in net position of governmental activities	$	(592,666)

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

COLORADO SPRINGS EARLY COLLEGES

STATEMENT OF NET POSITION
PROPRIETARY FUND TYPE
June 30, 2015

	BUILDING CORPORATION	
	2015	2014
ASSETS		
Current Assets		
Cash and Investments	$ 395,780	$ 104,362
Restricted Cash and Investments	2,292,572	-
Due From Other Funds	-	540,288
Due From Related Party	-	8,292
Deposits	1,776	22,534
Total Current Assets	2,690,128	675,476
Long-term Assets		
Capital Assets, Net of Accumulated Depreciation	15,145,543	5,462,500
Total Long-term Assets	15,145,543	5,462,500
TOTAL ASSETS	17,835,671	6,137,976
LIABILITIES AND NET POSITION		
Current Liabilities		
Accounts Payable	26,944	1,469
Total Current Liabilities	26,944	1,469
Long-term Liabilities		
Advances from Other Funds	-	865,000
Notes Payable	16,975,010	4,750,000
Total Long-term Assets	16,975,010	5,615,000
TOTAL LIABILITIES	17,001,954	5,616,469
NET POSITION		
Net Investment in Capital Assets	(1,829,467)	(152,500)
Unrestricted	2,663,184	674,007
TOTAL NET POSITION	$ 833,717	$ 521,507

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, 2015

	BUILDING CORPORATION	
	2015	2014
OPERATING REVENUES		
Rent	$ 1,666,271	$ 831,238
Other Income	189,953	-
TOTAL OPERATING REVENUES	1,856,224	831,238
OPERATING EXPENSES		
Purchased Services	1,980,957	124,052
Depreciation	359,035	191,667
TOTAL OPERATING EXPENSES	2,339,992	315,719
OPERATING INCOME	(483,768)	515,519
NON-OPERATING (REVENUE) EXPENSES		
Insurance Proceeds	870,756	-
Transfers In	267,471	-
Forgiveness of Advance from Other Funds	865,000	-
Debt Issuance Costs	(188,504)	-
Interest Expense	(550,245)	(155,668)
TOTAL NON-OPERATING (REVENUES) EXPENSES	1,264,478	(155,668)
NET INCOME	780,710	359,851
NET POSITION, Beginning, As Restated	53,007	161,656
NET POSITION, Ending	$ 833,717	$ 521,507

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, 2015

	BUILDING CORPORATION 2015	BUILDING CORPORATION 2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Rental Operations	$ 1,957,062	$ 375,127
Cash Paid to Suppliers	(1,955,482)	(132,783)
Net Cash Provided by Operating Activities	1,580	242,344
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Insurance Proceeds	870,756	-
Purchase of Capital Assets	(10,042,078)	-
Proceeds from the Issuance of Note Payable	17,360,000	-
Payment of Costs Related to Debt Issuance	(188,504)	-
Payments on Long-term Debt	(5,134,990)	-
Transfers from Other Funds	267,471	
Proceeds from Advance from Other Funds	-	10,000
Repayments on Advances from Other Funds	-	(70,000)
Interest Payments	(550,245)	(155,668)
Net Cash Used by Capital and Related Financing Activities	2,582,410	(215,668)
NET INCREASE IN CASH	2,583,990	26,676
Cash, Beginning	104,362	77,686
Cash, Ending	$ 2,688,352	$ 104,362
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	$ (483,768)	$ 515,519
Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities		
Depreciation	359,035	191,667
Changes in Assets and Liabilities		
Due From Other Funds	71,788	(447,819)
Due From Related Party	8,292	(8,292)
Deposits	20,758	-
Accounts Payable	25,475	(3,931)
Security Deposits	-	(4,800)
TOTAL NET POSITION	$ 1,580	$ 242,344

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-Fort Collins 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: ***<u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u>*** (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.

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 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, 2015.

- 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 accumulate paid time off. Upon termination of employment, the unused portion of leave is paid out limited to a maximum of 15 days. The employees can be paid for unused paid time off after four years of service at a rate up to $80 per day. As of June 30, 2015, no employees met these criteria. 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 2: ***STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY*** (Continued)

Legal Compliance

The actual expenditures of the General Fund exceeded the budgeted amounts by $1,200,915. This may be a violation of State statute.

NOTE 3: ***CASH AND INVESTMENTS***

Cash and Investments at June 30, 2015 consisted of the following:

Cash on Hand	$ 1,517
Deposits	4,365,763
Total	**$ 4,367,276**

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

Cash and Investments	$ 2,074,704
Restricted Cash and Investments	2,292,572
Total	**$ 4,367,276**

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, 2015 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.

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

Deposits (Continued)

At June 30, 2015, the School had deposits with financial institutions with a carrying amount of $4,365,763. The bank balances with the financial institutions were $4,372,114. Of these balances, $750,000 was covered by federal depository insurance and $3,622,114 was covered by collateral held by authorized escrow agents in the financial institution's name (PDPA).

Restricted Cash and Investments

Cash in the amount in the amount of $2,292,572 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, 2015 is summarized below.

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Governmental Activities				
Capital Assets, Being Depreciated				
Building Improvements	$ 305,692	$ 454,154	$ -	$ 759,846
Vehicles	437,150	-	-	437,150
Furniture and Equipment	29,899	156,159	-	186,058
Total Capital Assets, Being Depreciated	772,741	610,313	-	1,383,054
Accumulated Depreciation				
Building Improvements	305,692	90,831	-	396,523
Vehicles	215,291	43,744	-	259,035
Furniture and Equipment	29,899	31,232	-	61,131
Total Accumulated Depreciation	550,882	165,807	-	716,689
Net Capital Assets	**$ 221,859**	**$ 444,506**	**$ -**	**$ 666,365**

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

NOTE 4: ***CAPITAL ASSETS*** (Continued)

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Business-type Activities				
Capital Assets, Being Depreciated				
Buildings	$ 5,750,000	$ 10,042,078	$ -	$ 15,792,078
Total Capital Assets, Being Depreciated	5,750,000	10,042,078	-	15,792,078
Accumulated Depreciation				
Buildings	287,500	359,035	-	646,535
Total Accumulated Depreciation	287,500	359,035	-	646,535
Net Capital Assets	**$ 5,462,500**	**$ 9,683,043**	**$ -**	**$ 15,145,543**

NOTE 5: ***INTERFUND BALANCES***

The composition of interfund balances as of June 30, 2015 is as follows:

Due To	Due From	Amount
General Fund	Building Corporation	$ 468,500
Building Corporation	General Fund	(540,288)
Total		**$ (83,542)**

Due to Other Funds

These due to/from balances are the result of operating expenses, rents, and other operating activities paid on behalf of the payable school or fund by the receiving school or fund. Amounts owed are expected to be repaid in the current fiscal year.

Advances to Other Funds

During 2013, the School loaned the Building Corporation $1,000,000. In December 2014, the balance of $865,000 was forgiven by the School.

NOTE 5: ***INTERFUND BALANCES*** (Continued)

Transfers

During the year ended June 30, 2015, the School transferred $267,471 to the Building Corporation to properly report bank accounts related to rental activity.

NOTE 6: ***ACCRUED SALARIES AND BENEFITS***

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from September to August, but are earned during a school year of nine months. The salaries and benefits earned, but unpaid, as of June 30, 2015, were $198,834 in the General Fund.

NOTE 7: ***LONG-TERM DEBT***

Business-type Activities

Following is a summary of long-term debt transactions for the governmental activities for the year ended June 30, 2015.

	Balance 6/30/14	Additions	Payments	Balance 6/30/15	Due In One Year
Promissory Note – Ft. Collins Facility	$ 4,750,000	$ -	$ 4,750,000	$ -	$ -
2014 Note Payable	-	17,360,000	384,990	16,975,010	796,264
Total	**$ 4,750,000**	**$ 17,360,000**	**$ 5,134,990**	**$ 16,975,010**	**$ 796,264**

Promissory Note – Ft. Collins Facility

In September 2013, the School entered into a loan agreement for $4,750,000 to purchase the Fort Collins building at a cost of $5,750,000. The interest rate is variable based on the prime rate published by the Wall Street Journal. In December 2014, the balance of this note was paid through proceeds from the 2014 Note Payable from Sunflower Bank.

NOTE 7: ***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. Monthly payments of principal and interest in the amount of $140,253 are required through December, 2029. Interest accrues at a fixed rate of 5.25%.

Annual debt service requirements for the outstanding notes and bonds at June 30, 2015 are as follows:

Year Ended June 30,	Principal	Interest	Total
2016	$ 796,264	$ 886,769	$ 1,683,033
2017	842,129	840,903	1,683,032
2018	888,065	794,968	1,683,033
2019	936,506	746,526	1,683,032
2020	985,689	697,344	1,683,033
2021-2025	5,805,336	2,609,826	8,415,162
2026-2030	6,721,021	852,622	7,573,643
Total Debt Service Requirements	**$16,975,010**	**$7,428,958**	**$24,403,968**

NOTE 8: ***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 8: ***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 8: ***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 8: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

General Information about the Pension Plan (Continued)

	For the Year Ended December 31, 2014	For the Year Ended December 31, 2015
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]	3.80%	4.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 [1]	3.50%	4.00%
Total Employer Contribution Rate to the SCHDTF[1]	16.43%	17.33%

[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 $303,946 for the year ended June 30, 2015.

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

At June 30, 2015 the School reported a liability of $5,496,522 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. Standard update procedures were used to roll forward the total pension liability to December 31, 2014. The School proportion of the net pension liability was based on the School's contributions to the SCHDTF for the calendar year 2014 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2014, the School proportion was 0.04055%, which was an increase of 0.00159% from its proportion measured as of December 31, 2013.

NOTE 8: ***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, 2015 the School recognized pension expense of $333,797. At June 30, 2015, 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	N/A	$307
Net difference between projected and actual earnings on pension plan investments	$94,801	N/A
Changes in proportion and differences between contributions recognized and proportionate share of contributions	$394,966	N/A
Contributions subsequent to the measurement date	$156,971	N/A
Total	$646,738	$307

$156,971 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, 2016. 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, 2015	
2016	$163,153
2017	$163,153
2018	$163,154

NOTE 8: *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, 2013 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.10 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired 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, 2013 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.

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.

NOTE 8: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

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

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

Asset Class	**Target Allocation**	**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%.

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 assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Based on those 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.

NOTE 8: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

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

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 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (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	$7,247,666	$5,496,522	$4,030,784

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.

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.

NOTE 8: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

Other Post-Employment Benefits (Continued)

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, 2013, 2014, and 2015, the School's employer contributions to the HCTF were $15,258, $17,262, and $17,316, respectively, equal to their required contributions for each year.

NOTE 9: ***COMMITMENTS AND CONTINGENCIES***

Operating Lease

During the year ended June 30, 2014 the School's building was sold and the School's Building Corporation entered into a new lease agreement with the new landlord. The lease agreement is a lease with option to purchase which the Building Corporation was exercised in December 2014.

The Colorado Springs Early Colleges Building Corporation purchased the facility on the behalf of the School during the year ended June 30, 2015. The School subsequently entered into a new lease agreement for the facility now owned by the Colorado Springs Early Colleges and its related Building Corporation as per the Master lease with Colorado Springs Early Colleges (CSEC). The Master Lease Agreement includes all the buildings owned by the Building Corporation located in Colorado Springs, Fort Collins, and Douglas County. The total amount of the lease payment due to the Corporation has been split among three schools. The School's estimated share of the total month lease payment is $96,892 in addition to a monthly CAM payment. The master lease agreement expires in December, 2029.

NOTE 9: ***COMMITMENTS AND CONTINGENCIES*** (Continued)

Operating Lease (Continued)

Future minimum lease payments are as follows:

Year Ended June 30	
2016	$ 1,162,704
2017	1,162,704
2018	1,162,704
2019	1,162,704
2020	1,162,704
Thereafter	11,045,688
Total	**$ 16,859,208**

For the year ended June 30, 2015 the School has paid rent and CAM of $691,608 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, 2015, 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, 2015, the reserve of $144,000 was recorded as a reservation of net position in the General Fund.

NOTE 10: ***RELATED PARTY TRANSACTIONS***

The School received payments on behalf of Colorado Early Colleges – Fort Collins, a related party. As of June 30, 2015, the School owed $73,815 to the related party. This is recorded as an Advance Payable in the financial statements. This note was forgiven in August of 2015.

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

NOTE 11: ***PRIOR PERIOD ADJUSTMENT***

During the current year, it was determined that amounts reported as escrow deposits in the amount of $468,500 were used in the Charter School Development Corporation's ("CSDC") purchase of the School's facility in December 2014. Because of this, the prior year amount was incorrectly recorded as deposits instead of expenditures of the Building Corporation. To correct this error, the beginning net position of the Building Corporation of $521,507, as originally reported, has been decreased to $53,007.

NOTE 12: ***RESTATEMENT OF NET POSITION***

The beginning net position of the governmental activities was decreased by $4,820,241 to ($1,602,494) as the School implemented Governmental Accounting Standards Board (GASB) Statement 68.

NOTE 13: ***DEFICIT NET POSITION***

The net position of the governmental activities is in a deficit position of $2,195,160 due to the School including its Net Pension Liability per the requirements of GASB Statement No. 68.

REQUIRED SUPPLEMENTARY INFORMATION

COLORADO SPRINGS EARLY COLLEGES

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2015

	2015 ORIGINAL BUDGET	2015 FINAL BUDGET	2015 ACTUAL	2015 VARIANCE Positive (Negative)	2014 ACTUAL
REVENUES					
Local Sources					
Per Pupil Revenue	$ 4,030,880	$ 4,246,589	$ 4,154,190	$ (92,399)	$ 4,290,035
Charges for Services	400,000	575,401	601,471	26,070	-
Interest	1,000	-	939	939	1,446
Other	10,000	10,000	31,706	21,706	108,721
State and Federal Sources					
Grants and Donations	292,700	314,467	329,535	15,068	420,393
TOTAL REVENUES	4,734,580	5,146,457	5,117,841	(28,616)	4,820,595
EXPENDITURES					
Instruction					
Salaries	1,023,469	880,331	856,179	24,152	880,877
Employee Benefits	286,948	248,470	215,056	33,414	213,730
Purchased Services	1,168,615	1,299,527	1,124,804	174,723	797,107
Supplies and Materials	67,050	33,350	174,734	(141,384)	125,618
Property	100,000	40,000	285,824	(245,824)	-
Total Instruction	2,646,082	2,501,678	2,656,597	(154,919)	2,017,332
Supporting Services					
School Administration					
Salaries	517,926	678,250	840,427	(162,177)	820,340
Employee Benefits	145,210	191,433	211,099	(19,666)	143,920
Purchased Services	1,387,965	959,322	1,124,284	(164,962)	828,161
Supplies and Materials	118,000	132,344	160,285	(27,941)	228,153
Property	-	-	-	-	125,280
Other	192,607	178,521	-	178,521	53,801
Total Supporting Services	2,361,708	2,139,870	2,336,095	(196,225)	2,199,655
TOTAL EXPENDITURES	5,007,790	4,641,548	4,992,692	(351,144)	4,216,987
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(273,210)	504,909	125,149	(379,760)	603,608
OTHER FINANCING USES					
Transfer Out	-	-	(267,471)	(267,471)	-
Forgiveness of Advances to Other Funds	-	-	(865,000)	(865,000)	-
TOTAL OTHER FINANCING USES	-	-	(1,132,471)	(1,132,471)	-
NET CHANGE IN FUND BALANCE	$ (273,210)	$ 504,909	(1,007,322)	$ (1,512,231)	603,608
FUND BALANCE, Beginning			2,995,888		2,392,280
FUND BALANCE, Ending			$ 1,988,566		$ 2,995,888

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

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

See the accompanying independent auditors' report.