MOUNTAIN PHOENIX COMMUNITY SCHOOL

BASIC FINANCIAL STATEMENTS

June 30, 2017

TABLE OF CONTENTS

FINANCIAL SECTION

JOHN CUTLER & ASSOCIATES

Board of Directors
Mountain Phoenix Community School
Wheat Ridge, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of Mountain Phoenix Community School, component unit of Jefferson County School District No. R-1, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of the School, 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 and each major fund of the Mountain Phoenix Community School as of June 30, 2017, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

600 17TH STREET SUITE 2800 SOUTH • DENVER, COLORADO 80202 •TEL 303.634.2259 •FAX 303.496.4631

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 28-30 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

November 13, 2017

Mountain Phoenix Community School

Management's Discussion and Analysis
Fiscal Year Ending June 30, 2017

As management of Mountain Phoenix Community School (MPCS), we offer readers of MPCS's basic financial statements this narrative and analysis of the financial activities of Mountain Phoenix Community School for the year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information provided in the accompanying financial statements.

Financial Highlights

The year ended June 30, 2017 was the ninth year of operations for MPCS. The liabilities of Mountain Phoenix Community School exceeded its assets at the close of the most recent fiscal year by $7,425,817 (negative net position). The net position declined over the prior year by $2,165,991. The overall negative net position of $7,425,817 is due to the new GASB 8 pension disclosure reflecting the School's proportional share of the plan's unfunded pension liability.

The general fund balance for fiscal year ending June 30, 2017 is $1,990,891.

The operations of MPCS are funded primarily by tax revenue received under the State School Finance Act (the Act). Tax revenue for the year from Per Pupil Revenue was $3,518,704.

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to MPCS's basic financial statements. The basic statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

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

The statement of net position presents information on all MPCS's assets plus deferred outflows less liabilities and deferred inflows, with the difference being reported as net position. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial position of MPCS is improving or deteriorating. The statement of activities presents information showing how MPCS's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future periods (for example, salaries and benefits earned but unpaid as of year end).

The government-wide statement of activities distinguishes functions/programs of MPCS that are primarily supported by per pupil operating revenue passed from the Jefferson County School District. These activities include instruction and supporting services expense.

The government-wide financial statements can be found on pages 1-2 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. MPCS keeps track of these monies to ensure and demonstrate compliance with finance-related legal requirements. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements, except that the focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. MPCS reports two governmental funds, the general fund and the building corporation. Both the balance sheet and the statement of revenues, expenditures and changes in fund balances provide a reconciliation to facilitate this comparison between the governmental fund and the governmental activities.

The fund financial statements can be found on pages 3-4 of this report.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. This information is provided in pages 6 - 27.

Government-wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of MPCS's financial position. For the year ended June 30, 2017, MPCS's combined assets were less than liabilities by ($7,425,817)*. Of MPCS's net position $6,157,008 is unrestricted and is available to meet MPCS's ongoing financial obligations $133,258 of the combined funds is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment.

Net Position		2016-2017	2015-2016
Assets			
	Cash	864,663	799,877
	Restricted Cash and Investments	1,237,533	1,316,573
	Accounts Receivable		
	Capital Assets, Not Depreciated	830,000	830,000
	Capital Assets, Net of Accumulated Depreciation	4,757,933	4,903,734
Total Assets		***$7,690,129***	***$7,850,184***
	Deferred Outflows of Resources	6,293,243	1,947,584
Liabilities			
	Accounts Payable	$45,573	$18,753
	Accrued Interest	122,325	123,900
	Deferred Revenue	65,732	84,429
	Noncurrent Liabilities Due in One Year Noncurrent Liabilities Due in More Than One Year	100,000 6,890,000	90,000 6,990,000
	Net Pension Liability	14,113,711	7,642,236
Total Liabilities		***$21,337,341***	***$14,949,318***
Deferred Inflows of Resources			
Related to Pensions		71,848	108,276
Net Position			
	Net Investment in Capital Assets	(1,402,067)	(1,346,266)
	Restricted for Emergencies	133,258	134,255
	Restricted for Debt Services	981,949	1,182,318
	Unrestricted	(7,138,957)	(5,230,133)
Total Net Position		***$(7,425,817)***	***$(5,259,826)***

Change in Net Position			2016-2017	2015-2016
	Revenues			
		Per Pupil Revenue	$3,518,704	$3,568,406
		Charges for Services	726,212	709,806
		Grants and Contributions	66,910	57,108
		Capital Construction Funding	134,830	129,608
		Mill Levy Override	673,955	693,215
		Miscellaneous	16,347	12,057
		Total Revenue	***$ 5,136,958***	***$5,170,200***
	Expenses			
		Instruction	$ 4,177,627	$ 3,100,772
		Support Services	2,634,447	1,825,716
		Interest and Other Fiscal Charges	490,875	491,789
		Total Expenses	***$7,302,949***	***$5,418,277***
	Increase (decrease) in net position		$(2,165,991)	$(31,488)
	Net Position, Beginning		(5,259,826)	(5,228,338)
	Net Position, Ending		***$ (7,425,817)***	***$ (5,259,826)***

Financial Analysis of MPCS's Funds

The Director of Education returned for her second year during the 2016-17 school year and the Director of Operations returned for his third year at the school. The Governing Council was a mixture of experienced and new members. Both the Directors and Council were focused on increasing enrollment and building up the middle school for the coming years. The MPCS Foundation and Parent Council continue to be dedicated to ongoing fundraising to promote fiscal health for the school.

The school's outside accountant prepares an annual financial statements and balance sheets prior to filing appropriate tax returns.

Governmental funds

The focus of Mountain Phoenix Community School's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing MPCS's financing requirements. In particular, unassigned fund balance may serve as a useful measure of MPCS's net resources available to spend at the end of the fiscal year.

As of the end of the current fiscal year MPCS's general fund reported an ending fund balance of $1,990,891.

General Fund Budgetary Highlights

MPCS budgeted for General Fund expenditures of $5,307,321 for the year ended June 30, 2017. Actual expenditures were $5,159,335.

There were budget amendments during the year, which reflected a slight increase in revenues and a decrease in expenditures.

Capital Asset and Debt Administration

Capital assets

MPCS's investment in capital assets as of June 30, 2017, amounts to $5,587,933 in equipment and site improvements. The detail on capital assets is in Note 4 of the financial statements.

Long-Term Lease Agreement

MPCS entered into a lease agreement with the MPCS Building Corporation during Fiscal Year 2013 for use of the school facility. The bonds under which the lease was based were issued in October 2012. Under the terms of the new agreement, MPCS will make monthly lease payments ranging from $28,043 to $44,138, through September 2042. The detail on this lease is in Note 6 of the financial statements.

Economic Factors and Next Year's Budget

The primary factor driving the budget for MPCS is student enrollment. Tuition-based programs include Preschool, full day Kindergarten and an infant/toddler program. Enrollment in grades K-8 grew to 500 FTE for the 2015-16 school year. We had a slight decrease for the 2016-17 school year, down to 486 but are increasing enrollment and retention efforts to boost our state funding, notably by adding a home school program. There is a desire to decrease class sizes for the upcoming school year and we are maxing are facility capacity.

- *Please see Note 6 from our auditors regarding the changes required in reporting on pension liabilities. This is a new requirement which we are just recently learning about and although it indicates a negative bottom line actually this is only for reporting purposes and we are otherwise in compliance.

Requests for Information

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

Dirk Angevine, Director of Operations	Don Toups Board President

BASIC FINANCIAL STATEMENTS

MOUNTAIN PHOENIX COMMUNITY SCHOOL

STATEMENT OF NET POSITION
As of June 30, 2017

	Governmental Activities	
	2017	2016
ASSETS		
Cash and Investments	$ 864,663	$ 799,877
Restricted Cash and Investments	1,237,533	1,316,573
Capital Assets, Not Depreciated	830,000	830,000
Capital Assets, Depreciated, Net of Accumulated Depreciation	4,757,933	4,903,734
TOTAL ASSETS	7,690,129	7,850,184
DEFERRED OUTFLOWS OF RESOURCES		
Original Issue Discount	188,693	196,093
Related to Pensions	6,104,550	1,751,491
TOTAL DEFERRED OUTFLOWS OF RESOURCES	6,293,243	1,947,584
LIABILITIES		
Accounts Payable	45,573	18,753
Accrued Interest	122,325	123,900
Unearned Revenues	65,732	84,429
Noncurrent Liabilities		
Due in One Year	100,000	90,000
Due in More Than One Year	6,890,000	6,990,000
Net Pension Liability	14,113,711	7,642,236
TOTAL LIABILITIES	21,337,341	14,949,318
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	71,848	108,276
NET POSITION		
Net Investment in Capital Assets	(1,402,067)	(1,346,266)
Restricted for Emergencies	133,258	134,255
Restricted for Debt Service	981,949	1,182,318
Unrestricted	(7,138,957)	(5,230,133)
TOTAL NET POSITION	$ (7,425,817)	$ (5,259,826)

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

MOUNTAIN PHOENIX COMMUNITY SCHOOL

STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

		PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION	
			Operating	Capital	Governmental Activities	
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Grants and Contributions	Grants and Contributions	2017	2016
PRIMARY GOVERNMENT						
Governmental Activities						
Instruction	$ 4,177,627	$ 726,212	$ 66,910	$ -	$ (3,384,505)	$ (2,333,858)
Supporting Services	2,634,447	-	-	134,830	(2,499,617)	(1,696,108)
Interest On Long-Term Debt	490,875	-	-	-	(490,875)	(491,789)
Total Governmental Activities	$ 7,302,949	$ 726,212	$ 66,910	$ 134,830	(6,374,997)	(4,521,755)
		GENERAL REVENUES				
		Per Pupil Revenue			3,518,704	3,568,406
		Mill Levy Override			673,955	693,215
		Other			16,347	12,057
		SPECIAL ITEM				
		Transfer of Assets from District			-	216,589
		TOTAL GENERAL REVENUES			4,209,006	4,490,267
		CHANGE IN NET POSITION			(2,165,991)	(31,488)
		NET POSITION, Beginning, As Restated			(5,259,826)	(5,228,338)
		NET POSITION, Ending			$ (7,425,817)	$ (5,259,826)

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

MOUNTAIN PHOENIX COMMUNITY SCHOOL

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	GENERAL FUND	
	2017	2016
ASSETS		
Cash and Investments	$ 864,663	$ 799,877
Restricted Cash and Investments	1,237,533	1,316,573
TOTAL ASSETS	$ 2,102,196	$ 2,116,450
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	$ 45,573	$ 14,070
Accrued Salaries	-	4,683
Unearned Revenue	65,732	84,429
TOTAL LIABILITIES	111,305	103,182
FUND BALANCES		
Restricted for Emergencies	133,258	134,255
Restricted for Debt Service	981,949	1,182,318
Unassigned	875,684	696,695
TOTAL FUND BALANCES	1,990,891	2,013,268
TOTAL LIABILITIES AND FUND BALANCES		
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.	5,587,933	5,733,734
Long-term liabilities and related assets are not due and payable in the current period and, therefore, are not reported in the funds. This amount is comprised of bonds payable ($6,990,000), accrued interest payable ($122,325), and bond discount, net of amortization of $188,693.	(6,923,632)	(7,007,807)
Long-term liabilities and related assets are not due and payable in the current period and, therefore, are not reported in the funds. This amount is comprised of net pension liability of ($14,113,711), deferred outflows related to pensions of $6,104,550, and deferred inflows related to pensions of ($71,848).	(8,081,009)	(5,999,021)
Net position of governmental activities	$ (7,425,817)	$ (5,259,826)

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

MOUNTAIN PHOENIX COMMUNITY SCHOOL

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2017

	GENERAL FUND	
	2017	2016
REVENUES		
Local Sources	$ 4,935,218	$ 4,983,484
State Sources	201,740	186,716
TOTAL REVENUES	5,136,958	5,170,200
EXPENDITURES		
Current		
Instruction	2,542,660	2,542,660
Supporting Services	1,867,941	1,500,880
Capital Outlay	166,284	367,804
Debt Service		
Principal	90,000	85,000
Interest	492,450	487,979
TOTAL EXPENDITURES	5,159,335	4,984,323
NET CHANGE IN FUND BALANCES	(22,377)	185,877
FUND BALANCES, Beginning	2,013,268	1,827,391
FUND BALANCES, Ending	$ 1,990,891	$ 2,013,268

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

MOUNTAIN PHOENIX COMMUNITY SCHOOL

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Net Changes in Fund Balances - Total Governmental Funds	$ (22,377)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is amount depreciation expense of $185,820, exceeded capital outlay of ($40,019).	(145,801)
Some expenses reported in the statement of activities do not require current financial resources and are not reported in the funds. This is the amortization of bond discount ($7,400), change in accrued interest payable $1,575 and loan payments $90,000.	84,175
Deferred charges related to pensions are not recognized in the governmental funds. However, for the government-wide funds that amount is capitalized and amortized.	(2,081,988)
Change in Net Position of Governmental Activities	$ (2,165,991)

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

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

The Mountain Phoenix Community School (the "School") was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Jefferson County School District No. R-1 of the State of Colorado.

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.

Based upon the application of these criteria, no additional organizations are included in the School's reporting entity.

The School includes the Mountain Phoenix Community School Building Corporation (the "Building Corporation") within its reporting entity. The Building Corporation was formed to support and assist the School to perform its function and to carry out its purpose, specifically to assist in the financing of the School's facilities. The Building Corporation is included in the activity of the General Fund. Separate financial statements are not available for this entity. The School is a component unit of Jefferson County School District No. R-1.

Government-Wide and Fund Financial Statements

The School 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.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segments 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.

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

Government-Wide and Fund Financial Statements (Continued)

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.

The School reports the following major governmental funds:

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.

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

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.

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 of resources. This separate financial statement element, deferred outflows 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 of resources. This separate financial statement element, deferred inflows 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.

Unearned Revenues –The unearned revenues includes deposits for fees received but not yet available for expenditure until the following year.

Long-term Debt – In the government-wide financial statements, long-term debt and other long term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. 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 current expenditures.

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

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

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:

- 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. In the General Fund, the School has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies. The balance of the restricted cash in the General Fund is restricted for capital projects. The School has also classified the balance of the Building Corporation Fund as restricted for Debt Service.

- 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, 2017.

- 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.

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

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

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 Unassigned fund balance.

Compensated Absences

The School's policy allows employees to accumulate sick leave. Upon termination of employment, no financial compensation is paid for unused sick days. Therefore, no liability for accumulated sick leave is reported in the financial statements.

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 District carries commercial insurance for these risks of loss, and bills the School for its portion of coverage. Settled claims have not exceeded insured amount in the last three years.

Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the School's financial position and operations. However, complete comparative data in accordance with generally accepted accounting principles has not been presented since its inclusion would make the financial statements unduly complex and difficult to read.

Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

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.

School 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***

A reconciliation of the cash and investment components on the balance sheet to the cash and investments categories in this footnote are as follows:

Cash Held by District	$ 997,921
Investments	1,104,275
Total Cash and Investments	**$ 2,102,196**

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

Cash and Investments	$ 997,921
Restricted Cash and Investments	1,104,275
Total	**$ 2,102,196**

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

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, 2017, 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. At June 30, 2017, the School did not have any deposits subject to custodial credit risk.

Pooled Cash with the District

Cash deposits are pooled with the District cash and investments which were held by several banking institutions. Pooled investments represent investments in local government investment pools or in money market funds. At June 30, 2017 the School's balance in equity in both restricted and unrestricted pooled cash of the District totaled $997,921.

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. However, the School is required to follow the investment policy of the District.

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 and securities of the World Bank
- General obligation and revenue bonds of U.S. local government entities
- Certain certificates of participation
- Certain securities lending agreements
- Bankers' acceptances of certain banks

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

Investments (Continued)

- Commercial paper
- Local government investment pools
- Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

The above investments are authorized for all funds and fund types used by Colorado municipalities.

Interest Rate and Credit Risk Policies

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, or a formal policy to limit credit risk. However, they follow state statutes regarding investments.

Fair Value

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant observable inputs

State statutes limit investments in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by a nationally recognized statistical rating organization ("NRSROs"). At June 30, 2017, the School had $1,104,275 invested in money market funds. The funds invest only in U.S. Treasury obligations and is rated AAAm by Standard and Poor's. These are valued using Level 1 inputs.

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

Restricted Cash and Investments

Cash in the amount of $133,258 is restricted in the General Fund as an emergency reserve related to the TABOR. Investments in the amount of $1,104,275 are restricted in the for debt service.

NOTE 4: ***CAPITAL ASSETS***

Capital Assets activity for the year ended June 30, 2017 is summarized below.

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Governmental Activities				
Capital Asset, Not Depreciated				
Land	$ 830,000	$ -	$ -	$ 830,000
Total Capital Assets, Not Depreciated	830,000	-	-	830,000
Capital Asset, Depreciated				
Buildings and Improvements	5,280,936	40,019	-	5,320,955
Equipment	7,248	-	-	7,248
Total Capital Assets, Depreciated	5,288,184	40,019	-	5,328,203
Accumulated Depreciation				
Buildings and Improvements	378,650	184,372	-	586,022
Equipment	5,800	1,448		7,248
Total Accumulated Depreciation	384,450	185,820	-	570,270
Capital Assets, Depreciated, Net	4,903,734	145,801	-	4,757,933
Total Capital Assets	**$ 5,733,734**	**$ 145,801**	**$ -**	**$ 5,587,933**

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

NOTE 5: ***LONG-TERM DEBT***

Following is a summary of the School's long-term debt transactions for the year ended June 30, 2017:

	Balance June 30, 2016	Additions	Payments	Balance June 30, 2017	Due In One Year
2012 Revenue Bonds	**$ 7,080,000**	**$ -**	**$ 90,000**	**$ 6,990,000**	**$ 100,000**

NOTE 5: ***LONG-TERM DEBT*** (Continued)

2012 Revenue Bonds

In October 2012, the Colorado Educational and Cultural Facilities Authority (CECFA) issued $6,370,000 in Charter School Revenue Bonds Series 2012. Proceeds from the bonds were loaned to the Corporation for the construction of a middle school and purchase of the School's current facility. In May 2016, the Colorado Educational and Cultural Facilities Authority (CECFA) issued an additional $865,000 of the Charter School Revenue Bonds Series 2012. Proceeds from the amount were loaned to the Corporation for the upstairs renovation of the School's current facility. The School is obligated under a lease agreement to make monthly lease payments to the Corporation for the use of the educational facilities. The Corporation is required to make equal loan payments to the Trustee, for payment of the bonds. The bonds accrue interest at a rate of 7.0% per annum. Interest payments are due semi-annually on April 1 and October 1. Principal payments are due annually on October 1, through 2042

Future debt service requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
2018	$ 100,000	$ 485,800	$ 585,800
2019	105,000	478,625	583,625
2020	115,000	470,925	585,925
2021	120,000	462,700	582,700
2022	130,000	453,950	583,950
2023-2027	805,000	2,113,825	2,918,825
2028-2032	1,140,000	1,776,600	2,916,600
2033-2037	1,615,000	1,299,375	2,914,375
2038-2042	2,295,000	621,425	2,916,425
2043	565,000	19,775	584,775
Totals	**$ 6,990,000**	**$ 8,183,000**	**$ 15,173,000**

NOTE 6: ***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.

Plan description. Eligible *e*mployees 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.

NOTE 6: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

General Information about the Pension Plan (Continued)

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

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

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, 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 (AIR) 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 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.

NOTE 6: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

General Information about the Pension Plan (Continued)

The employer contribution requirements are summarized in the table below:

	For the Year Ended December 31, 2016	For the Year Ended December 31, 2017
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]	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 [1]	4.50%	5.00%
Total employer contribution rate to the SCHDTF[1]	**18.13%**	**18.63%**

[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 from School were $506,620 for the year ended June 30, 2017.

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

At June 30, 2017, the School reported a liability of $14,113,711 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll-forward the total pension liability to December 31, 2016. The School's proportion of the net pension liability was based on School's contributions to the SCHDTF for the calendar year 2016 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2016, the School's proportion was 0.0474%, which was a decrease of 0.00256% from its proportion measured as of December 31, 2015.

NOTE 6: ***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, 2017, the School recognized pension expense of $2,588,608. At June 30, 2017, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 177,035	$ 106
Changes of assumptions or other inputs	$ 4,306,565	$ 71,742
Net difference between projected and actual earnings on pension plan investments	$ 498,517	N/A
Changes in proportion and differences between contributions recognized and proportionate share of contributions	$ 916,197	N/A
Contributions subsequent to the measurement date	$ 206,236	N/A
Total	$ 6,104,550	$ 71,848

$206,236 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,:	
2018	$ 1,000,869
2019	$ 2,438,803
2020	$ 2,218,740
2021	$ 168,054

NOTE 6: ***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, 2015 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.10 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.50 percent
Discount rate	7.50 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)	2.00 percent
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

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

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

NOTE 6: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

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

Mortality rates used in the December 31, 2015 valuation were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

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

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

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

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

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

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

NOTE 6: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

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

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

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

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.

- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.

- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.

- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

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

NOTE 6: *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 November 18, 2016 adoption of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

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

Discount rate. The discount rate used to measure the total pension liability was 5.26 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016.

NOTE 6: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.

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

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

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

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

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

NOTE 6: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

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

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

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

Sensitivity of the School *proportionate share of the net pension liability to changes in the discount rate.* The following presents the proportionate share of the net pension liability calculated using the discount rate of 5.26 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.26 percent) or 1-percentage-point higher (6.26 percent) than the current rate:

	1% Decrease (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
Proportionate share of the net pension liability	$ 17,747,538	$ 14,113,711	$ 11,154,090

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

Other Post-Employment Benefits

Health Care Trust Fund

Plan Description – The Academy 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 Academy 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 Academy are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2017, 2016, and 2015, the School's employer contributions to the HCTF were $25,899, $23,275, and $20,287, respectively, equal to their required contributions for each year.

NOTE 7: ***COMMITMENTS AND CONTINGENCIES***

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, 2017, 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.

NOTE 7: ***COMMITMENTS AND CONTINGENCIES*** (Continued)

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, 2017, the reserve of $133,258 was recorded as a restriction of fund balance in the General Fund. The District also holds $133,258 in pooled cash on behalf of the School for this reserve.

NOTE 8: ***FOUNDATION***

The Mountain Phoenix Community School Foundation was created as a separate legal entity responsible for fundraising and providing support to the school. Donations received from the Foundation are reported as donation revenue by the School. As of June 30, 2017, the Foundation had approximately $115,000 available in cash to support the School.

NOTE 9: ***DEFICIT NET POSITION***

The Net Position of the government type activities is in a deficit position of $7,425,817 due to the School including the Net Pension Liability per GASB No. 68.

REQUIRED SUPPLEMENTARY INFORMATION

MOUNTAIN PHOENIX COMMUNITY SCHOOL

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2017

	2017				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2016 ACTUAL
REVENUES					
Local Sources					
Per Pupil Revenue	$ 3,420,960	$ 3,519,592	$ 3,518,704	$ (888)	$ 3,568,406
Mill Levy Override	488,319	673,955	673,955	-	693,215
Charges for Services	798,655	795,799	726,212	(69,587)	709,806
Donations	-	6,608	14,315	7,707	9,115
Other	-	512	2,032	1,520	2,942
State Sources					
Grants and Donations	172,390	190,880	201,740	10,860	186,716
TOTAL REVENUES	4,880,324	5,187,346	5,136,958	(50,388)	5,170,200
EXPENDITURES					
Salaries	2,431,816	2,693,285	2,676,688	16,597	2,414,994
Employee Benefits	573,909	645,316	663,549	(18,233)	569,927
Purchased Services	953,588	980,022	845,544	134,478	866,983
Supplies and Materials	259,189	228,276	224,820	3,456	191,636
Property	35,000	177,972	166,284	11,688	367,804
Debt Service					
Principal	90,000	90,000	90,000	-	85,000
Interest	492,450	492,450	492,450	-	487,979
TOTAL EXPENDITURES	4,835,952	5,307,321	5,159,335	147,986	4,984,323
NET CHANGE IN FUND BALANCE	44,372	(119,975)	(22,377)	97,598	185,877
FUND BALANCE, Beginning	695,788	1,237,620	2,013,268	775,648	1,827,391
FUND BALANCE, Ending	$ 740,160	$ 1,117,645	$ 1,990,891	$ 873,246	$ 2,013,268

See the accompanying independent auditors' report.

MOUNTAIN PHOENIX COMMUNITY SCHOOL

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

Years Ended December 31,

	2013	2014	2015	2016
School's proportionate share of the Net Pension Liability	0.040%	0.044%	0.050%	0.047%
School's proportionate share of the Net Pension Liability	$ 5,143,278	$ 5,913,634	$ 7,642,236	$ 14,113,711
School's covered-employee payroll	$ 1,620,532	$ 1,815,285	$ 2,157,592	$ 2,404,416
School's proportionate share of the Net Pension Liability as a percentage of its covered-employee payroll	317.4%	325.8%	354.2%	587.0%
Plan fiduciary net position as a percentage of the total pension liability	64.1%	62.8%	59.2%	43.1%

See the accompanying independent auditors' report.

MOUNTAIN PHOENIX COMMUNITY SCHOOL

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
SCHOOL DISTRICT TRUST FUND

Years Ended June 30,

	2014	2015	2016	2017
Statutorily required contributions	$ 207,880	$ 361,772	$ 436,221	$ 506,620
Contributions in relation to the Statutorily required contributions	207,880	361,772	436,221	506,620
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
School's covered-employee payroll	$ 1,169,771	$ 1,988,917	$ 2,281,904	$ 2,539,019
Contributions as a percentage of covered-employee payroll	17.77%	18.19%	19.12%	19.95%

See the accompanying independent auditors' report.