

**SALIDA DEL SOL ACADEMY  
GREELEY, COLORADO  
FINANCIAL STATEMENTS  
YEAR ENDED JUNE 30, 2016**

**SALIDA DEL SOL ACADEMY  
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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Salida del Sol Academy  
Greeley, Colorado

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the discretely presented component unit of Salida Del Sol Academy, a component unit of Weld County School District 6, as of and for the year ended June 30, 2016, which collectively comprise Salida Del Sol Academy'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.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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, each major fund, and the discretely presented component unit of Salida Del Sol Academy as of June 30, 2016, and the respective changes in financial position 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 on pages iii - vii, the budgetary comparison information on pages 25 – 26 and the pension schedules on pages 27 – 28 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.



**CliftonLarsonAllen LLP**

Broomfield, Colorado  
September 9, 2016

**SALIDA DEL SOL ACADEMY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

This section of the report provides readers with a narrative overview and analysis of the financial activities of Salida Del Sol Academy (SDSA/the School) for the year ended June 30, 2016. We encourage the readers to consider the information presented here in conjunction with the basic financial statements to enhance their understanding of the school's performance.

**Financial Highlights**

SDSA's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$4,505,555 at June 30, 2016. This is largely related to the second year implementation of the Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*. As a result, SDSA's net pension liability of \$8,311,389 is recorded in liabilities. See Note 8 beginning on page 16 for further information.

SDSA's General Fund reported an ending fund balance of \$814,245, an increase of \$789,632. The total General Fund balance is 14% of the fiscal year 2016 General Fund operating expenditures.

The SDSA Building Corporation, a special revenue fund of SDSA, reported an ending fund balance of \$1,341,979, an increase of \$110,099. 76% of this balance is a reserve required for debt service.

**Overview of the Financial Statements**

This report generally follows the guidelines asset forth by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial statements – and Management's Discussion and Analysis – for State and Local Governments*. This rule was intended to help make reports easier to understand for oversight bodies, in particular the Weld County School District 6 Board of Education, and for the general public. The report consists of 3 parts: Management's Discussion and Analysis (this section), the Basic Financial Statements, and Required Supplementary Information. The Basic Financial Statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements, which provide additional and more detailed information. Included as Required Supplementary Information is budget-to-actual information related to the School's General Fund and the Salida del Sol Academy Building Corporation, a blended component unit, and pension schedules as required under GASB Statement No. 68, further discussed in Note 8.

**Government-Wide Financial Statements**

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

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

**SALIDA DEL SOL ACADEMY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

**Overview of the Financial Statements (Continued)**

**Government-Wide Financial Statements**

The *statement of activities* presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The government-wide financial statements include not only the School itself (known as the primary government) but also the component unit of the School. The Salida del Sol Academy Building Corporation, although also legally separate, for all practical purposes, as a department of the School, and therefore has been included as an integral part of the primary government. Additionally, the government-wide financial statements include the Salida del Sol Academy Foundation, which is a discretely presented component unit of the School.

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. The School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The School reports two funds, the General Fund and one special revenue fund (the Salida del Sol Academy Building Corporation). Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term inflows and outflows of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School's near-term financing requirements.

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

The School adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for this fund to demonstrate compliance with the budget.

The basic governmental fund financial statements can be found on pages 3 – 6 of this report.

**Notes to the Financial Statements**

The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 7 of this report.

**SALIDA DEL SOL ACADEMY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

**Government-Wide Financial Statement Analysis**

**Table A-1  
Comparative Summary of Statement of Net Position**

	<u>2016</u>	<u>2015</u>
Assets:		
Current Assets	\$ 1,337,261	\$ 493,587
Noncurrent Assets	10,614,019	10,984,283
Total Assets	<u>11,951,280</u>	<u>11,477,870</u>
Deferred Outflows of Resources		
Contributions Subsequent to Measurement Date	246,506	186,217
Change in Experience Loss	109,753	-
Change in Investment Earnings	683,607	138,586
Change in Proportionate Share	3,576,881	4,138,539
Total Deferred Outflows of Resources	<u>4,616,747</u>	<u>4,463,342</u>
Liabilities:		
Current Liabilities	254,455	304,876
Noncurrent Liabilities	12,390,000	12,390,000
Net Pension Liability	8,311,389	6,026,323
Total Liabilities	<u>20,955,844</u>	<u>18,721,199</u>
Deferred Inflows of Resources		
Change in Assumptions Gain	117,455	450
Change in Experience Gain	283	-
Total Deferred Inflows of Resources	<u>117,738</u>	<u>450</u>
Net Position:		
Net Investment in Capital Assets	(1,876,088)	(1,531,864)
Restricted	480,933	1,345,187
Unrestricted	(3,110,400)	(2,593,760)
Total Net Position	<u>\$ (4,505,555)</u>	<u>\$ (2,780,437)</u>

**SALIDA DEL SOL ACADEMY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

**Government-Wide Financial Statement Analysis (Continued)**

The largest portion of the School's assets (80%) is capital assets, less accumulated depreciation. The School's overall net position decrease by \$1,725,118, primarily due to an increase in the School's proportionate share of the PERA net pension liability, further discussed in Note 8.

**Table A-2  
Comparative Schedule of Revenues, Expenses,  
and Changes in Net Position**

	2016	2015
Program Revenues:		
Operating Grants and Contributions	\$ 1,108,596	\$ 463,843
Capital Grants and Contributions	173,008	102,117
General Revenues:		
Per Pupil Revenue	5,123,593	4,203,926
Interest Income	867	257
Other Revenue	107,781	876,356
Total Revenues	6,513,845	5,646,499
Expenses:		
Instructional	6,435,528	6,534,270
Support Services	1,051,070	881,633
Interest on Long-Term Debt	752,365	1,045,540
Total Expenses	8,238,963	8,461,443
Change in Net Position	(1,725,118)	(2,814,944)
Net Position - Beginning	(2,780,437)	34,507
Net Position - Ending	\$ (4,505,555)	\$ (2,780,437)

**General Fund**

The General Fund is used to capture all operating activities of the School. At the end of the 2016 fiscal year-end, the School's General Fund reported an ending fund balance of \$814,245, an increase of \$789,632. Of this balance, approximately 21% is restricted indicating that it is not available for spending in order to remain in compliance with the TABOR amendment. An additional 15% is restricted and subject to grant spending restrictions.

**General Fund Budgetary Highlights**

The 2016 fiscal year budget was adopted in April 2015. Actual revenue exceeded budgeted revenue. Expenditures, including the lease of facilities, were more than budgeted, due primarily to the rental expenditures paid to the School's Building Corporation Fund not being budgeted for in the 2016 budget for the General Fund. This will be remedied for the 2017 fiscal year budget.

**SALIDA DEL SOL ACADEMY  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
YEAR ENDED JUNE 30, 2016**

**Government-Wide Financial Statement Analysis (Continued)**

**Capital Asset and Debt Administration**

**Capital Assets.** As of June 30, 2016, the School's balance in capital assets was \$9,599,504. This represented a reduction of \$344,232 for the year which was attributable to depreciation exceeding capital additions. Additional information on the School's capital assets can be found in Note 3 on page 13 of this report.

**Long-term Debt.** The Salida del Sol Academy Building Corporation carries bonded debt outstanding of \$12,390,000. This represents Series 2015 Charter School Refunding Revenue Bonds. There was no reduction to the principal balance of the bonds as the School paid interest only in the current fiscal year. Additional information on long-term debt can be found in Note 4 beginning on page 13 of this report.

**Economic Factors and Next Year's Budget**

State funding is expected to increase for the 2017 school year. As previously noted, the School's enrollment will continue increase. This will result in increased revenue. Related costs of salaries and benefits will increase along with other corresponding operational costs. The 2017 initial budget projects an operating surplus for the fiscal year.

**Requests for Information**

This report is designed to provide a general overview of the Salida del Sol Academy's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report should be addressed to the Salida del Sol Academy, 111 East 26<sup>th</sup> Street, Greeley, Colorado 80631.

**SALIDA DEL SOL ACADEMY  
STATEMENT OF NET POSITION  
JUNE 30, 2016**

	<u>Governmental Activities</u>	<u>Component Unit Salida del Sol Academy Foundation</u>
<b>ASSETS</b>		
Cash	\$ 1,234,109	\$ 26,213
Restricted Cash	1,014,515	-
Intergovernmental Receivable	103,152	-
Capital Assets, not Being Depreciated	601,241	-
Capital Assets, Depreciated, Net of Accumulated Depreciation	8,998,263	-
Total Assets	11,951,280	26,213
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Charges on Bond Refunding		
Contributions Subsequent to Measurement Date	246,506	-
Change in Experience Loss	109,753	-
Change in Investment Earnings	683,607	-
Change in Proportionate Share	3,576,881	-
Total Deferred Outflows of Resources	4,616,747	-
<b>LIABILITIES</b>		
Accounts Payable and Accrued Expenses	22,519	-
Accrued Salaries and Benefits	166,908	-
Accrued Interest	58,903	-
Unearned Revenue	6,125	-
Noncurrent Liabilities:		
Due within One Year	75,000	-
Due in More than One Year	12,315,000	-
Net Pension Liability	8,311,389	-
Total Liabilities	20,955,844	-
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Change in Assumptions Gain	117,455	-
Change in Experience Gain	283	-
Total Deferred Inflows of Resources	117,738	-
<b>NET POSITION</b>		
Net Investment in Capital Assets	(1,876,088)	-
Restricted for:		
Emergencies	168,246	-
Donations	118,775	26,213
Debt Service	193,912	-
Unrestricted	(3,110,400)	-
Total Net Position	\$ (4,505,555)	\$ 26,213

See accompanying Notes to Basic Financial Statements.

**SALIDA DEL SOL ACADEMY  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2016**

	Program Revenues			Net (Expenses) Revenues and Changes in Net Position	
	Expenses	Operating Grants and Contributions	Capital Grants and Contributions	Component Unit	
				Governmental Activities	Salida del Sol Academy Foundation
<b>GOVERNMENTAL ACTIVITIES</b>					
Instructional	\$ 6,435,528	\$ 1,108,596	\$ 173,008	\$ (5,153,924)	
Support Services	1,051,070	-	-	(1,051,070)	
Interest on Long-Term Debt	752,365	-	-	(752,365)	
Total Governmental Activities	\$ 8,238,963	\$ 1,108,596	\$ 173,008	(6,957,359)	
<b>COMPONENT UNIT</b>					
Salida del Sol Academy Foundation	\$ 120,536	\$ 89,082	\$ -		\$ (31,454)
<b>GENERAL REVENUES</b>					
Per Pupil Revenue				5,123,593	-
Investment Income				867	-
Other				107,781	-
Total General Revenues				5,232,241	-
<b>CHANGE IN NET POSITION</b>				(1,725,118)	(31,454)
Net Position - Beginning of Year				(2,780,437)	57,667
<b>NET POSITION - END OF YEAR</b>				\$ (4,505,555)	\$ 26,213

See accompanying Notes to Basic Financial Statements.

**SALIDA DEL SOL ACADEMY  
BALANCE SHEET — GOVERNMENTAL FUNDS  
JUNE 30, 2016**

	<b>General</b>	<b>Building Corporation</b>	<b>Total</b>
<b>ASSETS</b>			
Cash	\$ 1,081,401	\$ 152,708	\$ 1,234,109
Restricted Cash	-	1,014,515	1,014,515
Intergovernmental Receivables	103,152	-	103,152
Due from Other Funds	-	174,756	174,756
Total Assets	\$ 1,184,553	\$ 1,341,979	\$ 2,526,532
 <b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable and Accrued Expenses	\$ 22,519	\$ -	\$ 22,519
Accrued Salaries and Benefits	166,908	-	166,908
Due to Other Funds	174,756	-	174,756
Unearned Revenue	6,125	-	6,125
Total Liabilities	370,308	-	370,308
 <b>FUND BALANCES</b>			
Restricted:			
Emergencies	168,246	-	168,246
Donations	118,775	-	118,775
Debt Service	-	1,341,979	1,341,979
Unassigned	527,224	-	527,224
Total Fund Balances	814,245	1,341,979	2,156,224
Total Liabilities and Fund Balances	\$ 1,184,553	\$ 1,341,979	\$ 2,526,532

See accompanying Notes to Basic Financial Statements.

**SALIDA DEL SOL ACADEMY  
RECONCILIATION OF THE BALANCE SHEET — GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
YEAR ENDED JUNE 30, 2016**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total Fund Balance - Governmental Funds		\$ 2,156,224
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$10,230,583 and accumulated depreciation is \$631,079.		9,599,504
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Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds Payable	\$ (12,390,000)	
Accrued Interest on Bonds Payable	(58,903)	
Net Pension Liability	(8,311,389)	(20,760,292)

Deferred outflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Contributions Subsequent to Measurement Date	246,506	
Change in Proportionate Share	3,576,881	
Change in Experience Loss	109,753	
Change in Investment Earnings Loss	683,607	4,616,747

Deferred inflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.

Change in Experience Gain	(283)	
Change in Assumptions Gain	(117,455)	(117,738)

Total Net Position		\$ (4,505,555)
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**SALIDA DEL SOL ACADEMY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES —  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2016**

	<u>General Fund</u>	<u>Building Corporation</u>	<u>Total</u>
<b>REVENUES</b>			
Per Pupil Funding	\$ 5,123,593	\$ -	\$ 5,123,593
Rental Income	-	886,554	886,554
Local Sources	379,905	-	379,905
State and Federal Sources	901,699	-	901,699
Other Income	107,781	-	107,781
Interest Income	710	157	867
Total Revenues	<u>6,513,688</u>	<u>886,711</u>	<u>7,400,399</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	3,789,093	-	3,789,093
Support Services	1,934,963	2,661	1,937,624
Capital Outlay	-	53,254	53,254
Debt Service			
Interest	-	720,697	720,697
Total Expenditures	<u>5,724,056</u>	<u>776,612</u>	<u>6,500,668</u>
<b>NET CHANGE IN FUND BALANCE</b>	789,632	110,099	899,731
Fund Balances - Beginning of Year	<u>24,613</u>	<u>1,231,880</u>	<u>1,256,493</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 814,245</u>	<u>\$ 1,341,979</u>	<u>\$ 2,156,224</u>

See accompanying Notes to Basic Financial Statements.

**SALIDA DEL SOL ACADEMY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES — GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2016**

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

Net Change in Fund Balance - Governmental Funds	\$	899,731
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$344,232) exceeded capital outlay (\$0).		(344,232)
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Interest is paid when due in the governmental funds but recorded when payable in the Statement of Activities		(31,668)
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Some items reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. The (increases) decreases in these activities consist of:

Change in Contributions Subsequent to Measurement Date	\$	60,289	
Pension Expense		(2,719,657)	
Employer Contribution Expense		<u>410,419</u>	<u>(2,248,949)</u>
Change in Net Position			<u>\$ (1,725,118)</u>

**SALIDA DEL SOL ACADEMY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Salida Del Sol Academy (the School) conform to accounting principles generally accepted in the United States of America. The following is a summary of the School's significant accounting policies:

**Reporting Entity**

The School is a charter school organized under the Colorado Charter Schools Act (Colorado Revised Statutes §22-30.5-101). This act permits school districts to contract with individuals and organizations for the operation of schools within Weld County School District 6 (the District). The statutes define these contracted schools as "charter schools." Charter schools are financed from a portion of the school district's School Finance Act revenues and from revenues generated by the charter school within limits established by the Charter School Act. Charter schools have separate governing boards; however, the school district's board of education must approve all charter school applications and budgets.

The School is funded based on the level of per pupil operating revenue (PPR) as defined by the state of Colorado Legislature and the number of full-time equivalent (FTE) students. As of the designated count day (October 1, 2015), there were 675 FTE students enrolled in the School. The PPR rate for the fiscal year ended June 30, 2016, was approximately \$6,521.

The accompanying financial statements present the School and its component unit, an entity for which the School is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the School's operations. The Salida del Sol Academy Building Corporation (the Building Corporation) meets the requirements for blending.

The Building Corporation was established for the purpose of owning the school facilities and to accumulate resources from the collection of rents from the School to make payments for the Building Corporation's capital and debt service costs. The Building Corporation does not issue separate financial statements.

The School also includes the Salida del Sol Academy Foundation (the Foundation), within its reporting entity. This is a nonprofit organization formed to bring together the School's parents and staff, as well as the community at large, in support of the School. The Foundation is a discretely presented component unit presented in the School's financial statements. Separate financial statements are not issued.

The School is a component unit of the District and is included in the District's Comprehensive Annual Financial Report.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

**SALIDA DEL SOL ACADEMY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to students or individuals 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. Other items not included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the School's government-wide statements. Major individual 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 time of the related cash flows. Revenue from per pupil operating revenue is recognized in the fiscal year for which the funding is provided. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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. Measurable means that the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

Charges for services are considered revenue once the service is rendered, and as such are considered susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

The accounts of the School are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The major funds presented in the accompanying basic financial statements are as follows:

**SALIDA DEL SOL ACADEMY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation  
(Continued)**

**Major Government Funds**

*General Fund:* The General Fund is the School's primary operating fund. It accounts for all financial resources of the School, except those required legally or by sound financial management to be accounted for in another fund.

*Special Revenue - Salida del Sol Academy Building Corporation:* Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The School reports a special revenue fund for the Building Corporation.

**Use of Estimates in the Preparation of Financial Statements**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. The estimates and assumptions affect the reported amounts of assets, deferred outflows of resources, liabilities and deferred inflows of resources at the date of the financial statements, as well as the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from these estimates.

**Cash and Investments**

Cash and investments may include cash on hand, demand deposits, certificates of deposit, savings accounts, and pooled investment funds. Investments are carried at fair value.

**Capital Assets**

Capital assets purchased by the Building Corporation, which include land, buildings and building improvements, are reported in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. An annual capital asset inventory is performed in accordance with state law (Colorado Revised Statute §29-1-506). Capital assets are defined as assets with an initial, individual cost of \$5,000 or more and a useful life in excess of one year.

All reported capital assets, except for land, are depreciated once placed in service. Depreciation on all assets is provided using the straight-line method over estimated useful lives of 10 to 50 years.

**Deferred Outflows of Resources**

The School's governmental activities report a separate section for deferred outflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period. The School has four types of items classified as deferred outflows of resources related to GASB No. 68 and GASB No. 71: 1) contributions subsequent to measurement date; 2) change in investment earnings; 3) change in experience; and 4) change in proportionate share. See Note 8 for additional information.

**SALIDA DEL SOL ACADEMY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

**Accrued Salaries and Benefits**

Salaries of teachers and certain other employees are paid over a 12-month period ending July 31. However, most salaries are earned over the traditional school year of September through May. The difference between salary and related benefit amounts earned from July 1 through June 30 and the corresponding amounts paid during this period is shown as a liability for accrued salaries and benefits in the amount of \$166,908.

**Long-Term Debt**

Long-term debt is reported as liabilities in the statement of net position. Bond premiums and discounts are amortized over the life of debt using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

**Net Pension Liability**

The School's governmental activities report a net pension liability as of June 30, 2016. The School is required to report its proportionate share of PERA's unfunded pension liability. See Note 8 for additional information.

**Deferred Inflows of Resources**

The School's governmental activities report a separate section for deferred inflows of resources. This separate financial statement element reflects a decrease in net position that applies to a future period. The School had two items, which are classified as a deferred inflow of resources related to GASB No. 68: 1) change in experience; and 2) change in actuarial assumptions. See Note 8 for additional information.

**Net Position/Fund Balance**

In the government-wide financial statements, net position is restricted when constraints placed on the net position are externally imposed. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvements of those assets.

In the fund financial statements, fund equity of the School's governmental funds are classified as nonspendable, restricted, committed, assigned or unassigned.

Nonspendable fund balances indicate amounts that cannot be spent either a) due to form; for example, inventories and prepaid amounts or b) due to legal or contractual requirements to be maintained intact.

Restricted fund balances in the School's general fund indicate amounts constrained for specific purpose by external parties, constitutional provision or enabling legislation. Restrictions on the School's general fund balance are described in Note 7.

**SALIDA DEL SOL ACADEMY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

**Net Position/Fund Balance (Continued)**

Committed fund balances indicate amounts constrained for a specific purpose by a government using its highest level of decision-making authority. It would require an ordinance by the School's board to remove or change the constraints placed on the resources. This action must occur prior to year-end; however, the amount can be determined in the subsequent period.

Assigned fund balances indicate amounts for governmental funds, other than the general fund, any remaining positive amounts not classified in the above categories. For the general fund, amounts constrained for the intent to be used for a specific purpose has been delegated to the business manager.

Unassigned fund balances indicate amounts in the general fund that are not classified as nonspendable, restricted, committed, or assigned. The general fund is the only fund that would report a positive amount in unassigned fund balance. When both unassigned and committed or assigned resources are available for use, it is the School's policy to use committed, then assigned resources first, then unassigned resources as needed.

**Current Year GASB Statement Implementation**

For the year ended June 30, 2016, the School adopted the provisions of GASB Statement No. 72, Fair Value Measurement and Application, which is effective for financial statements periods beginning after June 15, 2015. GASB Statement No. 72 requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The School did not have any investments as of June 30, 2016 and was unaffected by the implementation.

**NOTE 2 CASH AND INVESTMENTS**

Colorado statutes govern the School's deposits of cash and investments. The Colorado Public Deposit Protection Act (PDPA) requires that all units of a local government deposit cash in eligible public depositories; eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. 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. At June 30, 2016, the School's carrying amount of deposits was \$1,081,401. At June 30, 2016, the Salida Del Sol Academy Foundation's carrying amount of deposits was \$26,213.

**SALIDA DEL SOL ACADEMY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 2 CASH AND INVESTMENTS (CONTINUED)**

**Salida del Sol Academy Building Corporation**

The bonds require the Building Corporation to maintain certain cash and investment reserve accounts. These accounts are held by a trustee. Monthly rent payments from the School (Note 5) are deposited in the accounts and the semi-annual bond payments are made from the accounts.

At June 30, 2016, \$1,014,515 is held in reserved accounts required by the bond agreements, which is to be used for payment of principal and interest on the bonds.

An additional \$152,708 carrying amount of deposits was held by the Building Corporation as cash at June 30, 2016.

*Credit Risk* - The School does not hold investments. The cash and investment reserve accounts owned by the Building Corporation are in the custody of the trustee, these funds are used primarily to make bond principal and interest payments. These funds are invested by the trustee as directed by the Building Corporation; investments are limited to investments as allowed by the state of Colorado. The statutes define the permissible rating, maturity, custodial, and concentration risk criteria in which local governments may invest to include:

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

At June 30, 2016, the Building Corporation's investments consisted of cash.

*Interest Rate Risk:* The trustee is required to maintain liquidity of the investment funds held so as to meet cash requirements of the principal and interest requirements of the bonds on a semi-annual basis.

**SALIDA DEL SOL ACADEMY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 3 CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2016, was as follows:

	Balance June 30, 2015	Increases	Decreases	Balance June 30, 2016
Capital Assets, Not Depreciated:				
Land	\$ 601,241	\$ -	\$ -	\$ 601,241
Construction in Progress	-			-
Total Capital Assets, not Being Depreciated	601,241	-	-	601,241
Buildings and Building Improvements	9,451,927	-	-	9,451,927
Furniture and Equipment	156,919	-	-	156,919
Software	20,496	-	-	20,496
Total Capital Assets, Being Depreciated	9,629,342	-	-	9,629,342
Accumulated Depreciation:				
Buildings and Building Improvements	(262,554)	(315,064)	-	(577,618)
Furniture and Equipment	(18,619)	(22,355)	-	(40,974)
Software	(5,674)	(6,813)	-	(12,487)
Total Accumulated Depreciation	(286,847)	(344,232)	-	(631,079)
Total Capital Assets, Being Depreciated, Net	9,342,495	(344,232)	-	8,998,263
Total Capital Assets	<u>\$ 9,943,736</u>	<u>\$ (344,232)</u>	<u>\$ -</u>	<u>\$ 9,599,504</u>

Depreciation expense of \$344,232 was charged to the instruction function/program of the School.

**NOTE 4 BONDS PAYABLE**

On June 12, 2015, the Colorado Educational and Cultural Facilities Authority (the Authority) issued its Charter School Refunding Revenue Bonds as the Salida del Sol Academy Project, Series 2015, in the amount of \$12,390,000. The bonds were issued for the Salida del Sol Academy Building Corporation's use in refinancing certain outstanding debt of the Building Corporation used to finance the acquisition, construction improvement and equipping of the educational facilities of the Building Corporation, to fund a debt service reserve fund for the Series 2015 bonds, to fund capitalized interest on the Series 2015 bonds, and pay the cost of issuance of the Series 2015 bonds. The Authority and Building Corporation have entered into a loan agreement wherein the proceeds of the Authority bonds have been loaned to the Building Corporation. The Series 2015 bonds mature in 2045 with a 6% interest rate.

**SALIDA DEL SOL ACADEMY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 4 BONDS PAYABLE (CONTINUED)**

The Building Corporation has granted the Authority a mortgage lien on the real estate and a security interest in the lease revenues from the School. The Authority's rights under the agreement have been assigned to the trustee.

The lease revenues which are the basis of the pledged revenues are described in Note 5. The lease revenue over the remaining term of the agreement is equal to the expected principal and interest payments to be made over the life of the bonds, \$27,174,900.

One hundred percent of lease revenues have been pledged under the agreement. Lease revenue was \$886,554 for the year ended June 30, 2016.

Charter School Refunding Revenue Bonds dated June 12, 2015, due in annual installments ranging from \$75,000 to \$1,725,000 through June 2045; interest rate at 6% payable semi-annually on December 1 and June 1. Revenue from the rental of the building (Note 5) has been pledged to pay bond principal and interest.

Principal	\$ 12,390,000
Less Current Portion	<u>(75,000)</u>
Total	<u><u>\$ 12,315,000</u></u>

The following schedule represents the School's debt service requirements to maturity for outstanding revenue bonds at June 30, 2016:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 75,000	\$ 743,400	\$ 818,400
2018	75,000	738,900	813,900
2019	180,000	734,400	914,400
2020	190,000	723,600	913,600
2021	200,000	712,200	912,200
2022-2026	1,190,000	3,366,300	4,556,300
2027-2031	1,600,000	2,963,100	4,563,100
2032-2036	2,135,000	2,422,800	4,557,800
2037-2041	2,855,000	1,701,300	4,556,300
2042-2045	3,890,000	678,900	4,568,900
Total	<u><u>\$ 12,390,000</u></u>	<u><u>\$ 14,784,900</u></u>	<u><u>\$ 27,174,900</u></u>

Bonds payable consisted of the following at June 30, 2016:

	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance June 30, 2016</u>	<u>Amounts Due Within One Year</u>
Bonds Payable	\$ 12,390,000	\$ -	\$ -	\$ 12,390,000	\$ 75,000
Total	<u><u>\$ 12,390,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 12,390,000</u></u>	<u><u>\$ 75,000</u></u>

**SALIDA DEL SOL ACADEMY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 5 LEASES**

The School leases its building from the Building Corporation. The lease requires monthly payments, which approximate the Building Corporation's required payments on the bonds (Note 4) and may be terminated in any year by nonappropriation of funds. The Building Corporation has pledged the lease payments to pay bond principal and interest.

Rent expense \$886,554 for the year ended June 30, 2016, and is included in support services expenditures.

The lease between the School (lessee) and Building Corporation (lessor) includes certain restrictive covenants related to expenditures and unrestricted cash balances. The School is in compliance with the covenants.

**NOTE 6 RISK MANAGEMENT**

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School carries commercial insurance for these and other risks of loss. Settled claims have not exceeded this coverage.

**NOTE 7 RESTRICTION OF NET POSITION/DESIGNATIONS OF FUND BALANCE**

On November 3, 1992, the voters of the state approved an amendment to the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR limits the ability of the state and local governments such as the School to increase revenues, debt and spending and restricts property, income and other taxes. In addition, the amendment requires government entities to create an emergency "reserve" of 3% of annual spending excluding bonded debt service. In November 1998, voter approval was given to Weld County School District 6 to remove the restriction on growth in revenue. The 3% emergency reserve is still required both at the District and the School level. At June 30, 2016, management believes the School has complied with the requirements to include emergency reserves in its budgetary basis fund balance.

The Building Corporation is required to hold funds in escrow accounts related to its bond obligations as identified in Note 2, net position/fund balance are restricted attributable to the restrictions on its cash and investments.

**SALIDA DEL SOL ACADEMY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 8 DEFINED BENEFIT PENSION PLAN**

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/deletions 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.

**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 are set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code (IRC). 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](http://www.copera.org/investments/pera-financial-reports).

*Benefits Provided:* PERA provides retirement, disability, and survivor benefits. Retirements are determined by the amount of service credit earned and/or purchases, highest average salary, the benefit structure 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% and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100% 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.

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit.
- \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

In all cases, the service retirement benefit is limited to 100% of highest average salary and also cannot exceed the maximum benefit allowed by federal IRC.

**SALIDA DEL SOL ACADEMY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**General Information about the Pension Plan (Continued)**

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50% or 100% on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether five 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%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% 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% or the average CPI-W for the prior calendar year, not to exceed 10% 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 of 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% of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	For the Year Ended December 31, <u>2015</u>	For the Year Ended December 31, <u>2016</u>
Employer Contribution Rate <sup>1</sup>	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) <sup>1</sup>	(1.02)	(1.02)
Amount Apportioned to the SCHDTF <sup>1</sup>	9.13	9.13
Amortization Equalization Disbursement (AED) as Specified in C.R.S. § 24-51-41 <sup>1</sup>	4.20	4.50
Supplemental Amortization Equalization Disbursement (SAED) as Specified in C.R.S. § 24-51-411 <sup>1</sup>	4.00	4.50
Total Employer Contribution Rate to the SCHDTF <sup>1</sup>	17.33	18.13

<sup>1</sup> Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

**SALIDA DEL SOL ACADEMY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**General Information about the Pension Plan (Continued)**

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 for the School for the year ended June 30, 2016 was \$463,031.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources**

At June 30, 2016, the School reported a liability of \$8,311,389 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The School's proportion of the net pension liability was based on the School's contributions to the SCHDTF for the calendar year 2015 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2015, the School's proportion was 0.054343072%, which was an increase of 0.0098793842% from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the School recognized pension expense of \$2,719,657. At June 30, 2016, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 109,753	\$ 283
Changes of Assumptions and Other Inputs	-	117,455
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	683,607	-
Changes in Proportion and Differences Between Contributions Recognized and Proportionate Share of Contributions	3,576,881	-
Contributions Subsequent to the Measurement Date	246,506	-
Total	<u>\$ 4,616,747</u>	<u>\$ 117,738</u>

**SALIDA DEL SOL ACADEMY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)**

\$246,506 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2017	\$ 2,077,126
2018	1,617,338
2019	413,123
2020	144,916
Total	<u>\$ 4,252,503</u>

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

Actuarial cost method	Entry age
Price Inflation	2.80%
Real Wage Growth	1.10%
Wage Inflation	3.90%
Salary Increases, Including Wage Inflation	3.90 - 10.10%
Long-Term Investment Rate of Return, Net of Pension Plan Investment Expenses, Including Price Inflation	7.50%
Future Post Retirement Benefit Increases:	
PERA Benefit Structure Hired Prior to January 1, 2007, and SPD Benefit Structure (Automatic)	2.00%
PERA Benefit Structure hired after December 31, 2006 (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 one year, and females set back two years.

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

**SALIDA DEL SOL ACADEMY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)**

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

- The following programming changes were made:
  - Valuation of the full survivor benefit without any reduction for possible remarriage.
  - Reflection of the employer match on separation benefits for all eligible years.
  - Reflection of one year of service eligibility for survivor annuity benefit.
  - Refinement of the 18 month annual increase timing.
  - Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.
  
- The following methodology changes were made:
  - Recognition of merit salary increases in the first projection year.
  - Elimination of the assumption that 35% of future disabled members elect to receive a refund.
  - Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
  - Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

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

**SALIDA DEL SOL ACADEMY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)**

As of the November 15, 2013 adoption of the long-term expected rate of return by the PERA board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10-Year Expected Geometric Real Rate of Return</u>
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%. 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 project of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.90%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

**SALIDA DEL SOL ACADEMY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Continued)**

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AE 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 to 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 the AIR cash flows is not a factor (i.e. the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

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

**SALIDA DEL SOL ACADEMY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (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%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.50%) or one percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate Share of the Net Pension Liability	\$ 10,773,990	\$ 8,311,389	\$ 6,262,965

*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](http://www.copera.org/investments/pera-financial-reports).

**NOTE 9 POST EMPLOYMENT HEALTH CARE BENEFITS**

**Health Care Trust Fund**

*Plan Description:* The School contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer health care 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](http://www.copera.org/investments/pera-financial-reports).

*Funding Policy:* The School is required to contribute at a rate of 1.02% 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 ended June 30, 2016 and June 30, 2015 the School's contributions to the HCTF was \$26,200 and \$20,460, respectively, equal to their required contribution for the year. No contributions were made for the year ended June 30, 2014 as the School's first year of reporting was the fiscal year ended June 30, 2015.

**SALIDA DEL SOL ACADEMY  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 10 LEGAL COMPLIANCE**

The School may be in violation of state statutes as the expenditures for the General Fund exceeded appropriations by \$563,063.

**NOTE 11 SUBSEQUENT EVENTS**

On July 27, 2016 Salida Del Sol Academy entered into an agreement with Colorado West Equipment, Inc. to purchase two new CNG buses for \$310,806. The purchase is significant for the School and will affect its fiscal year ending June 30, 2017 capital asset balances.

**SALIDA DEL SOL ACADEMY  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES —  
BUDGET AND ACTUAL — GENERAL FUND  
YEAR ENDED JUNE 30, 2016**

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Per Pupil Funding	\$ 5,106,918	\$ 5,123,593	\$ 16,675
Local Sources	291,500	379,905	88,405
State and Federal Sources	720,596	901,699	181,103
Other Income	-	107,781	107,781
Interest Income	-	710	710
Total Revenues	<u>6,119,014</u>	<u>6,513,688</u>	<u>394,674</u>
<b>EXPENDITURES</b>			
Current:			
Instruction	3,720,651	3,789,093	(68,442)
Support Services	1,440,342	1,934,963	(494,621)
Total Expenditures	<u>5,160,993</u>	<u>5,724,056</u>	<u>(563,063)</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	958,021	789,632	(168,389)
Fund Balance - Beginning of Year	<u>-</u>	<u>24,613</u>	<u>24,613</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 958,021</u>	<u>\$ 814,245</u>	<u>\$ (143,776)</u>

See accompanying Notes to Required Supplementary Information.

**SALIDA DEL SOL ACADEMY  
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES —  
BUDGET AND ACTUAL — SALIDA DEL SOL ACADEMY BUILDING CORPORATION  
YEAR ENDED JUNE 30, 2016**

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
<b>REVENUES</b>			
Rental Income	\$ -	\$ 886,554	\$ 886,554
Interest Income	-	157	157
Total Revenues	<u>-</u>	<u>886,711</u>	<u>886,711</u>
<b>EXPENDITURES</b>			
Current:			
Support Services	-	2,661	(2,661)
Capital Outlay	-	53,254	(53,254)
Debt Service:			
Interest	886,560	720,697	165,863
Total Expenditures	<u>886,560</u>	<u>776,612</u>	<u>109,948</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	(886,560)	110,099	996,659
Fund Balance - Beginning of Year	<u>-</u>	<u>1,231,880</u>	<u>1,231,880</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ (886,560)</u>	<u>\$ 1,341,979</u>	<u>\$ 2,228,539</u>

See accompanying Notes to Required Supplementary Information.

**SALIDA DEL SOL ACADEMY  
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
LAST 10 FISCAL YEARS \***

	<u>2015</u>	<u>2014</u>
School's Proportion (Percentage) of the Collective Net Pension Liability (Asset)	0.0543430720%	0.0444636878%
School's Proportionate Share of the Collective Net Pension Liability (Asset)	\$ 8,311,389	\$ 6,026,323
Covered-Employee Payroll	2,368,842	931,355
School's Proportionate Share of the Net Pension Liability (Assets) as a Percentage of its Covered-Employee Payroll	350.86%	647.05%
Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability	59.20%	62.80%

\* The amounts presented for each fiscal year were determined as of December 31 based on the measurement date of the Plan. Information earlier than 2014 was not available as this was the first year of reporting for the School.

**SALIDA DEL SOL ACADEMY  
SCHEDULE OF CONTRIBUTIONS AND RELATED RATIOS  
LAST 10 FISCAL YEARS \***

As of June 30,	<u>2016</u>	<u>2015</u>
Statorily Required Contributions	\$ 463,031	\$ 347,819
Contributions in Relation to the Statorily Required Contribution	<u>463,031</u>	<u>347,819</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-Employee Payroll	2,568,581	1,961,268
Contribution as a Percentage of Covered-Employee Payroll	18.03%	17.73%

\* The amounts presented for each fiscal year were determined as of June 30. Information earlier than fiscal year 2015 was not available as it was the first year of reporting for the School.

**SALIDA DEL SOL ACADEMY  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
JUNE 30, 2016**

**NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING**

The School conducts all necessary budgeting procedures maintaining separate budgets for each fund.

The School adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- a) Budgets for all funds are required by the District. During June, the proposed budget is submitted to the board for consideration and approval at a public hearing. The budget includes proposed expenditures and the means of financing them.
- b) The public hearings are conducted by the School's board of directors to obtain parents and other members of the public comment and recommendations.
- c) Prior to June 30, the budget is adopted by formal resolution.
- d) The School's contract with the District requires submission of the approval and amended budgets to the District.
- e) Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budgeted amounts between funds, reallocation of budget line items and revisions that alter the total appropriations of any fund must be approved by the School's board of directors. Appropriations are based on total funds expected to be available in each budget year, which may include beginning fund balances and reserves as established by the board of directors.
- f) Budgets for all fund types are adopted on a basis consistent with U.S. generally accepted accounting principles.
- g) Budgeted amounts reported in the accompanying supplementary information are as originally adopted and as amended by the board of directors throughout the year. Budgeted amounts included in the financial statements are based on the final budget as adopted by the School's board of directors on April 15, 2015.
- h) All appropriations lapse at the end of each fiscal year.