SALIDA DEL SOL ACADEMY
GREELEY, COLORADO

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2017

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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, 2017, 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.

Board of Directors
Salida Del Sol Academy

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, 2017, 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

CliftonLarsonAllen LLP

Broomfield, Colorado
August 23, 2017

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, 2017. 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 $9,252,006 at June 30, 2017. This is largely related to the third 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 $18,316,446 is recorded in liabilities. See Note 8 for further information.

SDSA's General Fund reported an ending fund balance of $1,110,596, an increase of $296,351. The total General Fund balance is 17% of the fiscal year 2017 General Fund operating expenditures.

The SDSA Building Corporation, a special revenue fund of SDSA, reported an ending fund balance of $1,405,014, an increase of $63,035.

Overview of the Financial Statements

This report generally follows the guidelines as set 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.

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.

Government-Wide Financial Statement Analysis

Table A-1
Comparative Summary of Statement of Net Position

	2017	2016
Assets:		
Current Assets	$ 2,770,114	$ 2,351,776
Noncurrent Assets	9,535,456	9,599,504
Total Assets	12,305,570	11,951,280
Deferred Outflows of Resources		
Contributions Subsequent to Measurement Date	259,608	246,506
Change in Experience Loss	228,984	109,753
Change of Assumptions or Other Inputs	5,943,305	-
Change in Investment Earnings	612,464	683,607
Change in Proportionate Share	2,377,913	3,576,881
Total Deferred Outflows of Resources	9,422,274	4,616,747
Liabilities:		
Current Liabilities	313,051	254,455
Noncurrent Liabilities	12,315,000	12,390,000
Net Pension Liability	18,316,446	8,311,389
Total Liabilities	30,944,497	20,955,844
Deferred Inflows of Resources		
Change in Assumptions Gain	82,598	117,455
Change in Experience Gain	161	283
Total Deferred Inflows of Resources	82,759	117,738
Net Position:		
Net Investment in Capital Assets	(1,865,006)	(1,876,088)
Restricted	751,515	480,933
Unrestricted	(8,185,921)	(3,110,400)
Total Net Position	$ (9,299,412)	$ (4,505,555)

Government-Wide Financial Statement Analysis (Continued)

The largest portion of the School's assets (78%) is capital assets, less accumulated depreciation. The School's overall net position decrease by $4,793,857, 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

	2017	2016
Program Revenues:		
Operating Grants and Contributions	$ 1,036,272	$ 1,108,596
Capital Grants and Contributions	355,864	173,008
General Revenues:		
Per Pupil Revenue	5,419,222	5,123,593
Interest Income	1,787	867
Other Revenue	108,120	107,781
Total Revenues	6,921,265	6,513,845
Expenses:		
Instructional	9,657,071	6,435,528
Support Services	1,311,507	1,051,070
Interest on Long-Term Debt	746,544	752,365
Total Expenses	11,715,122	8,238,963
Change in Net Position	(4,793,857)	(1,725,118)
Net Position - Beginning of Year	(4,505,555)	(2,780,437)
Net Position - End of Year	$ (9,299,412)	$ (4,505,555)

General Fund

The General Fund is used to capture all operating activities of the School. At the end of the 2017 fiscal year-end, the School's General Fund reported an ending fund balance of $1,110,596, an increase of $296,351. Of this balance, approximately 16% is restricted indicating that it is not available for spending in order to remain in compliance with the TABOR amendment. An additional 13% is restricted and subject to grant spending restrictions.

General Fund Budgetary Highlights

The 2017 fiscal year budget was adopted in April 2016. Actual revenue exceeded budgeted revenue. Expenditures, including the lease of facilities, were less than budgeted.

Government-Wide Financial Statement Analysis (Continued)

Capital Asset and Debt Administration

Capital Assets. As of June 30, 2017, the School's balance in capital assets was $9,535,456. This represented a reduction of $64,048 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 of this report.

Long-term Debt. The Salida del Sol Academy Building Corporation carries bonded debt outstanding of $12,315,000. This represents Series 2015 Charter School Refunding Revenue Bonds. There was a $75,000 reduction to the principal balance of the bonds during the current fiscal year. Additional information on long-term debt can be found in Note 4 of this report.

Economic Factors and Next Year's Budget

State funding is expected to increase for the 2018 school year. The School's enrollment will continue to increase. This will result in increased revenue. Related costs of salaries and benefits will increase along with other corresponding operational costs. The 2018 initial budget projects an operating surplus for the fiscal year.

Requests for Information

This report is designed to provide a general overview of 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 Salida del Sol Academy, 111 East 26th Street, Greeley, Colorado 80631.

SALIDA DEL SOL ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities	Component Unit: Salida del Sol Academy Foundation
ASSETS		
Cash	$ 1,514,183	$ 5,147
Restricted Investments	986,331	-
Intergovernmental Receivable	269,600	-
Capital Assets, Not Being Depreciated	601,241	-
Capital Assets, Depreciated, Net of Accumulated Depreciation	8,934,215	-
Total Assets	12,305,570	5,147
DEFERRED OUTFLOWS OF RESOURCES		
Contributions Subsequent to Measurement Date	259,608	-
Change in Experience Loss	228,984	-
Change of Assumptions or Other Inputs	5,943,305	-
Change in Investment Earnings	612,464	-
Change in Proportionate Share	2,377,913	-
Total Deferred Outflows of Resources	9,422,274	-
LIABILITIES		
Accounts Payable and Accrued Expenses	49,504	-
Accrued Salaries and Benefits	205,000	-
Accrued Interest	58,547	-
Noncurrent Liabilities:		
Due within One Year	75,000	-
Due in More than One Year	12,240,000	-
Net Pension Liability	18,316,446	
Total Liabilities	30,944,497	-
DEFERRED INFLOWS OF RESOURCES		
Change in Assumptions Gain	82,598	-
Change in Experience Gain	161	-
Total Deferred Inflows of Resources	82,759	-
NET POSITION		
Net Investment in Capital Assets	(1,865,006)	-
Restricted for:		
Emergencies	180,677	-
Donations	138,779	5,147
Debt Service	432,059	-
Unrestricted	(8,185,921)	-
Total Net Position	$ (9,299,412)	$ 5,147

See accompanying Notes to Basic Financial Statements.

SALIDA DEL SOL ACADEMY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

		Program Revenues		Net (Expenses) Revenues and Changes in Net Position	
					Component Unit
	Expenses	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Salida del Sol Academy Foundation
GOVERNMENTAL ACTIVITIES					
Instructional	$ 9,657,071	$ 1,036,272	$ 355,864	$ (8,264,935)	
Support Services	1,311,507	-	-	(1,311,507)	
Interest on Long-Term Debt	746,544	-	-	(746,544)	
Total Governmental Activities	$ 11,715,122	$ 1,036,272	$ 355,864	(10,322,986)	
COMPONENT UNIT					
Salida del Sol Academy Foundation	$ 67,115	$ 46,049	$ -		$ (21,066)
		GENERAL REVENUES			
		Per Pupil Revenue		5,419,222	-
		Investment Income		1,787	-
		Other		108,120	-
		Total General Revenues		5,529,129	-
		CHANGE IN NET POSITION		(4,793,857)	(21,066)
		Net Position - Beginning of Year		(4,505,555)	26,213
		NET POSITION - END OF YEAR		$ (9,299,412)	$ 5,147

See accompanying Notes to Basic Financial Statements.

SALIDA DEL SOL ACADEMY
BALANCE SHEET — GOVERNMENTAL FUNDS
JUNE 30, 2017

	General	Building Corporation	Total
ASSETS			
Cash	$ 1,095,500	$ 418,683	$ 1,514,183
Restricted Investments	-	986,331	986,331
Intergovernmental Receivables	269,600	-	269,600
Total Assets	$ 1,365,100	$ 1,405,014	$ 2,770,114
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable and Accrued Expenses	$ 49,504	$ -	$ 49,504
Accrued Salaries and Benefits	205,000	-	205,000
Total Liabilities	254,504	-	254,504
FUND BALANCES			
Restricted:			
Emergencies	180,677	-	180,677
Donations	138,779	-	138,779
Debt Service	-	1,405,014	1,405,014
Unassigned	791,140	-	791,140
Total Fund Balances	1,110,596	1,405,014	2,515,610
Total Liabilities and Fund Balances	$ 1,365,100	$ 1,405,014	$ 2,770,114

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, 2017

Amounts reported for governmental activities in the Statement of Net Position are different because:		
Total Fund Balance - Governmental Funds		$ 2,515,610
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is $10,541,389 and accumulated depreciation is $1,005,933.		9,535,456
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	$ (12,315,000)	
Accrued Interest on Bonds Payable	(58,547)	
Net Pension Liability	(18,316,446)	(30,689,993)
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	259,608	
Change in Proportionate Share	2,377,913	
Change in Assumption of Other Inputs	5,943,305	
Change in Experience Loss	228,984	
Change in Investment Earnings Loss	612,464	9,422,274
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	(161)	
Change in Assumptions Gain	(82,598)	(82,759)
Total Net Position		$ (9,299,412)

See accompanying Notes to Basic Financial Statements.

SALIDA DEL SOL ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES — GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

	General Fund	Building Corporation	Total
REVENUES			
Per Pupil Funding	$ 5,419,222	$ -	$ 5,419,222
Rental Income	-	886,553	886,553
Local Sources	472,081	-	472,081
State and Federal Sources	920,055	-	920,055
Other Income	108,120	-	108,120
Interest Income	1,195	592	1,787
Total Revenues	6,920,673	887,145	7,807,818
EXPENDITURES			
Current:			
Instruction	4,148,207	-	4,148,207
Support Services	2,165,309	2,210	2,167,519
Capital Outlay	310,806	-	310,806
Debt Service			
Principal	-	75,000	75,000
Interest	-	746,900	746,900
Total Expenditures	6,624,322	824,110	7,448,432
NET CHANGE IN FUND BALANCE	296,351	63,035	359,386
Fund Balances - Beginning of Year	814,245	1,341,979	2,156,224
FUND BALANCES - END OF YEAR	$ 1,110,596	$ 1,405,014	$ 2,515,610

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, 2017

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

Net Change in Fund Balance - Governmental Funds	$ 359,386
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 ($374,854) exceeded capital outlay $310,806.	(64,048)
Interest is paid when due in the governmental funds but recorded when payable in the Statement of Activities	356
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position	75,000
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:	
Pension Expense	(5,164,551)
Change in Net Position	$ (4,793,857)

See accompanying Notes to Basic Financial Statements.

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 Unites 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, 2017, was approximately $6,950.

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.

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. Measureable 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 measureable 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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:

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 amortized cost.

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 acquisition cost 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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; 4) Change in assumptions and other inputs and 5) change in proportionate share. See Note 8 for additional information.

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 $205,000.

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, 2017. 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.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position/Fund Balance (Continued)

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.

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.

NOTE 2 CASH DEPOSITS AND INVESTMENTS

Cash and investments are reflected on the June 30, 2017 statement of net position as the following:

Cash and Investments per the Government-wide Statement of Net Position	
Cash	$ 1,514,183
Restricted Investments	986,331
Component Unit Cash	5,147
	$ 2,505,661
Cash Deposits	$ 1,519,330
Investments	986,331
	$ 2,505,661

Cash Deposits

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.

NOTE 2 CASH DEPOSITS AND INVESTMENTS (CONTINUED)

Cash Deposits (Continued)

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, 2017, the School's general fund carrying amount of deposits was $1,095,500. The Building Corporations carrying amount of deposits was $418,683 at June 30, 2017. At June 30, 2017, the Salida Del Sol Academy Foundation's carrying amount of deposits was $5,147.

Investments

Colorado statutes specify in which investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

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

Colorado revised statutes, generally limit investment maturities to five years or less unless formally approved by the board of directors. Such actions are generally associated with a debt service reserve or sinking fund requirements. Revenue bonds of U.S. local governments, corporate and bank securities, and guaranteed investment contracts not purchased with bond proceeds are limited to maturities of three years or less.

As of June 30, 2017, the School had the following investments:

Investment	Maturity Less Than One Year	Maturity 1 - 5 Years	Maturity 6-10 Years	Standard & Poor's Rating	Total	Concentration
Federated Government Obligation Fund Money Market	$ 986,331	$ -	$ -	AAAm	$ 986,331	100.0%
Total	$ 986,331	$ -	$ -		$ 986,331	100.0%

NOTE 2 CASH DEPOSITS AND INVESTMENTS (CONTINUED)

Investments (Continued)

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. The Building Corporation had invested $986,331 in money market accounts with the trustee as of June 30, 2017. Money market investments are exempt for fair value measurement and are measured at amortized cost.

Interest Rate Risk

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

Credit Risk

State law does not limit investment to U.S. Treasury issues, other federally backed notes and credits, and other agency offerings. Other investment instruments including bank obligation, general obligation bonds, and commercial paper are limited to at least one of the highest rating categories of at least one nationally recognized rating agency. State law further limits investments in money market funds that are organized according to the Federal Investment Company Act of 1940, as specified in rule 2a-7, as amended, as long as such rule does not increase remaining maturities beyond a maximum of three years.

Investments in these funds require that the institutions have assets in excess of $1 billion or the highest credit rating from one or more of a nationally recognized rating agency.

Restricted Investments

Restricted investments in the amount of $986,331 are set aside for the Building Corporation for debt service requirements. This balance is made up of accounts set up for the payment of principal and interest with a balance of $71,793. A second account is made up of a bond reserve requirement that has a balance of $914,538.

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017
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
Vehicles	-	310,806		310,806
Software	20,496	-	-	20,496
Total Capital Assets, Being Depreciated	9,629,342	310,806	-	9,940,148
Accumulated Depreciation:				
Buildings and Building Improvements	(577,618)	(315,064)	-	(892,682)
Furniture and Equipment	(40,974)	(22,417)	-	(63,391)
Vehicles	-	(30,541)		(30,541)
Software	(12,487)	(6,832)	-	(19,319)
Total Accumulated Depreciation	(631,079)	(374,854)	-	(1,005,933)
Total Capital Assets, Being Depreciated, Net	8,998,263	(64,048)	-	8,934,215
Total Capital Assets	$ 9,599,504	$ (64,048)	$ -	$ 9,535,456

Depreciation expense of $344,313 was charged to the instruction function/program and $30,541 was charged to support services 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.

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, $26,356,500.

One hundred percent of lease revenues have been pledged under the agreement. Lease revenue was $886,553 for the year ended June 30, 2017.

Description	Amount
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	$ 12,315,000
Less: Current Portion	(75,000)
Total	$ 12,240,000

The following schedule represents the School's debt service requirements to maturity for outstanding revenue bonds at June 30, 2017:

Year Ending June 30,	Principal	Interest	Total
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	210,000	700,200	910,200
2023-2027	1,265,000	3,294,900	4,559,900
2028-2032	1,695,000	2,867,100	4,562,100
2033-2037	2,260,000	2,294,700	4,554,700
2038-2042	3,030,000	1,530,000	4,560,000
2043-2045	3,210,000	445,500	3,655,500
Total	$ 12,315,000	$ 14,041,500	$ 26,356,500

Bonds payable consisted of the following at June 30, 2017:

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Amounts Due Within One Year
Bonds Payable	$ 12,390,000	$ -	$ (75,000)	$ 12,315,000	$ 75,000
Total	$ 12,390,000	$ -	$ (75,000)	$ 12,315,000	$ 75,000

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 $886,553 for the year ended June 30, 2017, 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. Management believes 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 in the past three years.

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, 2017, 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.

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. 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. 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.

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 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% 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.

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 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, 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. § 24-51-41[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 for the School for the year ended June 30, 2017 was $513,619.

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

At June 30, 2017, the School reported a liability of $18,316,446 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 the 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 0.0615185322%, which was an increase of 0.0071754602% from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, the School recognized pension expense of $5,164,551. 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	$ 228,984	$ 161
Changes of Assumptions and Other Inputs	5,943,305	82,598
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	612,464	-
Changes in Proportion and Differences Between Contributions Recognized and Proportionate Share of Contributions	2,377,913	-
Contributions Subsequent to the Measurement Date	259,608	-
Total	$ 9,422,274	$ 82,759

$259,608 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 Ending June 30,	Amount
2018	$ 4,404,341
2019	3,203,346
2020	1,466,110
2021	6,110
Total	$ 9,079,907

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions: 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 were 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%
Real Wage Growth	1.10%
Wage Inflation	3.50%
Salary Increases, Including Wage Inflation	3.50 - 9.70%
Long-Term Investment Rate of Return, Net of Pension Plan Investment Expenses, Including Price Inflation	7.25%
Discount rate	5.26%
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. Active member mortality was based upon the same mortality rates but adjusted to 55% of the base rate for males and 40% 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.

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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% factor applied to male rates and a 55% 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% factor applied to rates for ages less than 80, a 113% 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% factor applied to rates for ages less than 80, a 106% factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was changed to reflect 90% 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% per year, compounded annually, net of investment expenses to 7.25% per year, compounded annually, net of investment expenses.
- Price inflation assumption decreased from 2.80% per year to 2.40% per year.
- Real rate of investment return assumption increased from 4.70% per year, net of investment expenses, to 4.85% per year, net of investment expenses.
- Wage inflation assumption decreased from 3.90% per year to 3.50% 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 8 DEFINED BENEFIT PENSION PLAN (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	10-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 Bonds	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%. 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:

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

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

- 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.

Based on the above assumptions and methods, the GASB Statement No. 67 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% 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%, resulting in a discount rate of 5.26%.

As of the prior measurement date, the GASB Statement No. 67 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% 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%.

NOTE 8 DEFINED BENEFIT PENSION PLAN (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 5.26%, 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 (4.26%) or one percentage-point higher (6.26%) than the current rate:

	1% Decrease (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
Proportionate Share of the Net Pension Liability	$ 23,032,342	$ 18,316,446	$ 14,475,519

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 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.

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, 2017, 2016, and 2015 the School's contributions to the HCTF was $28,504, $26,200 and $20,460, respectively, equal to their required contribution for the year.

SALIDA DEL SOL ACADEMY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES —
BUDGET AND ACTUAL — GENERAL FUND
YEAR ENDED JUNE 30, 2017

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Per Pupil Funding	$ 5,606,470	$ 5,419,222	$ (187,248)
Local Sources	318,225	472,081	153,856
State and Federal Sources	615,245	920,055	304,810
Other Income	70,000	108,120	38,120
Interest Income	1,020	1,195	175
Total Revenues	6,610,960	6,920,673	309,713
EXPENDITURES			
Current:			
Instruction	4,491,646	4,148,207	343,439
Support Services	2,201,235	2,165,309	35,926
Capital Outlay	-	310,806	(310,806)
Total Expenditures	6,692,881	6,624,322	68,559
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(81,921)	296,351	378,272
Fund Balance - Beginning of Year	814,245	814,245	-
FUND BALANCE - END OF YEAR	$ 732,324	$ 1,110,596	$ 378,272

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, 2017

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Rental Income	$ 886,559	$ 886,553	$ (6)
Interest Income	-	592	592
Total Revenues	886,559	887,145	586
EXPENDITURES			
Current:			
Support Services	-	2,210	(2,210)
Debt Service:			
Principal	75,000	75,000	-
Interest	811,559	746,900	64,659
Total Expenditures	886,559	824,110	62,449
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	63,035	63,035
Fund Balance - Beginning of Year	-	1,341,979	1,341,979
FUND BALANCE - END OF YEAR	$ -	$ 1,405,014	$ 1,405,014

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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 *

	2016	2015	2014
School's Proportion (Percentage) of the Collective Net Pension Liability (Asset)	0.0615185322%	0.0543430720%	0.0444636878%
School's Proportionate Share of the Collective Net Pension Liability (Asset)	$ 18,316,446	$ 8,311,389	$ 6,026,323
Covered Payroll	2,686,552	2,368,842	931,355
School's Proportionate Share of the Net Pension Liability (Assets) as a Percentage of its Covered Payroll	681.78%	350.86%	647.05%
Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability	43.10%	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.

See accompanying Notes to Required Supplementary Information.

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

As of June 30,	2017	2016	2015
Statutorily Required Contributions	$ 513,619	$ 463,031	$ 347,819
Contributions in Relation to the Statutorily Required Contribution	513,619	463,031	347,819
Contribution Deficiency (Excess)	$ -	$ -	$ -
Covered Payroll	2,794,545	2,609,079	2,037,241
Contribution as a Percentage of Covered Payroll	18.38%	17.75%	17.07%

* 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.

See accompanying Notes to Required Supplementary Information.

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 accounting principles generally accepted in the United States of America.

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 16, 2016.

h) All appropriations lapse at the end of each fiscal year.