

**UNION COLONY ELEMENTARY SCHOOL**  
Greeley, Colorado

**FINANCIAL STATEMENTS**  
June 30, 2015

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Union Colony Elementary School  
Greeley, Colorado

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

We have audited the accompanying financial statements of the governmental activities and each major fund of Union Colony Elementary School, a component unit of Weld County School District 6, as of and for the year ended June 30, 2015, which collectively comprise Union Colony Elementary School's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***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 and each major fund of Union Colony Elementary School as of June 30, 2015, 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.

**Emphasis of Matters**

*Adoption of New Accounting Standard*

As described in Note 2 to the financial statements, Union Colony Elementary School adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, an amendment of GASB Statement No. 68. As a result of the implementation of GASB Statement No. 68, Union Colony Elementary School reported a restatement for the change in accounting principle. Our opinions were not modified with respect to the restatement.

*Correction of Error*

As described in Note 2 to the financial statements, Union Colony Elementary School identified an error in its accounts receivable as previously reported in the prior year. Accordingly, the Union Colony Elementary School's general fund fund balance and net position previously reported have been restated. Our opinions are not modified with respect to this matter.

*Separate Charter Schools*

Union Colony Elementary School and Union Colony Elementary School have separate charter school contracts with Weld County School District 6. The Colorado Department of Education requires each School to provide separate audited financial statements. As described in Note 9, the Schools have a common Board of Directors, common management, and share and allocate certain expenses. Our opinions are not modified with respect to this matter.

**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 – vi, budgetary comparison information on pages 21 – 22, and pension information on pages 23 – 24 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 25, 2015

## **Management's Discussion and Analysis**

As management of the Union Colony Elementary School, an authorized charter school of Weld County School District 6, we offer readers of the Union Colony Elementary School financial statements this narrative overview and analysis of the financial activities of the Union Colony Elementary School for the fiscal year ended June 30, 2015.

### **Financial Highlights**

Key to the financial condition of the organization is the strength of the balance sheet disclosing amounts for assets, liabilities and net position.

At the close of the fiscal year, Union Colony Elementary School (the School) experienced a decrease of \$82,106 in net position.

Total unrestricted cash and investments was \$918,974 at June 30, 2015, as compared to \$667,148 at June 30, 2014.

### **Overview of Financial Statements**

This report generally follows the guidelines as set forth by the Governmental Accounting Standards Board 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 Union Colony Elementary School Board of directors and for the general public. The report consists of three parts: Management's Discussion and Analysis (this section), the Basic Financial Statements, and the 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 Union Colony Building Corporation, a blended component unit, as well as pension information further described below.

### **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-sector business.

The statement of net position presents information on all of 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 or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

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 only result in cash flows during future fiscal periods.

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, like other governmental units or charter schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The School reports four funds: the general fund, a special revenue fund (Union Colony Building Corporation), which is a governmental fund, and two fiduciary funds.

**Governmental Funds:** 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 near-term inflows and outflows of spendable resources, as well as on balances 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 governmental funds 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, readers may better understand the long-term impact of the School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances 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 the General 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 that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This information is provided in pages 7 – 20.

## **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position.

**Table A-1**  
**Condensed Statement of Net Position**

|  | <u>2015</u>           | <u>2014</u>         |
|--|-----------------------|---------------------|
| Assets:                                      |                       |                     |
| Current Assets                               | \$ 1,045,964          | \$ 723,441          |
| Noncurrent Assets                            | 6,064,962             | 6,460,272           |
| Total assets                                 | <u>7,110,926</u>      | <u>7,183,713</u>    |
| Deferred outflows of resources:              |                       |                     |
| Contributions subsequent to measurement date | 126,673               | -                   |
| Change in investment earnings                | 91,996                | -                   |
| Total deferred outflows of resources         | <u>218,669</u>        | <u>-</u>            |
| Liabilities:                                 |                       |                     |
| Current Liabilities                          | 156,759               | 355,607             |
| Noncurrent Liabilities                       | 7,120,000             | 7,075,000           |
| Net pension liability                        | 4,000,383             | -                   |
| Total liabilities                            | <u>11,277,142</u>     | <u>7,430,607</u>    |
| Deferred inflows of resources:               |                       |                     |
| Change in experience                         | 299                   | -                   |
| Change in proportionate share                | 51,761                | -                   |
| Total deferred inflows of resources          | <u>52,060</u>         | <u>-</u>            |
| Net position:                                |                       |                     |
| Net investment in capital assets             | (1,318,418)           | (1,213,607)         |
| Restricted                                   | 321,201               | 444,697             |
| Unrestricted                                 | (3,002,390)           | 522,016             |
| Total net position*                          | <u>\$ (3,999,607)</u> | <u>\$ (246,894)</u> |

\*Net Position for 2014 was not restated for the 2014 column as presented above and below for the implementation of GASB No. 68 and the correction of an error relating to accounts receivable.

Approximately \$321,000 of net position is restricted to comply with the TABOR amendment and requirements of bond agreements.

**Table A-2**  
**Condensed Statement of Revenues, Expenses,**  
**and Changes in Net Position**

|   | <u>2015</u>           | <u>2014</u>         |
|---|-----------------------|---------------------|
| Program revenues:   |                       |                     |
| Operating grants  | \$ 370,078            | \$ -                |
| Capital grants  | 69,393                | 258,182             |
| General revenues:   |                       |                     |
| Per pupil funding   | 2,781,233             | 2,800,824           |
| Interest income   | 521                   | 816                 |
| Other revenue   | 167,250               | 172,711             |
| Total revenues  | <u>3,388,475</u>      | <u>3,232,533</u>    |
| Expenses:   |                       |                     |
| Instruction   | 2,206,578             | 1,747,767           |
| Support services  | 646,673               | 863,672             |
| Interest on long-term debt                                | 617,330               | 412,413             |
| Total expenses  | <u>3,470,581</u>      | <u>3,023,852</u>    |
| Change in net position                                    | (82,106)              | 208,681             |
| Net position - beginning (restated for 2015, see Note 2)* | (3,917,501)           | (455,575)           |
| Net position - ending                                     | <u>\$ (3,999,607)</u> | <u>\$ (246,894)</u> |

### **General Fund**

The general fund is used to capture all operating activities of the School. As of the end of the current fiscal year, the School's general fund reported an ending fund balance of \$924,549, an increase of \$309,368. Union Colony was able to increase its ending fund balance due to cost control, a refinancing of the current bond issuance, increased grant receipts throughout the 14-15 year.

### **General Fund Budgetary Highlights**

Fiscal year 2015 Per Pupil Revenue (PPR) is higher than budgeted due to supplemental income in per pupil revenues from the State. Interest income and other revenue were higher for fiscal year 2015 as there were additional grant monies received and an increase in revenue from the District from the 14-15 reconciliation of special education and other administrative costs.

Expenditures for the year were \$11,240 higher than budgeted. Some of the savings were due to insurance cost savings, and close cost control throughout the year. This was mainly due to a reclassification of special education funding previously reported as a net amount in the expenditures line, and in the current year it was broken out to record the reimbursement amount as revenue rather than an expenditure reduction.

### **Capital Asset and Debt Administration**

**Capital Assets:** The School's investment in capital assets as of June 30, 2015, amounts to \$5,821,582. This investment in capital assets includes land, buildings and building improvements. Additional information on the School's capital assets can be found in Note 4 on page 12 of this report.

**Long-term debt:** The Building Corporation carries total bonded debt outstanding of \$7,140,000. Additional information on long-term debt and the related facility lease can be found in Notes 5 and 6 on pages 12 – 14 of this report.

### **Requests for Information**

This financial report is designed to provide a general overview of the School's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Sarah-Gennie Colazio, Finance Manager, Union Colony Elementary School, 2000 Clubhouse Drive, Greeley, Colorado 80634.

## **BASIC FINANCIAL STATEMENTS**

**UNION COLONY ELEMENTARY SCHOOL  
STATEMENT OF NET POSITION  
June 30, 2015**

|  | <b>Governmental<br/>Activities</b> |
|--|------------------------------------|
| <b>ASSETS</b>  |                                    |
| Cash   | \$ 918,974                         |
| Restricted cash and investments                              | 243,380                            |
| Prepaid items  | 20,041                             |
| Accounts receivable  | 106,949                            |
| Capital assets, not being depreciated                        | 618,097                            |
| Capital assets, depreciated, net of accumulated depreciation | 5,203,485                          |
| <b>TOTAL ASSETS</b>  | <b>7,110,926</b>                   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                        |                                    |
| Contributions subsequent to measurement date                 | 126,673                            |
| Change in investment earnings                                | 91,996                             |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>                  | <b>218,669</b>                     |
| <b>LIABILITIES</b>   |                                    |
| Accounts payable   | 15,051                             |
| Accrued salaries and benefits                                | 106,364                            |
| Accrued interest   | 15,344                             |
| Noncurrent liabilities                                       |                                    |
| Due within one year  | 20,000                             |
| Due in more than one year                                    | 7,120,000                          |
| Net pension liability  | 4,000,383                          |
| <b>TOTAL LIABILITIES</b>                                     | <b>11,277,142</b>                  |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                         |                                    |
| Change in experience   | 299                                |
| Change in proportionate share                                | 51,761                             |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                   | <b>52,060</b>                      |
| <b>NET POSITION</b>  |                                    |
| Net investment in capital assets                             | (1,318,418)                        |
| Restricted   |                                    |
| Emergencies  | 93,165                             |
| Debt service   | 228,036                            |
| Unrestricted   | (3,002,390)                        |
| <b>TOTAL NET POSITION</b>                                    | <b>\$ (3,999,607)</b>              |

The accompanying notes are an integral part of the financial statements

**UNION COLONY ELEMENTARY SCHOOL  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2015**

|   | <u>Program Revenues</u> |   |   | <b>Net (Expenses)<br/>Revenue<br/>and Changes<br/>in Net Position</b> |
|---|-------------------------|---|---|---|
|   | <u>Expenses</u>         | <u>Operating<br/>Grants and<br/>Contributions</u> | <u>Capital<br/>Grants and<br/>Contributions</u> |   |
| <b>Governmental activities</b>                        |                         |   |   |   |
| Instructional   | \$ 2,206,578            | \$ 339,289  | \$ -  | \$ (1,867,289)  |
| Support Services                                      |                         |   |   |   |
| Pupil and instruction                                 | 321,446                 | -   | -   | (321,446)   |
| General administration                                | 71,438                  | -   | -   | (71,438)  |
| School administration                                 | 113,628                 | -   | -   | (113,628)   |
| Business services                                     | 19,804                  | -   | -   | (19,804)  |
| Maintenance and operations                            | 10,516                  | 29,327  | 69,393  | 88,204  |
| Food services   | 1,500                   | -   | -   | (1,500)   |
| Transportation  | 17,877                  | 1,462   | -   | (16,415)  |
| Other supporting services                             | 90,464                  | -   | -   | (90,464)  |
| Interest on long-term debt                            | 617,330                 | -   | -   | (617,330)   |
| <b>Total government activities</b>                    | <u>\$ 3,470,581</u>     | <u>\$ 370,078</u>                                 | <u>\$ 69,393</u>                                | (3,031,110)   |
| <b>GENERAL REVENUES</b>                               |                         |   |   |   |
|   |                         |   |   | 2,781,233   |
|   |                         |   |   | 521   |
|   |                         |   |   | 167,250   |
| <b>TOTAL GENERAL REVENUES</b>                         |                         |   |   | <u>2,949,004</u>  |
| <b>CHANGE IN NET POSITION</b>                         |                         |   |   | (82,106)  |
| <b>Net position, beginning (restated, see Note 2)</b> |                         |   |   | <u>(3,917,501)</u>  |
| <b>Net position, ending</b>                           |                         |   |   | <u>\$ (3,999,607)</u>   |

The accompanying notes are an integral part of the financial statements

**UNION COLONY ELEMENTARY SCHOOL  
BALANCE SHEET - GOVERNMENTAL FUNDS  
June 30, 2015**

|  | <u>General</u>      | <u>Union Colony<br/>Elementary<br/>Building<br/>Corporation</u> | <u>Total</u>        |
|--|---------------------|---|---------------------|
| <b>ASSETS</b>                              |                     |   |                     |
| Cash                                       | \$ 918,974          | \$ -  | \$ 918,974          |
| Restricted cash and investments            | -                   | 243,380   | 243,380             |
| Prepaid expense                            | 20,041              | -   | 20,041              |
| Accounts receivable                        | 106,949             | -   | 106,949             |
| <b>TOTAL ASSETS</b>                        | <u>\$ 1,045,964</u> | <u>\$ 243,380</u>   | <u>\$ 1,289,344</u> |
| <b>LIABILITIES AND FUND BALANCES</b>       |                     |   |                     |
| <b>LIABILITIES</b>                         |                     |   |                     |
| Accounts payable                           | \$ 15,051           | \$ -  | \$ 15,051           |
| Accrued salaries and benefits              | 106,364             | -   | 106,364             |
| <b>TOTAL LIABILITIES</b>                   | <u>121,415</u>      | <u>-</u>  | <u>121,415</u>      |
| <b>FUND BALANCES</b>                       |                     |   |                     |
| Nonspendable                               | 20,041              | -   | 20,041              |
| Restricted                                 | 93,165              | 243,380   | 336,545             |
| Unassigned                                 | 811,343             | -   | 811,343             |
| <b>TOTAL FUND BALANCES</b>                 | <u>924,549</u>      | <u>243,380</u>  | <u>1,167,929</u>    |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <u>\$ 1,045,964</u> | <u>\$ 243,380</u>   | <u>\$ 1,289,344</u> |

The accompanying notes are an integral part of the financial statements

**UNION COLONY ELEMENTARY SCHOOL  
RECONCILIATION OF THE BALANCE SHEET  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
Year Ended June 30, 2015**

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

|  |                    |                              |
|--|--------------------|------------------------------|
| Total fund balance - governmental funds  |                    | \$ 1,167,929                 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.<br>The cost of the assets is \$5,620,449 and accumulated depreciation is \$416,964. |                    | 5,821,582                    |
| 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:      |                    |                              |
| Accrued interest   | (15,344)           |                              |
| Bonds payable  | (7,140,000)        |                              |
| Net pension liability  | <u>(4,000,383)</u> | (11,155,727)                 |
| 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   | 126,673            |                              |
| Change in investment earnings  | <u>91,996</u>      | 218,669                      |
| Deferred inflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.  |                    |                              |
| Change in experience   | (299)              |                              |
| Change in proportionate share  | <u>(51,761)</u>    | <u>(52,060)</u>              |
| Total net position   |                    | <u><u>\$ (3,999,607)</u></u> |

The accompanying notes are an integral part of the financial statements

**UNION COLONY ELEMENTARY SCHOOL**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2015**

|   | <b>General<br/>Fund</b> | <b>Union Colony<br/>Elementary<br/>Building<br/>Corporation</b> | <b>Total</b>        |
|---|-------------------------|---|---------------------|
| <b>REVENUES</b>                                       |                         |   |                     |
| Per pupil funding                                     | \$ 2,781,233            | \$ -  | \$ 2,781,233        |
| Rental income   | -                       | 472,821   | 472,821             |
| Intergovernmental                                     | 439,471                 | -   | 439,471             |
| Other income  | 167,250                 | -   | 167,250             |
| Interest income                                       | -                       | 521   | 521                 |
| <b>TOTAL REVENUES</b>                                 | <b>3,387,954</b>        | <b>473,342</b>  | <b>3,861,296</b>    |
| <b>EXPENDITURES</b>                                   |                         |   |                     |
| Current:  |                         |   |                     |
| Instruction   | 1,963,426               | -   | 1,963,426           |
| Support services:                                     |                         |   |                     |
| Pupil and instruction                                 | 321,446                 | -   | 321,446             |
| General administration                                | 71,438                  | -   | 71,438              |
| School administration                                 | 113,628                 | -   | 113,628             |
| Business services                                     | 19,804                  | -   | 19,804              |
| Maintenance and operations                            | 483,337                 | -   | 483,337             |
| Food services   | 1,500                   | -   | 1,500               |
| Transportation  | 4,877                   | -   | 4,877               |
| Other supporting services                             | 90,464                  | -   | 90,464              |
| Debt service:   |                         |   |                     |
| Principal   | -                       | 110,000   | 110,000             |
| Issuance costs  | 76,560                  | 147,506   | 224,066             |
| Interest  | -                       | 406,414   | 406,414             |
| <b>TOTAL EXPENDITURES</b>                             | <b>3,146,480</b>        | <b>663,920</b>  | <b>3,810,400</b>    |
| <b>OTHER FINANCING SOURCES (USES)</b>                 |                         |   |                     |
| Proceeds from debt                                    | -                       | 7,140,000   | 7,140,000           |
| Payments to escrow agent                              | -                       | (7,194,921)   | (7,194,921)         |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>           | <b>-</b>                | <b>(54,921)</b>   | <b>(54,921)</b>     |
| <b>NET CHANGE IN FUND BALANCE</b>                     | <b>241,474</b>          | <b>(245,499)</b>  | <b>(4,025)</b>      |
| <b>FUND BALANCE, Beginning (restated, see Note 2)</b> | <b>683,075</b>          | <b>488,879</b>  | <b>1,171,954</b>    |
| <b>FUND BALANCE, Ending</b>                           | <b>\$ 924,549</b>       | <b>\$ 243,380</b>   | <b>\$ 1,167,929</b> |

The accompanying notes are an integral part of the financial statements

**UNION COLONY ELEMENTARY SCHOOL  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2015**

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

|  |                |                        |
|--|----------------|------------------------|
| Net change in fund balance - governmental fund   | \$             | (4,025)                |
| 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 (\$149,811) exceeded capital outlay (\$0). |                |                        |
|  |                | (149,811)              |
| Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term debt in the statement of net position.   |                |                        |
|  |                | 7,185,000              |
| Interest is paid when due in the governmental funds but recorded when payable in the statement of activities   |                |                        |
|  |                | 133,071                |
| Governmental funds report debt proceeds as a financing source. The Statement of Net Position records these as a long-term payable.   |                |                        |
|  |                | (7,140,000)            |
| 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:   |                |                        |
| Change in contributions subsequent to measurement date   | 18,441         |                        |
| Pension expense  | (347,110)      |                        |
| Pension expense (first year amortization)  | 19,171         |                        |
| Employer contribution expense  | <u>203,157</u> | <u>(106,341)</u>       |
| Change in net position   | \$             | <u><u>(82,106)</u></u> |

The accompanying notes are an integral part of the financial statements

**UNION COLONY ELEMENTARY SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

The accounting policies of Union Colony Elementary School (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 Elementary School opened in 2012.

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, 2014), there were 404 FTE students enrolled in the School. The PPR rate for the fiscal year ended June 30, 2015, was approximately \$6,500.

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 Union Colony Elementary 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 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to students or 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.

**UNION COLONY ELEMENTARY SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

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

**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:

***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 – Union Colony Elementary 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 generally accepted accounting principles requires management to make estimates and assumptions. The estimates and assumptions affect the reported amounts of assets and liabilities 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.

**UNION COLONY ELEMENTARY SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
June 30, 2015

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

**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).

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 two types of items classified as deferred outflows of resources related to the implementation of GASB No. 68: 1) contributions subsequent to measurement date; and 2) change in investment earnings. See Note 10 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 \$106,364.

**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, 2015. Due to the implementation of GASB No. 68, the School is required to report their proportionate share of PERA's unfunded pension liability. See Note 10 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 due to the implementation of GASB No. 68: 1) change in experience; and 2) change in proportionate share of the net pension liability. See Note 10 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.

**UNION COLONY ELEMENTARY SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

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 8.

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 – RESTATEMENT OF NET POSITION AND CORRECTION OF AN ERROR**

For the year ended June 30, 2015, the School adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions (GASB No. 68)*, and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, an amendment of GASB Statement No. 68, which are effective for financial statements for periods beginning after June 15, 2014. GASB No. 68 revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. GASB 68 requires cost-sharing employer participating in the PERA program, to record their proportionate share, as defined in GASB No. 68, of PERA's unfunded pension liability.

For the School, the effect of implementing this standard was to change how it accounts and reports the net pension liability. Implementation of the standard resulted in a restatement of the prior period net position as shown below.

The School's General Fund fund balance reported on the governmental funds balance sheet and the Governmental Activities net position have been restated as of June 30, 2014 to correct a prior year error for accounts receivable for the School. Accounts receivable was not posted to the School's general ledger and instead had been posted to the Union Colony Preparatory School, a separate entity. The impact of this was to reduce fund balance and net position as shown below.

**UNION COLONY ELEMENTARY SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015**

**NOTE 2 – RESTATEMENT OF NET POSITION AND CORRECTION OF AN ERROR (CONTINUED)**

|   | <b>Governmental<br/>Activities</b> |
|---|------------------------------------|
| Net Position, June 30, 2014, as previously reported   | \$ (246,894)                       |
| Cumulative Effect of Application of GASB No. 68, Net Pension Liability  | (3,835,664)                        |
| Cumulative Effect of Application of GASB No. 71, Deferred Outflow of<br>Resources for contributions made to the Plan during fiscal year June 30, 2014 | 97,163                             |
| Correction of an error relating to an understatement for accounts receivable  | <u>67,894</u>                      |
| Net Position, June 30, 2014, as Restated  | \$ <u><u>(3,917,501)</u></u>       |
|   |                                    |
|   | <b>General Fund</b>                |
| Fund Balance, June 30, 2014, as previously reported   | \$ 615,181                         |
| Increase of fund balance due to correction of accounts receivable   | <u>67,894</u>                      |
| Fund Balance, June 30, 2014, as Restated  | \$ <u><u>683,075</u></u>           |

**NOTE 3 – 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 percent of the uninsured deposits. At June 30, 2015, the School’s carrying amount of deposits was \$918,975 and the bank balance was \$941,452.

Union Colony Elementary 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 6) are deposited in the accounts and the semi-annual bond payments are made from the accounts.

At June 30, 2015, \$243,380 is held in reserved accounts required by the bond agreements, which is to be used for payment of principal and interest on the bonds.

*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
- Corporate securities
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

**UNION COLONY ELEMENTARY SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015**

**NOTE 3 – CASH AND INVESTMENTS (CONTINUED)**

At June 30, 2015, the Building Corporation's investments consisted of cash and money market funds, the money market funds do not have a credit rating.

*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 semiannual basis.

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2015, was as follows:

|  | <b>Balance<br/>June 30, 2014</b> | <b>Increases</b> | <b>Decreases</b> | <b>Balance<br/>June 30, 2015</b> |
|--|----------------------------------|------------------|------------------|----------------------------------|
| Capital assets, not depreciated              |                                  |                  |                  |                                  |
| Land   | \$ 618,097                       | \$ -             | \$ -             | \$ 618,097                       |
| Capital assets, being depreciated            |                                  |                  |                  |                                  |
| Buildings and building improvements          | 5,378,205                        | -                | -                | 5,378,205                        |
| Furniture and equipment                      | 112,244                          | -                | -                | 112,244                          |
| Vehicles                                     | 130,000                          | -                | -                | 130,000                          |
| Total capital assets, being depreciated      | 5,620,449                        | -                | -                | 5,620,449                        |
| Accumulated depreciation:                    |                                  |                  |                  |                                  |
| Buildings and building improvements          | (231,705)                        | (125,586)        | -                | (357,291)                        |
| Furniture and equipment                      | (22,448)                         | (11,225)         | -                | (33,673)                         |
| Vehicles                                     | (13,000)                         | (13,000)         | -                | (26,000)                         |
| Total accumulated depreciation               | (267,153)                        | (149,811)        | -                | (416,964)                        |
| Total capital assets, being depreciated, net | 5,353,296                        | (149,811)        | -                | 5,203,485                        |
| Total capital assets                         | \$ 5,971,393                     | \$ (149,811)     | \$ -             | \$ 5,821,582                     |

Depreciation expense of \$136,811 was charged to the instruction function/program of the School and \$13,000 was charged to the transportation function/program of the School.

**UNION COLONY ELEMENTARY SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015**

**NOTE 5 – BONDS PAYABLE**

The Colorado Educational and Cultural Facilities Authority (the Authority) has issued its Charter School Revenue Bonds as the Union Colony Elementary School Project, series 2012A and B. The bonds were issued for the Union Colony Elementary Building Corporation's use in acquiring the land and building that are the school facility. 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.

During fiscal year 2015, the Authority issued its series 2015 Charter School Revenue Bonds as the Union Colony Elementary School Project in the amount of \$7,140,000. This transaction refunded the series 2012A and B bonds. The series 2015 bonds mature in 2020 with a 5.3% interest rate.

On June 17, 2015, the Building Corporation currently refunded the series 2012A and B Charter School Revenue Bonds with series 2015 financing transaction at an interest rate of 5.3%. This refunding reduced total debt service payments over the next five years by \$1,348,288 and has an amount of \$(256,358) in present value savings. Total remaining debt service totals \$8,879,089 with a principal amount of \$7,140,000. The transaction matures in March 2020.

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 6. The lease revenue over the term of the agreement is equal to the expected principal and interest payments to be made over the life of the bonds, approximately \$8,880,000.

One hundred percent of lease revenues have been pledged under the agreement. Lease revenue was approximately equal to the debt service requirements of the bond for the year ended June 30, 2015, approximately \$473,000.

Bonds payable consisted of the following at June 30, 2015:

Charter School Refunding Revenue Bonds dated June 17, 2015, due in annual installments ranging from \$20,000 to \$6,780,000 through March 2020; interest (rate is 5.3%) payable semi-annually on September 1 and March 1. Revenue from the rental of the building (Note 5) has been pledge to pay bond principal & interest.

|                        |                     |
|------------------------|---------------------|
| Principal and interest | \$ 7,140,000        |
| Less current portion   | (20,000)            |
| Total                  | <u>\$ 7,120,000</u> |

The following schedule represents the School's debt service requirements to maturity for outstanding revenue bonds at June 30, 2015:

| <u>Year Ending</u> | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>        |
|--------------------|---------------------|---------------------|---------------------|
| June 30, 2016      | \$ 20,000           | \$ 264,894          | \$ 284,894          |
| June 30, 2017      | 105,000             | 377,360             | 482,360             |
| June 30, 2018      | 115,000             | 371,795             | 486,795             |
| June 30, 2019      | 120,000             | 365,700             | 485,700             |
| June 30, 2020      | 6,780,000           | 359,340.00          | 7,139,340           |
|                    | <u>\$ 7,140,000</u> | <u>\$ 1,739,089</u> | <u>\$ 8,879,089</u> |

**UNION COLONY ELEMENTARY SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015**

**NOTE 5 – BONDS PAYABLE (CONTINUED)**

Changes in bonds payable for the year ended June 30, 2015 were as follows:

|                             | <u>Balance</u><br><u>June 30, 2014</u> | <u>Additions</u>    | <u>Reductions</u>     | <u>Balance</u><br><u>June 30, 2015</u> | <u>Amounts</u><br><u>Due Within</u><br><u>One Year</u> |
|-----------------------------|--|---------------------|-----------------------|--|--|
| Bonds payable - series 2012 | \$ 7,185,000                           | \$ -                | \$ (7,185,000)        | \$ -                                   | \$ -   |
| Bonds payable - series 2015 | -                                      | 7,140,000           | -                     | 7,140,000                              | 20,000   |
| Total                       | <u>\$ 7,185,000</u>                    | <u>\$ 7,140,000</u> | <u>\$ (7,185,000)</u> | <u>\$ 7,140,000</u>                    | <u>\$ 20,000</u>                                       |

**NOTE 6 – 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 5) and may be terminated in any year by non-appropriation of funds. The Building Corporation has pledged the lease payments to pay bond principal and interest.

Rent expense was approximately \$473,000 for the year ended June 30, 2015, and is included in maintenance and operations expenditures.

The lease between the School (lessee) and Union Colony Elementary Building Corporation (lessor) includes certain restrictive covenants related to expenditures and unrestricted cash balances. The School is in compliance with the covenants. As described in Note 9, the School leased a portion of its facility to the Union Colony Preparatory School during the year ended June 30, 2015.

**NOTE 7 – 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 8 – 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, 2015, 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 3, net position/fund balance are restricted attributable to the restrictions on its cash and investments.

**UNION COLONY ELEMENTARY SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 9 – RELATED PARTY TRANSACTIONS**

One Board of Directors has oversight for one management group that operates and manages two divisions, Union Colony Preparatory School and Union Colony Elementary School. These financial statements include the operations of Union Colony Elementary School and Union Colony Elementary Building Corporation.

Separate Boards of Directors, composed of common board members, have oversight for the same management group that operates and manages the Union Colony Preparatory School and the Union Colony Building Corporation.

The two schools utilize a system of certain shared services for management and administration, information technology and transportation. Costs are allocated between these two schools by management. During the school year 2014-2015, Union Colony Preparatory School occupied a portion of the Union Colony Elementary School building for its sixth grade class. Union Colony Preparatory School paid approximately \$162,000 to Union Colony Elementary School for rent of the facility.

**NOTE 10 – 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](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(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S.§24-51-602, 604, 1713 and 1714.

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

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

**UNION COLONY ELEMENTARY SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015**

**NOTE 10 – DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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 percent 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 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

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

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

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

*Contributions.* Eligible employees 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 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

**UNION COLONY ELEMENTARY SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015**

**NOTE 10 – DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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

<sup>1</sup>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 years ended June 30, 2015, 2014 and 2013 were approximately \$242,000, \$188,000 and \$192,000, respectively.

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

At June 30, 2015, the School reported a liability of \$4,000,383 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. Standard update procedures were used to roll forward the total pension liability to December 31, 2014. The School's proportion of the net pension liability was based on the School's contributions to the SCHDTF for the calendar year 2014 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2014, the School's proportion was 0.0295158066%, which was a decrease of 0.0005561092% from its proportion measured as of December 31, 2013.

For the year ended June 30, 2015, the School recognized pension expense of \$347,110. At June 30, 2015, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <u>Deferred Outflows<br/>of Resources</u> | <u>Deferred Inflows<br/>of Resources</u> |
|---|---|--|
| Difference between expected and actual experience   | \$ -                                      | \$ 299                                   |
| Changes of assumptions or other inputs  | -   | -  |
| Net difference between projected and actual earnings on pension plan investments                                | 91,996                                    | -  |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | -   | 51,761                                   |
| Contributions subsequent to the measurement date  | <u>126,673</u>                            | <u>-</u>                                 |
| Total   | \$ <u><u>218,669</u></u>                  | \$ <u><u>52,060</u></u>                  |

**UNION COLONY ELEMENTARY SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015**

**NOTE 10 – DEFINED BENEFIT PENSION PLAN (CONTINUED)**

\$126,673 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

**Year ended June 30, 2015**

|            |    |        |
|------------|----|--------|
| 2016       | \$ | 3,718  |
| 2017       | \$ | 3,718  |
| 2018       | \$ | 9,502  |
| 2019       | \$ | 22,999 |
| 2020       |    | -      |
| Thereafter |    | -      |

*Actuarial assumptions.* The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions and other inputs:

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

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

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

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

**UNION COLONY ELEMENTARY SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015**

**NOTE 10 – DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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

| <b>Asset Class</b>          | <b>Target<br/>Allocation</b> | <b>10 Year Expected Geometric<br/>Real Rate of Return</b> |
|-----------------------------|------------------------------|---|
| 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              | <u>7.00%</u>                 | 7.15%   |
| Total                       | <u>100.00%</u>               |   |

\* In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50%.

*Discount rate.* The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero.

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

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

|  | 1% Decrease<br>(6.50%) | Current Discount<br>Rate (7.50%) | 1% Increase<br>(8.50%) |
|--|------------------------|----------------------------------|------------------------|
| Proportionate share of the net pension liability | \$ 3,740,358           | \$ 4,000,383                     | \$ 4,340,416           |

*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).

**UNION COLONY ELEMENTARY SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015**

**NOTE 11 - POSTEMPLOYMENT HEALTHCARE BENEFITS**

Health Care Trust Fund

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

*Funding Policy* – The School is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the School are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2015, 2014 and 2013, the School's contributions to the HCTF were \$14,458, \$13,242 and \$10,824, respectively, equal to their required contributions for each year.

**NOTE 12 – LEGAL COMPLIANCE**

The School may be in violation of state statutes as the expenditures for the General Fund exceeded appropriations by \$11,240 and the expenditures for the Union Colony Elementary School Building Corporation exceeded appropriations by \$202,176.

**REQUIRED SUPPLEMENTARY INFORMATION**

**UNION COLONY ELEMENTARY SCHOOL  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL – GENERAL FUND  
Year Ended June 30, 2015**

|   | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>     | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|---|----------------------------|-------------------------|-------------------|---|
| <b>REVENUES</b>                                 |                            |                         |                   |   |
| Per pupil revenue                               | \$2,763,872                | \$2,723,425             | \$2,781,233       | \$ 57,808   |
| Capital construction funds<br>and grant revenue | 166,152                    | 304,112                 | 439,471           | 135,359   |
| Other revenue                                   | 166,986                    | 166,986                 | 167,250           | 264   |
| <b>TOTAL REVENUES</b>                           | <u>3,097,010</u>           | <u>3,194,523</u>        | <u>3,387,954</u>  | <u>193,431</u>  |
| <b>EXPENDITURES</b>                             |                            |                         |                   |   |
| Current   |                            |                         |                   |   |
| Instruction                                     | 1,999,493                  | 2,079,795               | 1,963,426         | 116,369   |
| Support services:                               |                            |                         |                   |   |
| Pupil and instruction                           | 285,520                    | 281,488                 | 321,446           | (39,958)  |
| General administration                          | 118,324                    | 91,902                  | 71,438            | 20,464  |
| School administration                           | 30,955                     | 32,139                  | 113,628           | (81,489)  |
| Business services                               | 15,170                     | 15,170                  | 19,804            | (4,634)   |
| Food services                                   | 17,273                     | 17,273                  | 1,500             | 15,773  |
| Maintenance and operations                      | 610,940                    | 610,940                 | 483,337           | 127,603   |
| Transportation                                  | 3,000                      | 3,000                   | 4,877             | (1,877)   |
| Other supporting services                       | 3,533                      | 3,533                   | 90,464            | (86,931)  |
| Debt service:                                   |                            |                         |                   |   |
| Issuance costs                                  | -                          | -                       | 76,560            | (76,560)  |
| <b>TOTAL EXPENDITURES</b>                       | <u>3,084,208</u>           | <u>3,135,240</u>        | <u>3,146,480</u>  | <u>(11,240)</u>   |
| <b>NET CHANGE IN FUND BALANCE</b>               | 12,802                     | 59,283                  | 241,474           | 204,671   |
| <b>FUND BALANCE, Beginning</b>                  | <u>683,075</u>             | <u>683,075</u>          | <u>683,075</u>    | -   |
| <b>FUND BALANCE, Ending</b>                     | <u>\$ 695,877</u>          | <u>\$ 742,358</u>       | <u>\$ 924,549</u> | <u>\$ 182,191</u>   |

See accompanying Notes to the Required Supplementary Information.

**UNION COLONY ELEMENTARY SCHOOL  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL – UNION COLONY ELEMENTARY BUILDING CORPORATION  
Year Ended June 30, 2015**

|                                       | <b>Original<br/>and Final<br/>Budget</b> | <b>Actual</b>     | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|---------------------------------------|--|-------------------|---|
| <b>REVENUES</b>                       |  |                   |   |
| Rental Income                         | \$ 515,716                               | \$ 472,821        | \$ (42,895)   |
| Interest Income                       | 949                                      | 521               | (428)   |
| <b>TOTAL REVENUES</b>                 | <b>516,665</b>                           | <b>473,342</b>    | <b>(43,323)</b>   |
| <b>EXPENDITURES</b>                   |  |                   |   |
| Supporting services                   |  |                   |   |
| Other supporting services             | -  | -                 | -   |
| Debt service:                         |  |                   |   |
| Principal                             | 516,665                                  | 110,000           | 406,665   |
| Issuance costs                        | -  | 147,506           | (147,506)   |
| Interest                              | -  | 406,414           | (406,414)   |
| <b>TOTAL EXPENDITURES</b>             | <b>516,665</b>                           | <b>663,920</b>    | <b>(147,255)</b>  |
| <b>OTHER FINANCING SOURCES (USES)</b> |  |                   |   |
| Proceeds from debt                    | -  | 7,140,000         | 7,140,000   |
| Payment to escrow agent               | -  | (7,194,921)       | (7,194,921)   |
| <b>TOTAL FINANCING SOURCES (USES)</b> | <b>-</b>                                 | <b>(54,921)</b>   | <b>(54,921)</b>   |
| <b>NET CHANGE IN FUND BALANCE</b>     | <b>-</b>                                 | <b>(245,499)</b>  | <b>49,011</b>   |
| <b>FUND BALANCE, Beginning</b>        | <b>488,879</b>                           | <b>488,879</b>    | <b>-</b>  |
| <b>FUND BALANCE, Ending</b>           | <b>\$ 488,879</b>                        | <b>\$ 243,380</b> | <b>\$ 49,011</b>  |

See accompanying Notes to the Required Supplementary Information.

**UNION COLONY ELEMENTARY SCHOOL  
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
Last 10 Fiscal Years \***

|   | <u>2014</u>   | <u>2013</u>   |
|---|---------------|---------------|
| School's proportion (percentage) of the collective net pension liability (asset)                                  | 0.0295158066% | 0.0300719157% |
| School's proportionate share of the collective pension liability (asset)  | 4,000,383     | 3,835,665     |
| Covered-employee payroll  | 1,309,574     | 1,264,858     |
| School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 305.47%       | 303.25%       |
| Plan fiduciary net pension as a percentage of the total pension liability   | 62.80%        | 64.06%        |

\* The amounts presented for each fiscal year were determined as of December 31 based on the measurement date of the Plan. Information earlier than 2013 was not available.

**UNION COLONY PREPARATORY SCHOOL  
SCHEDULE OF CONTRIBUTIONS AND RELATED RATIOS  
Last 10 Fiscal Years \***

| As of June 30,  | <u><b>2015</b></u> | <u><b>2014</b></u> |
|---|--------------------|--------------------|
| Statutorily required contributions                                    | \$ 227,726         | \$ 175,013         |
| Contributions in relation to the statutorily<br>required contribution | <u>227,726</u>     | <u>175,013</u>     |
| Contribution deficiency (excess)                                      | <u>\$ -</u>        | <u>\$ -</u>        |
| Covered-employee payroll  | 1,417,448          | 1,298,258          |
| Contribution as a percentage of covered-employee payroll              | 16.07%             | 13.48%             |

\* The amounts presented for each fiscal year were determined as of June 30.  
Information earlier than 2013 was not available.

**UNION COLONY ELEMENTARY SCHOOL**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2015**

**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 GAAP.
- g) Budgeted amounts reported in the accompanying supplemental 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 May 16, 2015, and the final building corporation's budgets approved by the Board on April 29, 2015.
- h) All appropriations lapse at the end of each fiscal year.

**UNION COLONY PREPARATORY SCHOOL**  
Greeley, Colorado

**FINANCIAL STATEMENTS**  
June 30, 2015

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## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Union Colony Preparatory School  
Greeley, Colorado

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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Union Colony Preparatory School, a component unit of Weld County School District 6, as of and for the year ended June 30, 2015, which collectively comprise Union Colony Preparatory School's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***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 aggregate remaining fund information of Union Colony Preparatory School as of June 30, 2015, 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.

### ***Emphasis of Matters***

#### *Adoption of New Accounting Standard*

As described in Note 2 to the financial statements, Union Colony Preparatory School adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, an amendment of GASB Statement No. 68. As a result of the implementation, of GASB Statement No. 68, Union Colony Preparatory School reported a restatement for the change in accounting principle. Our opinions were not modified with respect to the restatement.

#### *Correction of Error*

As described in Note 2 to the financial statements, Union Colony Preparatory School identified an error in its accounts receivable as previously reported in the prior year. Accordingly, the Union Colony Preparatory School's general fund balance and net position previously reported have been restated. Our opinions are not modified with respect to this matter.

#### *Separate Charter Schools*

Union Colony Preparatory School and Union Colony Elementary School have separate charter school contracts with Weld County School District 6. The Colorado Department of Education requires each School to provide separate audited financial statements. As described in Note 9, the Schools have a common Board of Directors, common management, and share and allocate certain expenses. Our opinions are not modified with respect to this matter.

### ***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 - vi, the budgetary comparison information on pages 23 - 24, and the pension schedules on pages 25 - 26 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 25, 2015

## Management's Discussion and Analysis

As management of the Union Colony Preparatory School, an authorized charter school of Weld County School District 6, we offer readers of the Union Colony Preparatory School financial statements this narrative overview and analysis of the financial activities of the Union Colony Preparatory School for the fiscal year ended June 30, 2015.

### Financial Highlights

Key to the financial condition of the organization is the strength of the balance sheet disclosing amounts for assets, liabilities and net position.

At the close of the fiscal year, Union Colony Preparatory School (the School) experienced a decrease of \$45,342 in net position due to the required recording of the unfunded pension liability per GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*. See Note 10 for details about this liability.

Total unrestricted cash and investments was \$424,293 at June 30, 2015, as compared to \$354,865 at June 30, 2014.

### Overview of Financial Statements

This report generally follows the guidelines as set forth by the Governmental Accounting Standards Board 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 Union Colony Preparatory School Board of directors and for the general public. The report consists of three parts: Management's Discussion and Analysis (this section), the Basic Financial Statements, and the 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 Union Colony Building Corporation, a blended component unit.

### 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-sector business.

The statement of net position presents information on all of 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 or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

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 only result in cash flows during future fiscal periods.

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, like other governmental units or charter schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The School reports four funds: the general fund, a special revenue fund (Union Colony Building Corporation), which is a governmental fund, and two fiduciary funds.

**Governmental Funds:** 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 near-term inflows and outflows of spendable resources, as well as on balances 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.

**Fiduciary Funds:** Fiduciary funds are used to account for resources held for the benefit of parties outside of the School. Fiduciary funds are not reflected in the government-wide financial statements because these sources of funds are not available to support the School's direct educational programs. The accounting method used for fiduciary funds is much like that used for the government-wide financial statements.

Because the focus of governmental funds 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, readers may better understand the long-term impact of the School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances 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 the General 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 that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This information is provided in pages 9 – 22.

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position.

## Union Colony Preparatory School's Net Position

|  | <u>2015</u>           | <u>2014</u>       |
|--|-----------------------|-------------------|
| Assets:                                      |                       |                   |
| Current Assets                               | \$ 506,242            | \$ 495,245        |
| Noncurrent Assets                            | 5,095,209             | 5,170,404         |
| Total assets                                 | <u>5,601,451</u>      | <u>5,665,649</u>  |
| Deferred outflows of resources:              |                       |                   |
| Contributions subsequent to measurement date | 133,177               | -                 |
| Change in investment earnings                | 114,788               | -                 |
| Total deferred outflows of resources         | <u>247,965</u>        | <u>-</u>          |
| Liabilities:                                 |                       |                   |
| Current Liabilities                          | 250,122               | 244,549           |
| Noncurrent Liabilities                       | 4,419,817             | 4,519,109         |
| Net pension liability                        | 4,991,485             | -                 |
| Total liabilities                            | <u>9,661,424</u>      | <u>4,763,658</u>  |
| Deferred inflows of resources:               |                       |                   |
| Change in experience                         | 373                   | -                 |
| Change in proportionate share                | 64,585                | -                 |
| Total deferred inflows of resources          | <u>64,958</u>         | <u>-</u>          |
| Net position:                                |                       |                   |
| Net investment in capital assets             | 27,696                | 11,494            |
| Restricted                                   | 629,196               | 624,384           |
| Unrestricted                                 | (4,533,858)           | 266,113           |
| Total net position*                          | <u>\$ (3,876,966)</u> | <u>\$ 901,991</u> |

\*Net Position for 2014 was not restated for the 2014 column presented above for the implementation of GASB No. 68 and the correction of an error relating to accounts receivable.

Approximately \$629,000 of net position is restricted to comply with the TABOR amendment and requirements of bond agreements.

## Union Colony Preparatory School's Change in Net Position

|   | <u>2015</u>           | <u>2014</u>       |
|---|-----------------------|-------------------|
| Program revenues:   |                       |                   |
| Operating grants  | \$ 228,824            | \$ -              |
| Capital grants  | 82,615                | 246,043           |
| General revenues:   |                       |                   |
| Per pupil funding   | 3,335,913             | 3,201,182         |
| Interest income   | 2,008                 | 659               |
| Other revenue   | 813                   | 2,320             |
| Total revenues  | <u>3,650,173</u>      | <u>3,450,204</u>  |
| Expenses:   |                       |                   |
| Instruction   | 2,545,152             | 2,033,517         |
| Support services  | 900,059               | 960,043           |
| Interest on long-term debt                                | 250,304               | 261,585           |
| Total expenses  | <u>3,695,515</u>      | <u>3,255,145</u>  |
| Change in net position                                    | (45,342)              | 195,059           |
| Net position - beginning (restated for 2015, see Note 2)* | <u>(3,831,624)</u>    | <u>706,932</u>    |
| Net position - ending                                     | <u>\$ (3,876,966)</u> | <u>\$ 901,991</u> |

\*Net Position for 2014 was not restated for the 2014 column as presented above for the implementation of GASB No. 68 and the correction of an error relating to accounts receivable.

### General Fund

The general fund is used to capture all operating activities of the School. As of the end of the current fiscal year, the School's general fund reported an ending fund balance of \$372,275, an increase of approximately \$8,507. Union Colony was able to increase its ending fund balance due to close cost control, increased funding from the State through capital construction monies, and insurance savings throughout the 2014-2015 year.

### General Fund Budgetary Highlights

Fiscal year 2015 Per Pupil Revenue (PPR) is slightly lower than budgeted due to a lower pupil count than projected. Interest income and other revenue were higher for the fiscal year 2015 year as there was an increase in the capital construction funding received, and the special education reimbursement amounts being recorded as revenue rather than an expenditure reduction.

Expenditures for the year were \$107,819 higher than budgeted. This was mainly due to a reclassification of special education funding previously reported as a net amount in the expenditures line, and in the current year it was broken out to record the reimbursement amount as revenue rather than an expenditure reduction.

### Capital Asset and Debt Administration

**Capital Assets:** The School's investment in capital assets as of June 30, 2015, amounts to \$4,542,513. This investment in capital assets includes land, buildings and building improvements. Additional information on the School's capital assets can be found in Note 4 on page 14 of this report.

**Long-term debt:** The Building Corporation carries total bonded debt outstanding of \$4,415,000. Additional information on long-term debt and the related facility lease can be found in Notes 5 and 6 on pages 15 – 16 of this report.

### Requests for Information

This financial report is designed to provide a general overview of the School's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Sarah-Gennie Colazio, Finance Manager, Union Colony Preparatory School, 2000 Clubhouse Drive, Greeley, Colorado 80634.

## **BASIC FINANCIAL STATEMENTS**

**UNION COLONY PREPARATORY SCHOOL**  
**STATEMENT OF NET POSITION**  
June 30, 2015

|  | <u>Governmental<br/>Activities</u> |
|--|------------------------------------|
| <b>ASSETS</b>  |                                    |
| Cash   | 424,293                            |
| Restricted cash and investments                              | 552,696                            |
| Prepaid items  | 21,512                             |
| Accounts receivable  | 60,437                             |
| Capital assets, not being depreciated                        | 436,778                            |
| Capital assets, depreciated, net of accumulated depreciation | <u>4,105,735</u>                   |
| <b>TOTAL ASSETS</b>  | <u>5,601,451</u>                   |
| <b>DEFERRED OUTFLOWS OF RESOURCES</b>                        |                                    |
| Contributions subsequent to measurement date                 | 133,177                            |
| Change in investment earnings                                | <u>114,788</u>                     |
| <b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>                  | 247,965                            |
| <b>LIABILITIES</b>   |                                    |
| Accounts payable   | 22,729                             |
| Accrued salaries and benefits                                | 111,238                            |
| Accrued interest   | 21,155                             |
| Noncurrent liabilities                                       |                                    |
| Due within one year  | 95,000                             |
| Due in more than one year                                    | 4,419,817                          |
| Net pension liability  | <u>4,991,485</u>                   |
| <b>TOTAL LIABILITIES</b>                                     | <u>9,661,424</u>                   |
| <b>DEFERRED INFLOWS OF RESOURCES</b>                         |                                    |
| Change in experience   | 373                                |
| Change in proportionate share                                | <u>64,585</u>                      |
| <b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>                   | <u>64,958</u>                      |
| <b>NET POSITION</b>  |                                    |
| Net investment in capital assets                             | 27,696                             |
| Restricted   |                                    |
| Emergencies  | 97,655                             |
| Debt service   | 410,716                            |
| Repair and maintenance                                       | 120,825                            |
| Unrestricted   | <u>(4,533,858)</u>                 |
| <b>TOTAL NET POSITION</b>                                    | <u>\$ (3,876,966)</u>              |

The accompanying notes are an integral part of the financial statements

**UNION COLONY PREPARATORY SCHOOL**  
**STATEMENT OF ACTIVITIES**  
June 30, 2015

|                                |   | <b>Program Revenues</b>                         |  | <b>Net (Expenses)</b>          |
|--------------------------------|---|---|--|--------------------------------|
| <b>Expenses</b>                | <b>Operating<br/>Grants and<br/>Contributions</b> | <b>Capital<br/>Grants and<br/>Contributions</b> | <b>Revenue<br/>and Changes<br/>in Net Position</b> |                                |
| <b>Governmental activities</b> |   |   |  |                                |
| Instructional                  | \$ 2,545,152                                      | \$ 209,033                                      | \$ -   | \$ (2,336,119)                 |
| Support Services               |   |   |  |                                |
| Pupil and instruction          | 401,247   | -   | -  | (401,247)                      |
| General administration         | 71,080  | -   | -  | (71,080)                       |
| School administration          | 28,223  | -   | -  | (28,223)                       |
| Business services              | 9,727   | -   | -  | (9,727)                        |
| Maintenance and operations     | 299,376   | 18,329  | 82,615   | (198,432)                      |
| Food services                  | 35,630  | -   | -  | (35,630)                       |
| Transportation                 | 3,435   | 1,462   | -  | (1,973)                        |
| Other supporting services      | 51,341  | -   | -  | (51,341)                       |
| Interest on long-term debt     | 250,304   | -   | -  | (250,304)                      |
|                                | <b>\$ 3,695,515</b>                               | <b>\$ 228,824</b>                               | <b>\$ 82,615</b>                                   | <b>(3,384,076)</b>             |
| <b>GENERAL REVENUES</b>        |   |   |  |                                |
|                                |   |   |  | 3,335,913                      |
|                                |   |   |  | 2,008                          |
|                                |   |   |  | 813                            |
|                                |   |   |  | <b>3,338,734</b>               |
|                                |   |   |  | <b>(45,342)</b>                |
|                                |   |   |  | <b>Net position, beginning</b> |
|                                |   |   |  | <b>(restated, see Note 2)</b>  |
|                                |   |   |  | <b>(3,831,624)</b>             |
|                                |   |   |  | <b>Net position, ending</b>    |
|                                |   |   |  | <b>\$ (3,876,966)</b>          |

The accompanying notes are an integral part of the financial statements

**UNION COLONY PREPARATORY SCHOOL  
BALANCE SHEET – GOVERNMENTAL FUNDS  
June 30, 2015**

|  | <u>General</u>    | <u>Union Colony<br/>Building<br/>Corporation</u> | <u>Total</u>        |
|--|-------------------|--|---------------------|
| <b>ASSETS</b>                              |                   |  |                     |
| Cash                                       | \$ 424,293        | \$ -   | \$ 424,293          |
| Restricted cash and investments            | -                 | 552,696  | 552,696             |
| Prepaid expense                            | 21,512            | -  | 21,512              |
| Accounts receivable                        | 60,437            | -  | 60,437              |
| <b>TOTAL ASSETS</b>                        | <u>\$ 506,242</u> | <u>\$ 552,696</u>                                | <u>\$ 1,058,938</u> |
| <b>LIABILITIES AND FUND BALANCES</b>       |                   |  |                     |
| <b>LIABILITIES</b>                         |                   |  |                     |
| Accounts payable                           | \$ 22,729         | \$ -   | \$ 22,729           |
| Accrued salaries and benefits              | 111,238           | -  | 111,238             |
| <b>TOTAL LIABILITIES</b>                   | <u>133,967</u>    | <u>-</u>   | <u>133,967</u>      |
| <b>FUND BALANCES</b>                       |                   |  |                     |
| Nonspendable                               | 21,512            | -  | 21,512              |
| Restricted                                 | 97,655            | 552,696  | 650,351             |
| Unassigned                                 | 253,108           | -  | 253,108             |
| <b>TOTAL FUND BALANCES</b>                 | <u>372,275</u>    | <u>552,696</u>                                   | <u>924,971</u>      |
| <b>TOTAL LIABILITIES AND FUND BALANCES</b> | <u>\$ 506,242</u> | <u>\$ 552,696</u>                                | <u>\$ 1,058,938</u> |

The accompanying notes are an integral part of the financial statements

**UNION COLONY PREPARATORY SCHOOL  
RECONCILIATION OF THE BALANCE SHEET  
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION  
Year Ended June 30, 2015**

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

|  |                    |                              |
|--|--------------------|------------------------------|
| Total fund balance - governmental funds  |                    | \$ 924,971                   |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.<br>The cost of the assets is \$5,376,347 and accumulated depreciation is \$833,834. |                    | 4,542,513                    |
| 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:      |                    |                              |
| Accrued interest   | (21,155)           |                              |
| Bonds payable  | (4,415,000)        |                              |
| Bond premium, net of accumulated amortization  | (99,817)           |                              |
| Net pension liability  | <u>(4,991,485)</u> | (9,527,457)                  |
| 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   | 133,177            |                              |
| Change in investment earnings  | <u>114,788</u>     | 247,965                      |
| Deferred inflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.  |                    |                              |
| Change in experience   | (373)              |                              |
| Change in proportionate share  | <u>(64,585)</u>    | <u>(64,958)</u>              |
| Total net position   |                    | <u><u>\$ (3,876,966)</u></u> |

The accompanying notes are an integral part of the financial statements

**UNION COLONY PREPARATORY SCHOOL**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**Year Ended June 30, 2015**

|   | <b>General<br/>Fund</b> | <b>Union Colony<br/>Building<br/>Corporation</b> | <b>Total</b>      |
|---|-------------------------|--|-------------------|
| <b>REVENUES</b>                                       |                         |  |                   |
| Per pupil funding                                     | \$ 3,335,913            | \$ -   | \$ 3,335,913      |
| Rental income   | -                       | 348,935  | 348,935           |
| Intergovernmental                                     | 311,439                 | -  | 311,439           |
| Other income  | 813                     | -  | 813               |
| Interest income                                       | 1,426                   | 582  | 2,008             |
| <b>TOTAL REVENUES</b>                                 | <b>3,649,591</b>        | <b>349,517</b>                                   | <b>3,999,108</b>  |
| <b>EXPENDITURES</b>                                   |                         |  |                   |
| Current:  |                         |  |                   |
| Instruction   | 2,324,196               | -  | 2,324,196         |
| Support services:                                     |                         |  |                   |
| Pupil and instruction                                 | 401,247                 | -  | 401,247           |
| General administration                                | 71,080                  | -  | 71,080            |
| School administration                                 | 28,223                  | -  | 28,223            |
| Business services                                     | 9,727                   | -  | 9,727             |
| Maintenance and operations                            | 626,596                 | 21,715   | 648,311           |
| Food services   | 35,630                  | -  | 35,630            |
| Transportation  | 3,435                   | -  | 3,435             |
| Other supporting services                             | 51,341                  | 109  | 51,450            |
| Debt service:   |                         |  |                   |
| Principal   | -                       | 90,000   | 90,000            |
| Interest  | -                       | 256,513  | 256,513           |
| <b>TOTAL EXPENDITURES</b>                             | <b>3,551,475</b>        | <b>368,337</b>                                   | <b>3,919,812</b>  |
| <b>OTHER FINANCING SOURCES (USES)</b>                 |                         |  |                   |
| Transfers in  | -                       | 21,715   | 21,715            |
| Transfers out   | (21,715)                | -  | (21,715)          |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>           | <b>(21,715)</b>         | <b>21,715</b>                                    | <b>-</b>          |
| <b>NET CHANGE IN FUND BALANCE</b>                     | <b>76,401</b>           | <b>2,895</b>                                     | <b>79,296</b>     |
| <b>FUND BALANCE, Beginning (restated, see Note 2)</b> | <b>295,874</b>          | <b>549,801</b>                                   | <b>845,675</b>    |
| <b>FUND BALANCE, Ending</b>                           | <b>\$ 372,275</b>       | <b>\$ 552,696</b>                                | <b>\$ 924,971</b> |

The accompanying notes are an integral part of the financial statements

**UNION COLONY PREPARATORY SCHOOL  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2015**

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

|  |    |        |
|--|----|--------|
| Net change in fund balance - governmental fund | \$ | 79,296 |
|--|----|--------|

|  |  |          |
|--|--|----------|
| 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 (\$99,805) exceeded capital outlay (\$21,715). |  | (78,090) |
|--|--|----------|

|  |  |        |
|--|--|--------|
| Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term debt in the statement of net position. |  | 90,000 |
|--|--|--------|

|  |  |       |
|--|--|-------|
| Interest is paid when due in the governmental funds but recorded when payable in the statement of activities |  | 1,917 |
|--|--|-------|

|  |  |       |
|--|--|-------|
| Governmental funds report the effect of premiums when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. |  | 4,292 |
|--|--|-------|

|  |           |           |
|--|-----------|-----------|
| 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   | 23,009    |           |
| Pension expense  | (443,175) |           |
| Pension expense (first year amortization)  | 23,920    |           |
| Employer contribution expense  | 253,489   | (142,757) |

|                        |    |          |
|------------------------|----|----------|
| Change in net position | \$ | (45,342) |
|------------------------|----|----------|

The accompanying notes are an integral part of the financial statements

**UNION COLONY PREPARATORY SCHOOL**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**June 30, 2015**

|  | <u>Scholarship<br/>Trust</u> | <u>Student<br/>Activity</u> |
|--|------------------------------|-----------------------------|
| Assets                                     |                              |                             |
| Cash and investments                       | <u>\$ 18,687</u>             | <u>\$ 98,908</u>            |
| Total assets                               | <u>18,687</u>                | <u>98,908</u>               |
| Liabilities                                |                              |                             |
| Due to student groups                      | <u>-</u>                     | <u>98,908</u>               |
| Total liabilities                          | <u>-</u>                     | <u>98,908</u>               |
| Net position - restricted for scholarships | <u><u>\$ 18,687</u></u>      | <u><u>\$ -</u></u>          |

The accompanying notes are an integral part of the financial statements

**UNION COLONY PREPARATORY SCHOOL**  
**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION**  
**June 30, 2015**

|                                  | <u>Scholarship<br/>Trust</u> |
|----------------------------------|------------------------------|
| Additions                        |                              |
| Interest Income                  | <u>\$ 2,141</u>              |
| Deductions                       |                              |
| Scholarships                     | <u>534</u>                   |
| Change in net position           | 1,607                        |
| Net position - beginning of year | <u>17,080</u>                |
| Net position - end of year       | <u><u>\$ 18,687</u></u>      |

The accompanying notes are an integral part of the financial statements

**UNION COLONY PREPARATORY SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

The accounting policies of Union Colony Preparatory School (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 Preparatory School opened in 1997 and operated by purchasing administrative and instructional services through Weld School District 6. The School began operations as an incorporated school in 2007. The School has been granted 501(c)(3) status by the Internal Revenue Service. The School operates under a charter granted by the Weld County School District 6 (the District) Board of Education.

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, 2014), there were 488 FTE students enrolled in the School. The PPR rate for the fiscal year ended June 30, 2015, was approximately \$6,500.

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 Union Colony 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 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.

**UNION COLONY PREPARATORY SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to students or 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:

***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 – Union Colony 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.

**UNION COLONY PREPARATORY SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

The School reports the following nonmajor funds:

***Fiduciary Funds***

*Private-Purpose Trust Fund – Scholarship Trust:* The scholarship trust fund is used by the School to account for assets held under a trust agreement for individuals, private organizations, or other governments and are not available to support the School's own programs.

*Agency Fund – Student Activity Fund:* Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School has one agency fund, the student activity fund, which holds assets used by students for specific school activities.

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

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. The estimates and assumptions affect the reported amounts of assets and liabilities 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).

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 two types of items classified as deferred outflows of resources related to the implementation of GASB No. 68: 1) contributions subsequent to measurement date; and 2) change in investment earnings. See Note 10 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 \$111,238.

**UNION COLONY PREPARATORY SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

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

**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, 2015. Due to the implementation of GASB No. 68, the School is required to report their proportionate share of PERA's unfunded pension liability. See Note 10 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 due to the implementation of GASB No. 68: 1) change in experience; and 2) change in proportionate share of the net pension liability. See Note 10 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 8.

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.

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**NOTE 2 – RESTATEMENT OF NET POSITION AND CORRECTION OF AN ERROR**

For the year ended June 30, 2015, the School adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions (GASB No. 68)*, and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, an amendment of GASB Statement No. 68, which are effective for financial statements for periods beginning after June 15, 2014. GASB No. 68 revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. GASB 68 requires cost-sharing employer participating in the PERA program, to record their proportionate share, as defined in GASB No. 68, of PERA’s unfunded pension liability.

For the School, the effect of implementing this standard was to change how it accounts and reports the net pension liability. Implementation of the standard resulted in a restatement of the prior period net position as shown below.

The School’s General Fund balance reported on the governmental funds balance sheet and the Governmental Activities net position have been restated as of June 30, 2014 to correct a prior year error for accounts receivable for the School. Accounts receivable was incorrectly posted to the School’s general ledger when it related to the Union Colony Elementary School, a separate entity. The impact of this was to reduce fund balance and net position as shown below.

|   |    | <b>Governmental Activities</b> |
|---|----|--------------------------------|
| Net Position, June 30, 2014, as previously reported   | \$ | 901,991                        |
| Cumulative Effect of Application of GASB No. 68, Net Pension Liability  |    | (4,786,957)                    |
| Cumulative Effect of Application of GASB No. 71, Deferred Outflow of Resources for contributions made to the Plan during fiscal year ending June 30, 2014 |    | 121,236                        |
| Correction of an error relating to an overstatement for accounts receivable   |    | <u>(67,894)</u>                |
| Net Position, June 30, 2014, as Restated  | \$ | <u><u>(3,831,624)</u></u>      |
|   |    |                                |
|   |    | <b>General Fund</b>            |
| Fund Balance, June 30, 2014, as previously reported   | \$ | 363,768                        |
| Reduction of fund balance due to correction of accounts receivable  |    | <u>(67,894)</u>                |
| Fund Balance, June 30, 2014, as Restated  | \$ | <u><u>295,874</u></u>          |

**NOTE 3 – 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 percent of the uninsured deposits. At June 30, 2015, the School’s carrying amount of deposits was \$541,887 and the bank balance was \$602,951. These amounts include fiduciary funds cash of \$117,595 with bank balances of \$121,871.

**UNION COLONY PREPARATORY SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 3 – CASH AND INVESTMENTS (CONTINUED)**

Union Colony 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 6) are deposited in the accounts and the semi-annual bond payments are made from the accounts.

At June 30, 2015, \$76,614 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 \$355,257 is held in a reserve account required by the bond agreements.

In addition to the accounts described above, the School is required to deposit \$20,000 in a repair and replacement fund annually. These deposits will be required until the fund reaches \$120,000. Withdrawals from the fund are allowed for maintenance and repair of the school facility. \$120,825 was held in this account at year-end.

*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
- Corporate securities
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

At June 30, 2015, the Building Corporation's investments consisted of cash and money market funds, the money market funds do not have a credit rating.

*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 semiannual basis.

**UNION COLONY PREPARATORY SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 4 – CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2015, was as follows:

|  | <u>Balance</u><br><u>June 30, 2014</u> | <u>Increases</u>   | <u>Decreases</u> | <u>Balance</u><br><u>June 30, 2015</u> |
|--|--|--------------------|------------------|--|
| Capital assets, not depreciated              |  |                    |                  |  |
| Land   | \$ 436,778                             | \$ -               | \$ -             | \$ 436,778                             |
| Capital assets, being depreciated            |  |                    |                  |  |
| Buildings and building improvements          | 4,917,854                              | 21,715             | -                | 4,939,569                              |
| Accumulated depreciation:                    |  |                    |                  |  |
| Buildings and building improvements          | (734,029)                              | (99,805)           | -                | (833,834)                              |
| Total capital assets, being depreciated, net | 4,183,825                              | (78,090)           | -                | 4,105,735                              |
| Total capital assets                         | <u>\$ 4,620,603</u>                    | <u>\$ (78,090)</u> | <u>\$ -</u>      | <u>\$ 4,542,513</u>                    |

Depreciation expense of \$99,805 was charged to the instruction function/program of the School.

**NOTE 5 – BONDS PAYABLE**

The Colorado Educational and Cultural Facilities Authority (the Authority) has issued its Charter School Revenue Bonds as the Union Colony Charter Project. The bonds were issued for the Union Colony Building Corporation's use in acquiring the land and building that are the school facility. 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 bonds are payable solely from the loan rights pledged to the Authority under the loan agreement, pledges of funds and revenue by the Trustee to the Authority, and the assignment of the Authority's mortgage on the facility and the security interest in the pledged revenues of the Building Corporation. The bonds do not constitute a debt of the Authority and are considered the obligation of the Building Corporation.

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 6. The lease revenue over the term of the agreement is equal to the expected principal and interest payments to be made over the life of the bonds, approximately \$8,310,000. One hundred percent of lease revenues have been pledged under the agreement. Lease revenue was approximately equal to the debt service requirements of the bond for the year ended June 30, 2015, approximately \$349,000.

**UNION COLONY PREPARATORY SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 5 – BONDS PAYABLE (CONTINUED)**

Bonds payable consisted of the following at June 30, 2015:

Charter School Revenue Bonds dated March 28, 2007, due in annual installments ranging from \$70,000 to \$335,000 through December 2038; interest (rate is 5.75%) payable semi-annually on December 1 and June 1.

Revenue from the rental of the building (Note 5) has been pledged to pay principal and interest.

|                      |    |                            |  |
|----------------------|----|----------------------------|--|
|                      |    |                            |  |
|                      | \$ | 4,415,000                  |  |
| Plus bond premium    |    | 99,817                     |  |
|                      |    | <u>4,514,817</u>           |  |
| Less current portion |    | (95,000)                   |  |
| Total                |    | <u><u>\$ 4,419,817</u></u> |  |

The following schedule represents the School's debt service requirements to maturity for outstanding revenue bonds at June 30, 2015:

| Year Ending        | Principal           | Interest            | Total               |
|--------------------|---------------------|---------------------|---------------------|
| June 30, 2016      | \$ 95,000           | \$ 253,862          | \$ 348,862          |
| June 30, 2017      | 100,000             | 248,400             | 348,400             |
| June 30, 2018      | 105,000             | 242,650             | 347,650             |
| June 30, 2019      | 110,000             | 236,612             | 346,612             |
| June 30, 2020      | 120,000             | 230,287             | 350,287             |
| June 30, 2021-2025 | 710,000             | 1,040,175           | 1,750,175           |
| June 30, 2026-2030 | 950,000             | 809,313             | 1,759,313           |
| June 30, 2031-2035 | 1,270,000           | 501,975             | 1,771,975           |
| June 30, 2036-2038 | 955,000             | 111,838             | 1,066,838           |
|                    | <u>\$ 4,415,000</u> | <u>\$ 3,675,112</u> | <u>\$ 8,090,112</u> |

Changes in bonds payable for the year ended June 30, 2015 were as follows:

|               | Balance<br>June 30, 2014 | Additions   | Reductions         | Balance<br>June 30, 2015 | Amounts<br>Due Within<br>One Year |
|---------------|--------------------------|-------------|--------------------|--------------------------|-----------------------------------|
| Bonds payable | \$ 4,505,000             | \$ -        | \$ (90,000)        | \$ 4,415,000             | \$ 95,000                         |
| Premium       | 104,109                  | -           | (4,292)            | 99,817                   | -                                 |
| Total         | <u>\$ 4,609,109</u>      | <u>\$ -</u> | <u>\$ (94,292)</u> | <u>\$ 4,514,817</u>      | <u>\$ 95,000</u>                  |

**NOTE 6 – 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 non-appropriation of funds. The Building Corporation has pledged the lease payments to pay bond principal and interest.

Rent expense was approximately \$349,000 for the year ended June 30, 2015, and is included in maintenance and operations expenditures.

The lease between the School (lessee) and Union Colony Building Corporation (lessor) includes certain restrictive covenants related to expenditures and unrestricted cash balances. The School is in compliance with the covenants. As described in Note 9, the School leased a portion of its facility from Union Colony Elementary School during the year ended June 30, 2015 for approximately \$162,000.

**UNION COLONY PREPARATORY SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 7 – 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 8 – 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, 2015, 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 3, net position/fund balance are restricted attributable to the restrictions on its cash and investments.

**NOTE 9 – RELATED PARTY TRANSACTIONS**

One Board of Directors has oversight for one management group that operates and manages two divisions, Union Colony Preparatory School and Union Colony Elementary School. These financial statements include the operations of Union Colony Preparatory School and Union Colony Building Corporation.

Separate Boards of Directors, composed of common board members, have oversight for the same management group that operates and manages the Union Colony Elementary School and Union Colony Elementary Building Corporation.

The two schools utilize a system of certain shared services for management and administration, information technology and transportation. Costs are allocated between these two schools by management.

During the school year 2014-2015, Union Colony Preparatory School occupied a portion of the Union Colony Elementary School building for its sixth grade class. Union Colony Preparatory School paid approximately \$162,000 to Union Colony Elementary School for rent of the facility.

**UNION COLONY PREPARATORY SCHOOL**  
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**June 30, 2015**

**NOTE 10 – 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 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](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(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

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 percent 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 percent of highest average salary and cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

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

**UNION COLONY PREPARATORY SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2015**

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

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

*Contributions.* Eligible employees 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 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

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

<sup>1</sup>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 years ended June 30, 2015, 2014 and 2013 were approximately \$287,000, \$263,000 and \$218,000, respectively.

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

At June 30, 2015, the School reported a liability of \$4,991,485 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. Standard update procedures were used to roll forward the total pension liability to December 31, 2014.

**UNION COLONY PREPARATORY SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 10 – DEFINED BENEFIT PENSION PLAN (CONTINUED)**

The School's proportion of the net pension liability was based on the School's contributions to the SCHDTF for the calendar year 2014 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2014, the School's proportion was 0.0368283974%, which was a decrease of 0.0006938861% from its proportion measured as of December 31, 2013.

For the year ended June 30, 2015, the School recognized pension expense of \$433,107. At June 30, 2015, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---------------------------------------|--------------------------------------|
| Difference between expected and actual experience   | \$ -                                  | \$ 373                               |
| Changes of assumptions or other inputs  | -                                     | -                                    |
| Net difference between projected and actual earnings on pension plan investments                                | 114,788                               | -                                    |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | -                                     | 64,585                               |
| Contributions subsequent to the measurement date  | <u>133,177</u>                        | <u>-</u>                             |
| Total   | \$ <u>247,965</u>                     | \$ <u>64,958</u>                     |

\$133,177 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30, 2015 |           |
|--------------------------|-----------|
| 2016                     | \$ 4,639  |
| 2017                     | \$ 4,639  |
| 2018                     | \$ 11,856 |
| 2019                     | \$ 28,697 |
| 2020                     | -         |
| Thereafter               | -         |

*Actuarial assumptions.* The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions and other inputs:

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

**UNION COLONY PREPARATORY SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2015**

**NOTE 10 – DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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

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

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

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

| <b>Asset Class</b>         | <b>Target Allocation</b> | <b>10 Year Expected Geometric Real Rate of Return</b> |
|----------------------------|--------------------------|---|
| 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             | <u>7.00%</u>             | 7.15%   |
| Total                      | <u>100.00%</u>           |   |

\*In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50%.

*Discount rate.* The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Based on those assumptions, the SCHDTF’s fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

**UNION COLONY PREPARATORY SCHOOL  
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June 30, 2015**

**NOTE 10 – 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 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

|  | 1% Decrease<br>(6.50%) | Current Discount<br>Rate (7.50%) | 1% Increase<br>(8.50%) |
|--|------------------------|----------------------------------|------------------------|
| Proportionate share of the net pension liability | \$ 4,667,038           | \$ 4,991,485                     | \$ 5,315,931           |

*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 11 - POSTEMPLOYMENT HEALTHCARE BENEFITS**

Health Care Trust Fund

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

*Funding Policy* – The School is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the School are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2015, 2014 and 2013, the School's contributions to the HCTF were \$15,627, \$15,247 and \$13,728, respectively, equal to their required contributions for each year.

**NOTE 12 – LEGAL COMPLIANCE**

The School may be in violation of state statutes as the expenditures in the General Fund exceeded appropriations by \$92,085 and expenditures in the Building Corporation exceeded appropriations by \$19,252.

**REQUIRED SUPPLEMENTARY INFORMATION**

**UNION COLONY PREPARATORY SCHOOL**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –**  
**BUDGET AND ACTUAL – GENERAL FUND**  
**Year ended June 30, 2015**

|   | <u>Original<br/>Budget</u> | <u>Final<br/>Budget</u> | <u>Actual</u>     | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|---|----------------------------|-------------------------|-------------------|---|
| <b>REVENUES</b>                                 |                            |                         |                   |   |
| Per pupil revenue                               | \$ 3,371,794               | \$ 3,347,595            | \$ 3,335,913      | \$ (11,682)   |
| Capital construction funds<br>and grant revenue | 189,587                    | 191,314                 | 311,439           | 120,125   |
| Interest income                                 | 200                        | 200                     | 1,426             | 1,226   |
| Other revenue                                   | -                          | -                       | 813               | 813   |
| <b>TOTAL REVENUES</b>                           | <u>3,561,581</u>           | <u>3,539,109</u>        | <u>3,649,591</u>  | <u>110,482</u>  |
| <b>EXPENDITURES</b>                             |                            |                         |                   |   |
| Current   |                            |                         |                   |   |
| Instruction                                     | 2,329,200                  | 2,292,236               | 2,324,196         | (31,960)  |
| Support services:                               |                            |                         |                   |   |
| Pupil and instruction                           | 344,327                    | 341,975                 | 401,247           | (59,272)  |
| General administration                          | 110,406                    | 76,964                  | 71,080            | 5,884   |
| School administration                           | 26,745                     | 29,939                  | 28,223            | 1,716   |
| Business services                               | 8,396                      | 8,396                   | 9,727             | (1,331)   |
| Food services                                   | 23,000                     | 50,215                  | 35,630            | 14,585  |
| Maintenance and operations                      | 600,999                    | 639,676                 | 626,596           | 13,080  |
| Transportation                                  | 10,000                     | 10,000                  | 3,435             | 6,565   |
| Other supporting services                       | 31,611                     | 31,704                  | 51,341            | (19,637)  |
| <b>TOTAL EXPENDITURES</b>                       | <u>3,484,684</u>           | <u>3,481,105</u>        | <u>3,551,475</u>  | <u>(70,370)</u>   |
| <b>OTHER FINANCING SOURCES (USES)</b>           |                            |                         |                   |   |
| Transfers out                                   | -                          | -                       | (21,715)          | (21,715)  |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b>     | <u>-</u>                   | <u>-</u>                | <u>(21,715)</u>   | <u>(21,715)</u>   |
| <b>NET CHANGE IN FUND BALANCE</b>               | 76,897                     | 58,004                  | 76,401            | 159,137   |
| <b>FUND BALANCE, Beginning</b>                  | <u>295,874</u>             | <u>295,874</u>          | <u>295,874</u>    | <u>-</u>  |
| <b>FUND BALANCE, Ending</b>                     | <u>\$ 372,771</u>          | <u>\$ 353,878</u>       | <u>\$ 372,275</u> | <u>\$ 18,397</u>  |

See accompanying Notes to the Required Supplementary Information.

**UNION COLONY PREPARATORY SCHOOL**  
**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –**  
**BUDGET AND ACTUAL – UNION COLONY BUILDING CORPORATION**  
**Year ended June 30, 2015**

|   | <b>Original<br/>and Final<br/>Budget</b> | <b>Actual</b>     | <b>Variance with<br/>Final Budget<br/>Positive<br/>(Negative)</b> |
|---|--|-------------------|---|
| <b>REVENUES</b>                             |  |                   |   |
| Rental Income                               | \$ 348,935                               | \$ 348,935        | \$ -  |
| Interest Income                             | 600                                      | 582               | (18)  |
| <b>TOTAL REVENUES</b>                       | <b>349,535</b>                           | <b>349,517</b>    | <b>(18)</b>   |
| <b>EXPENDITURES</b>                         |  |                   |   |
| Maintenance and operations                  | -  | 21,715            | (21,715)  |
| Other supporting services                   | -  | 109               | (109)   |
| Debt service                                | 349,085                                  | 346,513           | 2,572   |
| <b>TOTAL EXPENDITURES</b>                   | <b>349,085</b>                           | <b>368,337</b>    | <b>(19,252)</b>   |
| <b>OTHER FINANCING SOURCES (USES)</b>       |  |                   |   |
| Transfers in                                | -  | 21,715            | 21,715  |
| <b>TOTAL OTHER FINANCING SOURCES (USES)</b> | <b>-</b>                                 | <b>21,715</b>     | <b>21,715</b>   |
| <b>NET CHANGE IN FUND BALANCE</b>           | <b>450</b>                               | <b>2,895</b>      | <b>40,949</b>   |
| <b>FUND BALANCE, Beginning</b>              | <b>549,801</b>                           | <b>549,801</b>    | <b>-</b>  |
| <b>FUND BALANCE, Ending</b>                 | <b>\$ 550,251</b>                        | <b>\$ 552,696</b> | <b>\$ 40,949</b>  |

See accompanying Notes to the Required Supplementary Information.

**UNION COLONY PREPARATORY SCHOOL  
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
Last 10 Fiscal Years \***

|   | <u>2014</u>   | <u>2013</u>   |
|---|---------------|---------------|
| School's proportion (percentage) of the collective net pension liability (asset)                                  | 0.0368283974% | 0.0006938861% |
| School's proportionate share of the collective pension liability (asset)  | 4,991,485     | 4,785,957     |
| Covered-employee payroll  | 1,469,770     | 1,460,204     |
| School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll | 339.61%       | 327.76%       |
| Plan fiduciary net pension as a percentage of the total pension liability   | 62.80%        | 64.06%        |

\*The amounts presented for each fiscal year were determined as of December 31 based on the measurement date of the Plan. Information earlier than 2013 was not available.

See accompanying Notes to the Required Supplementary Information.

**UNION COLONY PREPARATORY SCHOOL  
SCHEDULE OF CONTRIBUTIONS AND RELATED RATIOS  
Last 10 Fiscal Years \***

| As of June 30,  | <u><b>2015</b></u> | <u><b>2014</b></u> |
|---|--------------------|--------------------|
| Statutorily required contributions                                    | \$ 227,726         | \$ 175,013         |
| Contributions in relation to the statutorily<br>required contribution | <u>227,726</u>     | <u>175,013</u>     |
| Contribution deficiency (excess)                                      | <u>\$ -</u>        | <u>\$ -</u>        |
| Covered-employee payroll  | 1,532,047          | 1,494,836          |
| Contribution as a percentage of covered-employee payroll              | 14.86%             | 11.71%             |

\*The amounts presented for each fiscal year were determined as of June 30.  
Information earlier than 2013 was not available.

See accompanying Notes to the Required Supplementary Information.

**UNION COLONY PREPARATORY SCHOOL**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**June 30, 2015**

**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 GAAP.
- g) Budgeted amounts reported in the accompanying supplemental 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 May 16, 2015, and the final building corporation's budgets approved by the Board on April 29, 2015.
- h) All appropriations lapse at the end of each fiscal year.