



**NORTH ROUTT COMMUNITY CHARTER SCHOOL**

**FINANCIAL STATEMENTS AND REPORT OF  
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS**

**June 30, 2016**

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**INDEPENDENT AUDITOR'S REPORT**

November 8, 2016

The Board of Directors  
North Routt Community Charter School  
Clark, Colorado

We have audited the accompanying financial statements of the governmental activities and each major fund of North Routt Community Charter School (the School), a component unit of Steamboat Springs School District RE-2, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

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

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

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the School'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 School'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 North Routt Community Charter School as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.



Board of Directors  
North Routt Community Charter School  
Page Two

**Other Matters***Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, General Fund budgetary comparison schedule, schedule of activity – net pension liability, and schedule of activity – employer pension contributions 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.

*Chadwick, Steinkirchner, Davis & Co., P.C.*

**North Routt Community Charter School  
Management's Discussion and Analysis  
As of and for the fiscal year ended June 30, 2016**

As management of the North Routt Community Charter School, Routt County, Colorado (the School), we offer readers of the School's Annual Financial Report this narrative and analysis of the financial activities of the School for the fiscal year ended June 30, 2016.

**Financial Highlights**

- The assets and deferred outflows of resources of the School exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$3,122,106. Of this amount, the school has a negative *unrestricted net position* balance of \$(1,046,178).
- The School's total net position decreased by (\$149,121), with School-wide net position totaling \$3,122,106 at the end of the current fiscal year. The decrease is primarily due to additions to the Net Pension Obligation, which indicates NRCCS's share of PERA's unfunded liability.
- As of the close of the current fiscal year, the School's governmental funds reported ending fund balances of \$133,072, an increase of \$29,545 in comparison with the prior year. The increase is due other local support being higher than anticipated and effective cost control. At the end of the current fiscal year, 1) unassigned Fund Balance for the general fund was \$76,985, \$402 less than last year, 2) the restricted Fund Balance for capital renewal grew by \$9,000, to \$35,140, and 3) also impacting Fiscal Year 2016 Fund Balance is the Non-spendable line item for the Pre-Paid loan for the Bus purchase that did not arrive until after 6/30/2016.
- The School's line of credit at Mountain Valley Bank, of \$31,130 was paid off during the year.

**Overview of the Financial Statements**

Management's discussion and analysis is intended to serve as an introduction to the School's basic financial statements. Comparison to the prior year's activity is provided in this document. The basic financial statements presented on pages **10-29** are comprised of three components: 1) School-wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

**School-wide Financial Statements**

The *School-wide financial statements* are designed to provide the reader of the School's financial statements a broad overview of the financial activities in a manner similar to a private sector business. The School-wide financial statements include the statement of net position and the statement of activities.

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

The *statement of activities* presents information showing how the net position of the School changed during the current fiscal year. Changes in net position are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flow may be recorded in a future period.

The School is a component unit of the Steamboat Springs School District. Financial information for the Charter School is presented separately from the primary government because the Charter School is financially accountable to the District and provides services to the School's students.

The School-wide financial statements can be found on pages **10-11**.

### **Fund Financial Statements**

Fund financial statements are designed to demonstrate compliance with finance-related legal requirements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific objectives.

**Governmental funds** account for essentially the same information reported in the *governmental activities* of the School-wide financial statements. However, unlike the School-wide statements, the 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 financing requirements in the near term.

Since the *governmental funds* and the *governmental activities* report information using the same functions, it is useful to compare the information presented. Because the focus of each report differs, a reconciliation is provided on the fund financial statements to assist the reader in comparing the near-term requirements with the long-term needs.

The School maintains one governmental fund. It is the general fund and is presented as a stand-alone column in the fund financial statements.

The School adopts an annual appropriated budget for its governmental fund. A budgetary comparison schedule for the general fund is included in the fund financial statements to demonstrate compliance with the adopted budget.

The governmental fund financial statements can be found on pages **12-15**.

### **Notes to the Basic Financial Statements**

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes can be found on pages **16-29** of this report.

### **Other Information**

In addition to the basic financial statements and accompanying notes, this report also contains certain *required supplementary information* concerning the budget to actual comparison for the School's fund and schedules related to the School's pension plan. These statements can be found on pages **30-32**.

## **School-wide Financial Analysis**

### **School-wide Net Position**

The assets of the School are classified as current assets and capital assets. Cash and prepaid expenditures are current assets. These assets are available to provide resources for the near-term operations of the School. The majority of the current assets are cash and cash equivalents.

Capital assets are used in the operations of the School. These assets are buildings and equipment. Capital assets are discussed in greater detail in the section titled, Capital Assets and Debt Administration, elsewhere in this analysis.

Current liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued salaries and benefits, and due to other governments. The liquidation of current liabilities is anticipated to be either from current available resources, current assets or new resources that become available during fiscal 2017.

Net pension liability and related deferrals all relate to the School's pension plan.

The assets and deferred outflows of the primary government activities exceed liabilities and deferred inflows by \$3,122,106 with an unrestricted net position deficit of (\$1,046,178). Total net position of the primary government does not include internal balances.

A net investment of \$4,133,144 in capital assets represents 132.4% of the School's net position. The legally required TABOR reserve has been recorded by the School's chartering district.

The following table shows net position for fiscal years 2016, 2015, and 2014.

**North Routt Community Charter School  
Condensed Statement of Net Position**

	<b>Governmental Activities</b>		
	<b>6/30/2016</b>	<b>6/30/2015</b>	<b>6/30/2014</b>
Assets:			
Current Assets	\$209,859	\$166,191	\$109,714
Capital Assets net of depreciation	\$4,133,144	\$4,225,712	\$4,262,495
<b>Total assets</b>	<b>\$4,343,003</b>	<b>\$4,391,903</b>	<b>\$4,372,209</b>
Deferred OutFlows	\$287,612	\$89,585	
Liabilities:			
Current liabilities	\$76,787	\$93,794	\$60,583
NonCurrent	\$1,412,557	\$1,116,388	\$60,000
<b>Total liabilities</b>	<b>\$1,489,344</b>	<b>\$1,210,182</b>	<b>\$120,583</b>
Deferred OutFlows	\$19,165	\$79	
Net position:			
Net investment in capital assets	\$4,133,144	\$4,194,582	\$4,262,495
Restricted	\$35,140	\$26,140	\$0
Unrestricted	-\$1,046,178	-\$949,495	-\$10,869
<b>Total net position</b>	<b>\$3,122,106</b>	<b>\$3,271,227</b>	<b>\$4,251,626</b>

**School-wide Activities**

School-wide activities decreased the net position of the School by (\$149,121) during the year ended June 30, 2016. The cause of this decline is due to decreased net investment in capital assets and the School's portion of PERA's unfunded liability.



The following table shows the change in net position for fiscal years 2016, 2015, and 2014

**North Routt Community Charter School  
Condensed Statement of Changes in Net Position**

	<b>Governmental Activities</b>		
	<b>6/30/2016</b>	<b>6/30/2015</b>	<b>6/30/2014</b>
Revenues			
Program Revenues:			
Charges for services	\$67,015	\$83,390	\$48,842
Operating grants and contributions	\$132,771	\$111,205	\$113,998
Capital grants and contributions	\$23,497	\$14,085	\$50,382
General Revenues:			
Per pupil funding	\$732,205	\$613,774	\$551,504
Other income	\$16	\$0	\$4,095
Investment earnings	\$0	\$0	\$0
Total Revenues	\$955,504	\$822,454	\$768,821
Expenses			
Governmental activities			
Instruction	\$683,093	\$576,923	\$604,350
Pupil support services	\$17,208	\$28,849	\$33,218
Instructional staff services	\$16,116		
General administration	\$2,745	\$2,074	\$1,557
School administration	\$126,862	\$122,548	\$98,789
Business services	\$109,250	\$58,666	\$21,459
Plant maintenance and operations	\$121,120	\$72,976	\$67,620
Transportation	\$25,163	\$14,269	\$0
Interest on Line of Credit	\$3,068	\$1,748	\$0
Total expenses	\$1,104,625	\$878,053	\$826,993
Excess before transfers and other	-\$149,121	-\$55,599	-\$58,172
Loss on sale of capital assets	\$0	\$0	\$0
Change in net position	-\$149,121	-\$55,599	-\$58,172
Change in Accounting Principle		-\$924,800	
Beginning net position	\$3,271,227	\$4,251,626	\$4,309,798
Ending net position	\$3,122,106	\$3,271,227	\$4,251,626

**Financial Analysis of the School's Governmental Funds**

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

The governmental funds of the School provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the School's financing requirements. Unassigned fund balance, in particular, measures the School's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the School. Student enrollment increased by 8.2 funded students during the fiscal year. This increase amounts to approximately \$60,000 in increases from the state's School Finance Act funding.

### **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget can be briefly summarized as follows:

- Actual revenues were \$48,412 higher than budgeted, primarily due to recording the Per Pupil Funding calculation differently. In previous years the 5% administration fee was netted against the Per Pupil Revenue. In FY16, the 5% was charged as an expense and not netted against Per Pupil Revenue. Also, higher than expected local activities revenue were received (After School, Bus Fees, and Donations).
- Actual expenditures were \$28,574 above budget, primarily because the 5% administration fee to Steamboat Springs School District was booked correctly as an expense and not netted against revenue.

### **Capital Assets and Debt Administration**

The School's investment in capital assets for its governmental activities as of June 30, 2016 decreased to \$4,133,144 (net of accumulated depreciation). Capital assets include land improvements, building improvements, and equipment. Capital assets decreased by 2.2%.

There were no major capital events during the year.

#### **North Routt Community Charter School Capital Assets (net of accumulated depreciation) June 30, 2016**

Governmental Activities	
Buildings	\$4,088,516
Vehicles and equipment	\$44,628
	\$4,133,144
	\$4,133,144

Additional information on the School's capital assets can be found in Note C on page **21** of this report.

The School also has a loan payable to the Steamboat Springs School District in the amount of \$60,000, to cover the School's previous negative fund balance. The loan has no repayment date and no interest rate.

Additional information on the School's long-term obligations can be found in Note D on page **21**.

## **Economic Factors and Next Year's Budgets and Rates**

### **Budget**

Each year the School must plan for its future by reviewing the past, adjusting current activities and adopting the next year's budget. The current budget process is to examine and adjust all line with increases for cost of living, step and education level, when funding is adequate to accommodate increases, and School provided benefit cost increases for all approved staffing. This concept assumes existing staffing ratios are level and non-compensation budgets are continued to the next year unless specifically identified to change in the budget development process.

### **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. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Brandon LaChance, Executive Director  
North Routt Community Charter School  
26990 Eagle Lane  
Clark, CO 80428

Complete financial statements for the Steamboat Springs School District may be obtained at the District's offices.

**North Routt Community Charter School**  
**STATEMENT OF NET POSITION**  
**June 30, 2016**

	<b>Governmental Activities</b>
<b>ASSETS</b>	
<b>Current assets</b>	
Cash and cash equivalents	\$ 188,912
Prepays	20,947
Total current assets	<u>209,859</u>
<b>Noncurrent assets</b>	
Building	4,349,485
Furniture and equipment	12,383
Vehicles	55,785
Less accumulated depreciation	<u>(284,509)</u>
Total noncurrent assets	<u>4,133,144</u>
Total assets	<u>4,343,003</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred outflows of resources related to pensions	<u>287,612</u>
Total deferred outflows of resources	<u>287,612</u>
<b>LIABILITIES</b>	
<b>Current liabilities</b>	
Accounts payable	5,513
Due to other governments	7,953
Accrued compensation	<u>63,321</u>
Total current liabilities	<u>76,787</u>
<b>Noncurrent liabilities</b>	
Due in more than one year	
Net pension liability	1,352,557
Long-term loan payable	<u>60,000</u>
Total noncurrent liabilities	<u>1,412,557</u>
Total liabilities	<u>1,489,344</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred inflows related to pensions	<u>19,165</u>
Total deferred inflows of resources	<u>19,165</u>
<b>NET POSITION</b>	
Net investment in capital assets	4,133,144
Restricted for construction	35,140
Unrestricted	<u>(1,046,178)</u>
Total net position	<u><u>\$ 3,122,106</u></u>

The notes to the financial statements are an integral part of this statement.

**North Routt Community Charter School**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2016**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue and Change in Net Position</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
Governmental activities					
Instructional services	\$ 683,093	\$ 34,305	\$ 128,129	\$ -	\$ (520,659)
Pupil support services	17,208	-	-	-	(17,208)
Instructional staff services	16,116	2,163	-	-	(13,953)
General administration	2,745	-	-	-	(2,745)
School administration	126,862	-	-	-	(126,862)
Business services	109,250	-	-	-	(109,250)
Maintenance and operations	121,120	2,689	4,642	23,497	(90,292)
Transportation	25,163	27,858	-	-	2,695
Interest	3,068	-	-	-	(3,068)
Total governmental activities	<u>\$1,104,625</u>	<u>\$ 67,015</u>	<u>\$ 132,771</u>	<u>\$ 23,497</u>	<u>\$ (881,342)</u>
General revenues:					
Per pupil funding					732,205
Interest					16
Total general revenues					<u>732,221</u>
Change in net position					(149,121)
Net position, beginning of year					<u>3,271,227</u>
Net position, end of year					<u>\$ 3,122,106</u>

The notes to the financial statements are an integral part of this statement.

**North Routt Community Charter School**  
**BALANCE SHEET**  
**GOVERNMENTAL FUNDS**  
**June 30, 2016**

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	<b>General Fund</b>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 188,912
Prepaid expenses	20,947
Total assets	<u>\$ 209,859</u>
 <b>LIABILITIES AND FUND BALANCES</b>	
Liabilities	
Accounts payable	\$ 5,513
Due to other governments	7,953
Accrued salaries and benefits	63,321
Total liabilities	<u>76,787</u>
 Fund balances	
Nonspendable	20,947
Restricted for construction	35,140
Unassigned	76,985
Total fund balances	<u>133,072</u>
Total liabilities and fund balances	<u><u>\$ 209,859</u></u>

The notes to the financial statements are an integral part of this statement.

North Routt Charter School  
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE  
STATEMENT OF NET POSITION  
June 30, 2016

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<b>Total fund balances in governmental funds</b>	\$ 133,072
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Amounts reported for governmental *activities* in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of the assets is \$4,417,653, and the accumulated depreciation is \$284,509.	4,133,144
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Net pension obligations and the related deferred items are not financial resources and, therefore, are not reported in the funds. The assessed value of the net pension obligation is \$1,352,557, the deferred outflows total \$287,612 and the deferred inflows total \$19,165.	(1,084,110)
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(60,000)</u>
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<b>Total net position in governmental activities</b>	<u><u>\$ 3,122,106</u></u>
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The notes to the financial statements are an integral part of this statement.

**North Routt Community Charter School**  
**STATEMENT OF REVENUES, EXPENDITURES AND**  
**CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2016**

	<b>General Fund</b>
<b>REVENUES</b>	
Federal sources	\$ 1,040
State sources	23,497
Other sources	16
Local and intermediate sources	198,746
Per pupil funding	732,205
Total revenues	<u>955,504</u>
<b>EXPENDITURES</b>	
Current	
Instruction services	500,871
Supporting services:	
Pupil support services	14,489
Instructional staff	16,116
General administration	2,745
School administration	105,239
Business services	96,845
Operations and maintenance	84,566
Transportation	16,896
Capital outlay	53,994
Debt service	
Principal	31,130
Interest	3,068
Total expenditures	<u>925,959</u>
Excess of revenues over (under) expenditures	<u>29,545</u>
Fund balance, beginning of year	<u>103,527</u>
Fund balance, end of year	<u><u>\$ 133,072</u></u>

The notes to the financial statements are an integral part of this statement.



**North Routt Community Charter School**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF**  
**REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2016**

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<b>Total net change in fund balances of the governmental funds</b>	<b>\$ 29,545</b>
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Amounts reported for governmental activities in the statement of activities  
are different because:

In the governmental fund, expenditures for pensions are measured by the amount of financial resources used, whereas in the statement of activities, they are measured as the liability is accrued according to actuarial estimates. This is the amount the net pension liability (increased) decreased in the current year.	(117,228)
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Proceeds from debt are revenues and payments on debt are expenditures in the funds. These amounts are increases or decreases in liabilities in the government-wide statements. This is the amount principal payments exceeded proceeds during the current year.	31,130
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Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which depreciation exceeded capital outlays in the period. (\$92,568 - \$0)	<u>(92,568)</u>
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<b>Change in net position of governmental activities</b>	<b><u>\$ (149,121)</u></b>
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The notes to the financial statements are an integral part of this statement.

North Routt Community Charter School  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The financial statements of North Routt Community Charter School (School) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School's accounting policies are described below.

**1. Reporting Entity**

In conformance with Governmental Accounting and Finance Reporting Standards, the North Routt Community Charter School, Routt County, Clark, Colorado, is the reporting entity for financial reporting purposes. The School was incorporated as a Colorado nonprofit corporation in 2000 to operate a charter school. The School operates as a public school in accordance with Colorado Revised Statutes (CRS) and its program is open to students in grades kindergarten through eight.

The School operates under a charter school contract with the Steamboat Springs School District RE-2 (the District) pursuant to the Charter Schools Act, CRS 22-30.5. The School is considered a component unit of the District for the purpose of financial reporting.

In July 2015, the School entered into a renewed charter school contract with the District through June 30, 2020.

The School's basic financial statements include both government-wide (reporting the School as a whole) and fund financial statements (reporting the School's funds).

**2. Government-wide and fund financial statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are supported by intergovernmental revenues. All of the School's activities are categorized as governmental activities.

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

North Routt Community Charter School  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

3. Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are 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 generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to claims and judgments, are recorded only when payment is due.

The School reports the following major governmental funds:

The *general fund* is the School's primary operating fund. It accounts for and reports all financial resources not accounted for and reported in another fund.

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.

4. Assets, Liabilities and Net Position or Equity

***Deposits***

The School's cash consists of cash on hand and demand deposits.

***Accounts Receivable***

Accounts receivable consists primarily of reimbursements due from grantors and amounts due from charges for services provided. The School's management considers all receivables to be fully collectable at June 30, 2016. Therefore, the allowance for uncollectable accounts is \$0.

***Capital Assets***

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair value at the date of donation.

North Routt Community Charter School  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Property, plant, and equipment are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Building and improvements	50
Vehicles	10
Equipment	7

***Accrued Salaries***

Salaries and benefits to teachers and certain other employees are paid over a twelve-month period from September 1 to August 31, but are earned over a school year of approximately nine months. The salaries earned, but unpaid, at June 30, 2016 are reflected in the financial statements as an accrued liability.

***Fund Equity***

The Governmental Accounting Standards Board (GASB) issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54)* to define the different types of fund balances that a governmental entity must use for financial reporting purposes.

GASB 54 requires the fund balance amounts to be properly reported within one of the fund balance categories listed below:

1. *Nonspendable*, such as fund balance associated with inventories, prepaids, long-term loans and notes receivable, and property held for resale (unless the proceeds are restricted, committed, or assigned).
2. *Restricted* fund balance category includes amounts that can be spent only for the specific purposes stipulated by constitution, external resource providers, or through enabling legislation.
3. *Committed* fund balance classification includes amounts that can be used only for the specific purposes determined by a resolution approved by the School Board.
4. *Assigned* fund balance classifications are intended to be used by the government for specific purposes, but do not meet the criteria to be classified as restricted or committed. Assigned fund balance allows the School Board to delegate the authority to spend to the executive director.
5. *Unassigned* fund balance is the residual classification for the government's general fund and includes all spendable amounts not contained in the other classifications

North Routt Community Charter School  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

The School's General Fund balance consists of \$20,947 nonspendable (prepaid deposit on bus) and \$35,140 restricted for school construction, in compliance with the terms of the State BEST grant. The remaining balance of \$76,985 is classified as unassigned.

*Use of Estimates*

The preparation of financial statements in conformity with US GAAP requires the School's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

5. Budgetary Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds. All annual appropriations lapse at fiscal year end. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding year.

Budgets are required by Colorado State Statute for all funds. During April, the Executive Director submits to the School Board a proposed budget for all funds for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. Public hearings are conducted by the School Board to obtain taxpayer comments. Prior to June 30, the budget is adopted by formal resolution.

Formal budgetary integration is employed as a management control device during the year for the Governmental funds. The appropriated budget is prepared by fund. The legal level of control is the fund level.

Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budgeted amounts between departments within any fund and the reallocation of budget line items within any department within any fund rests with the Executive Director. Revisions that alter the total expenditures of any fund must be approved by the School Board. Appropriations are based on total funds expected to be available in each budget year, including beginning fund balances and reserves as established by the School Board. Variances between budget and actual result from the non-expenditure of reserves, nonoccurrence of anticipated events, scheduling of capital projects, and normal operating variances.

The School's general fund had expenditures in excess of appropriations which may be a violation of Colorado State statutes.

The School Board may authorize supplemental appropriations during the year. The School Board approved supplemental appropriations during the fiscal year ended June 30, 2016.

North Routt Community Charter School  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - CONTINUED**

**6. Pensions**

The School participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**NOTE B - DEPOSITS AND INVESTMENTS**

***Deposits***

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the School's deposits may not be returned to it. The School does not have a deposit policy for custodial credit risk. However, Colorado State statutes govern the School's deposit of cash. The Public Deposit Protection Act (PDPA) for banks and savings and loans require state regulators to certify eligible depositories for public deposits. The PDPA require eligible depositories with public deposits in excess of federal insurance levels to create a single institution collateral pool of defined eligible assets. Eligible collateral includes obligations of the United States, obligations of the State of Colorado or Colorado local governments and obligations secured by first lien mortgages on real property located in the state. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group and not held in any individual government's name. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

Interest Rate Risk – The Colorado Revised Statute 24-75-601 limits investment maturities to five years or less, as a means of managing exposure to fair value loss resulting from increasing interest rates.

Credit Risk – State law limits investments for the School to U.S. treasury issues, other federally backed notes and credits, and other agency offerings. Other investment instruments including bank obligations, general obligation bonds, and commercial paper are limited to at least one of the highest rating categories of at least one nationally recognized rating agency. State law further limits investments in money market funds to those institutions with over \$1 billion in assets or the highest credit rating from one or more nationally recognized rating agencies.

The carrying amount of the School's deposits at June 30, 2016 was \$188,612 and bank balance was \$188,617. The bank balance at June 30, 2016 was covered by federal deposit insurance. Any differences between carrying and bank balances represent items that had not cleared the bank at year-end, if any.

North Routt Community Charter School  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE C - CAPITAL ASSETS**

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

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Buildings	\$ 4,349,485	\$ —	\$ —	\$ 4,349,485
Equipment	12,383	—	—	12,383
Transportation equipment	<u>55,785</u>	<u>—</u>	<u>—</u>	<u>55,785</u>
Total	4,417,653	—	—	4,417,653
Less accumulated depreciation for:				
Buildings	173,980	86,989	—	260,969
Equipment	12,383	—	—	12,383
Transportation equipment	<u>5,578</u>	<u>5,579</u>	<u>—</u>	<u>11,157</u>
Total	<u>191,941</u>	<u>92,568</u>	<u>—</u>	<u>284,509</u>
Total capital assets being depreciated, net	<u>\$ 4,225,712</u>	<u>\$ (92,568)</u>	<u>\$ —</u>	<u>\$ 4,133,144</u>

Depreciation expense of \$86,989 was charged to instructional services and \$5,579 was charged to transportation in the government-wide statements.

**NOTE D - DEBT**

The School entered into a \$100,000 unsecured revolving line of credit agreement with Mountain Valley Bank. The agreement calls for an interest rate of 6.00%. The outstanding principal was paid off in the current year.

The School entered into a \$60,000 unsecured loan payable with the Steamboat Springs School District. Proceeds from the loan were used to extinguish the School's ongoing fund balance deficit. The note agreement carries no interest rate and no specified repayment term. The loan will be paid when the School's fund balance increases sufficient to pay down the loan.

During the period ended June 30, 2016, the following changes occurred in debt:

	Balance 6/30/15	Additions	Reductions	Balance 6/30/16
Line of credit	\$ 31,130	\$ —	\$ 31,130	\$ —
Note payable	<u>60,000</u>	<u>—</u>	<u>—</u>	<u>60,000</u>
	<u>\$ 91,130</u>	<u>\$ —</u>	<u>\$ 31,130</u>	<u>\$ 60,000</u>

The School incurred aggregate interest expense of \$3,068 for the year ended June 30, 2016.

North Routt Community Charter School  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE E - PER PUPIL FUNDING**

Per terms of the Charter School Contract with the District, the District provides funding to the School for 95% of the net District per pupil revenues, including Mill Levy Overrides, for each pupil enrolled in the School for which the District receives funding.

**NOTE F - TAX, SPENDING, AND DEBT LIMITATION**

In November of 1992, Colorado voters approved a State Constitutional amendment, referred to as the Taxpayer's Bill of Rights (*TABOR*), containing tax, spending and debt limitations on the state and local governments. *TABOR* limits increases in revenues and expenditures to the rate of inflation and local growth. The Amendment is complex and subject to judicial interpretation. The School believes it is in compliance with the requirements of this Amendment. *TABOR* also requires local governments to establish emergency reserves to be used only for declared emergencies. The District has reserved the statutory 3% of the Charter School's fund balance for the School.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, *TABOR* requires advance voter approval for the creation of any multiple-fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

**NOTE G - CONTINGENCIES**

*Grants* - Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the State government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the School expects such amounts, if any, to be immaterial.

**NOTE H - DEFINED BENEFIT PENSION PLAN**

**General Information about the Pension Plan**

*Plan Description.* Eligible employees of the Charter School are provided with pensions through the School Division Trust Fund (SCHDTF) – a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Benefits Provided.* PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.



North Routt Community Charter School  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE H - DEFINED BENEFIT PENSION PLAN - CONTINUED**

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

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

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

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

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

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

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

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled. Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

North Routt Community Charter School -  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE H - DEFINED BENEFIT PENSION PLAN - CONTINUED**

*Contributions.* Eligible employees and the Charter School are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8% of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	For the Calendar Year Ended December 31, 2015	For the Calendar Year Ended December 31, 2016
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>	4.20%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 <sup>1</sup>	4.00%	4.50%
Total Employer Contribution Rate to the SCHDTF <sup>1</sup>	17.33%	18.13%

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the Charter School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the Charter School were \$71,641 for the year ended June 30, 2016.

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

At June 30, 2016, the Charter School reported a liability of \$1,352,557 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The Charter School's proportion of the net pension liability was based on the Charter School's contributions to the SCHDTF for the calendar year 2015 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2015, the Charter School proportion was .008844%, which was an increase of .00105 from its proportion measured as of December 31, 2014.

North Routt Community Charter School  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE H - DEFINED BENEFIT PENSION PLAN - CONTINUED**

For the year ended June 30, 2016, the Charter School recognized pension expense of \$188,869. At June 30, 2016, the Charter School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 17,861	\$ 50
Changes of assumptions or other inputs	—	19,115
Net difference between projected and actual earnings on pension plan investments	112,553	—
Changes in proportion and differences between contributions recognized and proportionate share of contributions	118,924	—
Contributions subsequent to the measurement date	38,274	—
Total	<u>\$ 287,612</u>	<u>\$ 19,165</u>

\$38,274 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30, 2016:	
2017	77,505
2018	74,729
2019	54,356
2020	23,583
2021	—
Thereafter	—

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

Actuarial cost method	Entry age
Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 - 10.10 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
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

North Routt Community Charter School  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE G – DEFINED BENEFIT PENSION PLAN – CONTINUED**

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

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

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

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

North Routt Community Charter School  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE H - DEFINED BENEFIT PENSION PLAN - CONTINUED**

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%
Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

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

*Discount Rate.* The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.90%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

North Routt Community Charter School  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE H - DEFINED BENEFIT PENSION PLAN - CONTINUED**

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

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$1,753,309	\$1,352,557	\$1,019,206

*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).

North Routt Community Charter School  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2016

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**NOTE I - POSTEMPLOYMENT HEALTH CARE BENEFITS**

*Plan Description.* The Charter School contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF 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 CRS, 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/investment/pera-financial-reports](http://www.copera.org/investment/pera-financial-reports).

*Funding Policy.* The Charter School is required to contribute at a rate of 1.02% of PERA includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Charter School are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contribution to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the CRS, as amended. The Charter School contributions to HCTF for the years ended June 30, 2016, 2015, and 2014 were \$4,121, \$3,437, and \$2,888, respectively, equal to their required contributions for each year.

**NOTE J – 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; and natural disasters. The School has joined other schools in the Colorado School District Self Insurance Pool (CSDSIP), a public entity risk pool operating as a common risk management and insurance program for member Schools. The School pays an annual contribution to CSDSIP for its property and casualty insurance coverage. The agreement with CSDSIP provides that the pool will be financially self-sustaining through member contribution and additional assessments, if necessary. The pool will purchase excess insurance through commercial companies for members' claims in excess of a specified self-insured retention, which is determined each policy year. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

**North Routt Community Charter School**  
**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**For the Year Ended June 30, 2016**

	<b>Budgeted Amounts</b>			<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
<b>REVENUES</b>				
Federal sources	\$ -	\$ -	\$ 1,040	\$ 1,040
State sources	23,000	24,000	23,497	(503)
Other sources	-	-	16	16
Local and intermediate sources	183,138	186,000	198,746	12,746
Per pupil funding	697,962	697,092	732,205	35,113
Total revenues	904,100	907,092	955,504	48,412
<b>EXPENDITURES</b>				
Current				
Instruction services	510,054	509,900	500,871	9,029
Pupil support services	13,875	17,970	14,489	3,481
Instructional staff	21,403	23,424	16,116	7,308
General administration	5,000	4,000	2,745	1,255
School administration	139,457	108,346	105,239	3,107
Business services	53,239	53,239	96,845	(43,606)
Operations and maintenance	73,354	84,889	84,566	323
Transportation	19,308	16,308	16,896	(588)
Capital outlay	31,285	56,309	53,994	2,315
Debt service				
Principal	23,000	20,000	31,130	(11,130)
Interest	-	3,000	3,068	(68)
Total expenditures	889,975	897,385	925,959	(28,574)
Excess of revenues over (under) expenditures	14,125	9,707	29,545	19,838
Fund balance, beginning of year	-	-	103,527	103,527
Fund balance, end of year	\$ 14,125	\$ 9,707	\$ 133,072	\$ 123,365



North Routt Community Charter School

SCHEDULE OF ACTIVITY - NET PENSION LIABILITY

June 30, 2016

	Employer proportion of NPL	Employer proportionate share of NPL	Employer covered payroll	Employer proportionate share of NPL as a percentage of covered payroll	Pension plan's fiduciary net position as a percentage of total pension liability
<u>Measurement date:</u>					
December 31, 2014	0.007794%	\$ 1,056,388	\$ 327,508	323%	63%
December 31, 2015	0.008844%	1,352,557	385,153	351%	59%

North Routt Community Charter School

SCHEDULE OF ACTIVITY - EMPLOYER PENSION CONTRIBUTIONS

June 30, 2016

	Required employer contribution	Employer contributions recognized by the plan	Difference	Employer covered payroll	Contributions as a percentage of employer covered payroll
June 30, 2015	\$ 55,946	\$ 55,946	\$ -	\$ 332,723	16.81%
June 30, 2016	71,641	71,641	-	403,646	17.75%

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Note 1: Factors that Significantly Affect Trends in the Amounts Reported

There were no changes in benefit terms, size or composition of the population covered by the benefit terms, or assumptions used that significantly affect trends in the amounts reported.