JUSTICE HIGH SCHOOL

FINANCIAL STATEMENTS

June 30, 2016

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TABLE OF CONTENTS

	PAGE
Independent Auditors' Report	i - ii
Management's Discussion and Analysis	iii - vii
Basic Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Balance Sheet - Governmental Fund	3
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund	4
Notes to Basic Financial Statements	5 - 15
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund	16
Schedule of the School's Proportionate Share of the Net Pension Liability	17
Schedule of Contributions and Related Ratios	18
Notes to Required Supplementary Information	19

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Justice High School
Boulder, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Justice High School, a component unit of Boulder Valley School District, as of and for the year ended June 30, 2016, which collectively comprise Justice High 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 the major fund of Justice High School as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Separate Charter School

Justice High School has a separate charter school contract with Boulder Valley School District. The Colorado Department of Education requires each School to provide separate audited financial statements. As described in Note 1, the majority of the School's funding is provided by the District. 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 – vii, budgetary comparison information on page 16 and pension schedules on pages 17 – 18 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Broomfield, Colorado
November 1, 2016

JUSTICE HIGH SCHOOL

Management's Discussion and Analysis

Fiscal Year Ended June 30, 2016

As management of Justice High School (the "School"), we offer readers of our financial statements this narrative overview and analysis of the financial activities of the School for the year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information provided in the financial statements.

The School was formed in 2002 and was granted a charter with the Boulder Valley School District RE-2 (the "District") in 2006.

Financial Highlights

- The liabilities and deferred inflows of resources of the School exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by $1,127,681 (net position).
- The School's total net position increased $226,312 in 2016.
- At the close of the current fiscal year, the School's governmental fund reported fund balance of $232,881, an increase of $89,947 from the prior year. Approximately 69.5% of this amount ($161,755) is available for spending at the School's discretion (unrestricted, unassigned fund balance), which represents approximately 19.6% of total general fund expenditures.

Overview of Financial Statements

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

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. The difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is 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 for some items that will only result in cash flows in future fiscal periods.

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

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 activities or objectives. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements, except that the focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Both the balance sheet and the statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between the governmental fund and the governmental activities.

The governmental fund financial statements can be found on pages 3-4.

Notes to Basic Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the basic financial statements can be found on pages 5-15.

Government-Wide Financial Analysis

As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of the School, liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year.

A portion of the School's net position ($71,126) represents resources that are subject to external restrictions on how they may be used, which results in a deficit of $1,198,807 to represent the portion of net position that is unrestricted and would otherwise be used to meet the school's ongoing obligations.

Justice High School
Comparative Summary of Net Position

	Governmental Activities	
	2016	**2015**
Assets		
Current and other assets	$ 235,242	$ 144,462
Deferred Outflows of Resources	136,418	67,882
Liabilities		
Accounts payable	2,361	1,528
Net pension liability	1,033,860	1,335,544
Total liabilities	1,036,221	1,337,072
Deferred Inflows of Resources	463,120	229,265
Net Position		
Restricted	71,126	24,448
Unrestricted	(1,198,807)	(1,378,441)
Total Net Position	$ (1,127,681)	$ (1,353,993)

Current and other assets include primarily cash, and increased $90,780, or 62.8%, from the prior year, due to revenues exceeding expenses in 2016. Net position increased $226,312 from the previous year, due primarily to a decrease in net pension liability (see Note 3).

Justice High School
Comparative Summary of Changes in Net Position

	Governmental Activities	
	2016	**2015**
Revenues:		
Program revenues		
Operating grants and contributions	$ 181,021	$ 165,388
Capital grants and contributions	20,679	12,443
General revenues		
Per pupil revenue	571,395	598,354
District mill levy	90,691	81,524
At-risk supplemental aid	50,760	22,391
Total revenues	914,546	880,100
Expenses:		
Instruction	356,613	377,895
Supporting services	331,621	400,042
Total expenses	688,234	777,937
Change in net position	226,312	102,163
Net position, beginning	(1,353,993)	(1,456,156)
Net position, ending	$ (1,127,681)	$ (1,353,993)

Total revenues increased $34,446, or 3.9%. The School's primary sources of revenue, per pupil revenues and mill levy overrides, flow from the District based upon the School's enrollment. In addition, operating grants and contributions increased $15,663, due primarily to a new School Turnaround Leadership Development grant from the State of Colorado.

Total expenses decreased by $89,703 or 11.5% from the prior year, due primarily to a decrease in pension related costs, including current year net negative pension expense of $94,857. Remaining expenses remained consistent with the prior year.

Financial Analysis of the General Fund

The focus of the School's General Fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, an unrestricted fund balance may serve as a useful measure of a government's net resources available for discretionary use as it represents the portion of fund balance that has not yet been limited to use for a particular purpose by either an external party, the School itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes.

At the end of the current fiscal year, the unassigned fund balance of the general fund was $161,755, while the total fund balance increased by $89,947 to $232,881. As a measure of the general fund's liquidity, it may be useful to compare both the unassigned fund balance and the total fund balance to total general fund expenditures. Unassigned fund balance represents approximately 19.6% of total general fund expenditures, while total fund balance represents approximately 28.2% of the same amount.

General Fund Budgetary Highlights

A General Fund Budgetary Schedule is located on page 16 of the financial statements.

Actual revenues were consistent with budgeted revenues.

Actual expenditures were $1,407,471 less than budgeted expenditures. The fiscal year 2015-16 budget included $1,250,000 for acquisition of the School's building. However, the purchase and related financing did not close until July 7, 2016. Additional budget variances include unspent emergency reserve of $20,931, instruction expenditures $129,714 less than budget, and supporting services $6,826 less than budget.

Economic Factors and Next Year's Budget

The primary factor driving the budget for the School is student enrollment. The enrollment projected for the 2016-17 school year is 80 FTE students, which is lower than the 125 maximum FTE enrollment allowed by the School's contract with the District. The School's contract with the District provided funding of $7,351 per student in 2016-17, compared to $7,236 in 2015-16. Additionally, the School receives override and categorical revenue from the District on a per pupil basis. While these revenue sources realized small increases, for the seventh consecutive year the Colorado State Legislature continued to lower the statewide total funding by applying a negative factor to reduce total program funding received. The School may need to use available fund balance or seek other local sources to balance its budget.

Requests for Information

The financial report is designed to provide a general overview of the School's finances for interested parties. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Tijani R. Cole, Principal
Justice High School
805 Excalibur Street
Lafayette, CO 80026

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BASIC FINANCIAL STATEMENTS

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Justice High School
STATEMENT OF NET POSITION
June 30, 2016

		GOVERNMENTAL ACTIVITIES
ASSETS		
Cash	$	176,742
Restricted Cash		50,000
Deposit		8,500
TOTAL ASSETS		235,242
DEFERRED OUTFLOWS OF RESOURCES		
Change in Investment Earnings		95,140
Change in Experience		13,652
Contributions Subsequent to the Measurement Date		27,626
TOTAL DEFERRED OUTFLOWS OF RESOURCES		136,418
LIABILITIES		
Accounts Payable		2,361
Net Pension Liability		1,033,860
TOTAL LIABILITIES		1,036,221
DEFERRED INFLOWS OF RESOURCES		
Change in Experience		63
Changes of Assumptions or Other Inputs		14,610
Change in Proportionate Share		448,447
TOTAL DEFERRED INFLOWS OF RESOURCES		463,120
NET POSITION		
Restricted for Capital		50,000
Restricted for Emergencies		20,931
Restricted for Donations		195
Unrestricted		(1,198,807)
TOTAL NET POSITION	$	(1,127,681)

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

Justice High School
STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION: GOVERNMENTAL ACTIVITIES
PRIMARY GOVERNMENT				
Governmental Activities				
Instruction	$ 356,613	$ 152,772	$ 20,679	$ (183,162)
Supporting Services	331,621	28,249	-	(303,372)
Total Governmental Activities	$ 688,234	$ 181,021	$ 20,679	(486,534)
GENERAL REVENUES				
Per Pupil Revenue				571,395
District Mill Levy				90,691
At-Risk Supplemental Aid				50,760
TOTAL GENERAL REVENUES				712,846
CHANGE IN NET POSITION				226,312
NET POSITION, Beginning				(1,353,993)
NET POSITION, Ending				$ (1,127,681)

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

Justice High School

BALANCE SHEET
Governmental Fund
June 30, 2016

		GENERAL
ASSETS		
Cash	$	176,742
Restricted Cash		50,000
Deposit		8,500
TOTAL ASSETS	$	235,242
LIABILITIES		
Accounts Payable	$	2,361
TOTAL LIABILITIES		2,361
FUND BALANCE		
Restricted for Capital		50,000
Restricted for Emergencies		20,931
Restricted for Donations		195
Unassigned		161,755
TOTAL FUND BALANCE		232,881
TOTAL LIABILITIES AND FUND BALANCE	$	235,242

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Total Fund Balance of the Governmental Fund	$	232,881
Net pension liability is not due and payable in the current period and, therefore, is not reported in the governmental fund.		(1,033,860)
Deferred outflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.		
Change in investment earnings		95,140
Change in experience		13,652
Contributions subsequent to the measurement date		27,626
Deferred inflows of resources used in governmental activities are not due and payable in the current year and, therefore, are not reported in the governmental fund		
Change in experience		(63)
Change in assumptions or other inputs		(14,610)
Change in proportionate share		(448,447)
Total Net Position of Governmental Activities	$	(1,127,681)

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

Justice High School

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE

Governmental Fund

Year Ended June 30, 2016

		GENERAL
REVENUES		
Local Sources	$	684,976
State Sources		112,609
Federal Sources		116,961
TOTAL REVENUES		914,546
EXPENDITURES		
Current		
Instruction		427,272
Supporting Services		397,327
TOTAL EXPENDITURES		824,599
NET CHANGE IN FUND BALANCE		89,947
FUND BALANCE, Beginning		142,934
FUND BALANCE, Ending	$	232,881

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

Net Change in Fund Balance of the Governmental Fund	$	89,947
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 the measurement date		(9,544)
Net pension expense		94,857
Employer contribution expense		51,052
Change in Net Position of Governmental Activities	$	226,312

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Justice High School (the "School") was formed in 2002 and was granted a charter with Boulder Valley School District (the "District") in 2006.

The accounting policies of the School conform to generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the more significant policies.

Reporting Entity

The financial reporting entity consists of the School, organizations for which the School is financially accountable and organizations that raise and hold economic resources for the direct benefit of the School. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the School. Legally separate organizations for which the School is financially accountable are considered part of the reporting entity. Financial accountability exists if the School appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on, the School. Based upon the application of this criteria, the School does not include additional organizations within its reporting entity.

The accompanying financial statements present the School and a non-profit organization considered to be a blended component unit. Blended component units, although legally separate entities, are, in substance, part of the School's operations. Phoenix Building Corporation meets the requirements for blending.

Phoenix Building Corporation was established for the purpose of acquiring the School's building and to accumulate resources from the collection of rents from the School to make payments for Phoenix Building Corporation's debt service costs. Phoenix Building Corporation does not issue separate financial statements, and reports no activity for the fiscal year ended June 30, 2016.

The School is a component unit of the District. The District granted the School's charter and the majority of the School's funding is provided by the District.

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 activities of the School. *Governmental activities,* which normally are supported by taxes and intergovernmental revenues, are reported in a single column.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted revenues not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as separate columns in the fund financial statements.

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 the liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current year and within 90 days of the end of the current year for grants. Intergovernmental revenues, grants, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the School. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

In the fund financial statements, the School reports the following major governmental fund:

General Fund - This fund is the general operating fund of the School and accounts for all financial activities.

Assets, Liabilities and Fund Equity

Cash and Investments - Investments are reported at fair value.

Deferred Outflows of Resources - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School reports certain items in this category related to its defined benefit pension plan (see Note 3).

Net Pension Liability - The School reports a net pension liability for its proportionate share of PERA's unfunded pension liability. See Note 3 for additional information.

Deferred Inflows of Resources - In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School reports certain items in this category related to its defined benefit pension plan (see Note 3).

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Net Position/Fund Balance - In the government-wide and fund financial statements, net position and fund balance are restricted when constraints placed on the use of resources are externally imposed. The Board of Directors is authorized to establish a fund balance commitment through passage of a resolution, and may assign fund balance to a specific purpose through an informal action. The School has not established a formal policy for its use of restricted and unrestricted fund balances. However, if both restricted and unrestricted fund balances are available, the School uses restricted fund balance first, followed by committed, assigned and unassigned balances.

Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School participates in the District's risk management programs for these risks of loss. Settled claims have not exceeded coverage limits in the last three years.

NOTE 2: CASH AND INVESTMENTS

At June 30, 2016, the School's cash was held by the District as part of its pooled cash and investments.

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

NOTE 2: **CASH AND INVESTMENTS** (Continued)

Investments

The School is required to comply with State statutes which specify investment instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest, which include the following. State statutes generally limit the maturity of investment securities to five years from the date of purchase, unless the governing board authorizes an investment for a period in excess of five years. State statues generally do not address custodial risk.

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

The School had no investments at June 30, 2016.

Restricted Cash

Restricted cash includes $50,000 in the General Fund held in escrow for acquisition of the School's building.

NOTE 3: **DEFINED BENEFIT PENSION PLAN**

Summary of Significant Accounting Policies

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

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 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.

NOTE 3: **DEFINED BENEFIT PENSION PLAN** (Continued)

General Information about the Pension Plan (Continued)

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

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

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.

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

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

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

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

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

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

NOTE 3: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

Contributions - Eligible employees and 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	
	12/31/2015	12/31/2016
Employer Contribution Rate[1]	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) [1]	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF[1]	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 [1]	4.20%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 [1]	4.00%	4.50%
Total Employer Contribution Rate to the SCHDTF[1]	17.33%	18.13%

[1]Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the School were $41,508 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 School reported a liability of $1,033,860 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The School's proportion of the net pension liability was based on the School's contributions to the SCHDTF for the calendar year 2015 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2015, the School's proportion was 0.0067598 percent, which was a decrease of 0.0030942 from its proportion measured as of December 31, 2014.

NOTE 3: **DEFINED BENEFIT PENSION PLAN** (Continued)

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

For the year ended June 30, 2016, the School recognized net negative pension expense of $94,857. At June 30, 2016, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 13,652	$ 63
Changes of assumptions or other inputs	-	14,610
Net difference between projected and actual earnings on pension plan investments	95,140	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	448,447
Contributions subsequent to the measurement date	27,626	-
Total	$ 136,418	$ 463,120

$27,626 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,	
2017	$ (174,783)
2018	(149,309)
2019	(48,262)
2020	18,026
2021	-
Thereafter	-

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

Actuarial cost method	Entry age
Price inflation	2.80 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	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

NOTE 3: **DEFINED BENEFIT PENSION PLAN** (Continued)

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

Mortality rates 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.

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

The following programming changes were made:

- Valuation of the full survivor benefit without any reductionfor possible remarriage
- Reflection of the employer match on separation of benefits for all eligible years.
- Reflection of one year of service eligibility for survivor annuity benefit
- Refinement of the 18 month annual increase timing.
- Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.

The following methodology changes were made:

- Recognition of merit salary increases in the first projection year.
- Elimination of the assumption that 35% of future disabled members elect to receive a refund.
- Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
- Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

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

NOTE 3: **DEFINED BENEFIT PENSION PLAN** (Continued)

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

As of the November 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:

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

- 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.

NOTE 3: **DEFINED BENEFIT PENSION PLAN** (Continued)

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

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

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

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

Based on the above 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 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 (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	1,340,185	1,033,860	779,055

Pension plan fiduciary net position. Detailed information about the SCHDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 4: OTHER POST-EMPLOYMENT 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 HTCF. That report may be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy - The School is required to contribute at a rate of 1.02% of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the School are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2016, 2015, and 2014, the School's contribution to the HCTF were $2,388, $3,774, and $4,850, respectively, equal to their required contributions for each year.

NOTE 5: COMMITMENTS AND CONTINGENCIES

Claims and Judgments

The School participates in a number of federal and state programs that are fully or partially funded by revenues received from other governmental entities. Expenditures financed by these revenues are subject to audit by the appropriate government. If expenditures are disallowed due to noncompliance with program regulations, the School may be required to reimburse the other government. At June 30, 2016, significant amounts of related expenditures have not been audited, but management believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

Tabor Amendment

In November 1992, Colorado voters passed Article X, Section 20 (the "Amendment") to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The School believes it is in compliance with the Amendment. The Amendment requires all governments to establish a reserve for emergencies, representing 3% of fiscal year spending. At June 30, 2016, the emergency reserve of $20,931 was reported as restricted fund balance and net position.

NOTE 6: SUBSEQUENT EVENT

On July 7, 2016 Phoenix Building Corporation purchased the School's existing building for $1,250,000. Phoenix Building Corporation financed $1,210,000 of the purchase price via a promissory note that requires monthly principal and interest payments of $9,464 through May 30, 2021 and a payment of $979,449 due at maturity, June 20, 2021. The note bears interest at a fixed rate of 6.0%. Prior to the purchase, the School rented the facility from a third party and incurred approximately $76,000 of rent expense during the year ended June 30, 2016.

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REQUIRED SUPPLEMENTARY INFORMATION

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Justice High School
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL Positive (Negative)
REVENUES				
Local Sources				
Per Pupil Revenue	$ 543,225	$ 568,835	$ 571,395	$ 2,560
District Mill Levy	84,851	90,691	90,691	-
Grants and Contributions	-	-	22,890	22,890
State Sources				
Capital Construction	18,750	20,371	20,679	308
At-Risk Supplemental Aid	-	-	50,760	50,760
Grants	16,096	17,796	41,170	23,374
Federal Sources				
Title I Grant	-	1,967	1,879	(88)
21st Century Grant	-	141,645	115,082	(26,563)
TOTAL REVENUES	662,922	841,305	914,546	73,241
EXPENDITURES				
Instruction	364,997	556,986	427,272	129,714
Supporting Services	322,707	404,153	397,327	6,826
Capital Outlay	-	1,250,000	-	1,250,000
Reserves	19,888	20,931	-	20,931
TOTAL EXPENDITURES	707,592	2,232,070	824,599	1,407,471
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(44,670)	(1,390,765)	89,947	1,480,712
OTHER FINANCING SOURCES (USES)				
Debt Issued	-	1,250,000	-	(1,250,000)
NET CHANGE IN FUND BALANCE	(44,670)	(140,765)	89,947	230,712
FUND BALANCE, Beginning	44,670	140,765	142,934	2,169
FUND BALANCE, Ending	$ -	$ -	$ 232,881	$ 232,881

Justice High School
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
Last 10 Fiscal Years*

	2015	2014	2013
School's proportion (percentage) of the collective net pension liability (asset)	0.00675977%	0.00985398%	0.01246728%
School's proportionate share of the collective pension liability (asset)	1,033,860	1,335,545	1,570,914
Covered-employee payroll	294,592	412,810	496,501
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	350.95%	323.52%	316.40%
Plan fiduciary net pension as a percentage of the total pension liability	59.20%	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.

Justice High School
SCHEDULE OF THE CONTRIBUTIONS AND RELATED RATIOS
Last 10 Fiscal Years*

As of June 30,	2016	2015	2014
Statutorily required contributions	$ 41,508	$ 62,448	$ 75,984
Contributions in relation to the statutorily required contribution	41,508	62,448	75,984
Contribution deficiency (excess)	$ -	$ -	$ -
Covered-employee payroll	234,114	369,953	475,494
Contribution as a percentage of covered-employee payroll	17.73%	16.88%	15.98%

* The amounts presented for each fiscal year were determined as of June 30.
Information earlier than 2014 was not available.

Justice High School
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2016

NOTE 1: **STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgets

The budget is legally adopted on a basis consistent with generally accepted accounting principles ("GAAP").

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

- By June 30, management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.

- Prior to June 30, the budget is adopted by the Board of Directors.

- Expenditures may not legally exceed budget appropriations at the fund level. Revisions that alter the total expenditures must be approved by the Board of Directors.

- All appropriations lapse at fiscal year end.