

BELLE CREEK CHARTER SCHOOL

FINANCIAL STATEMENTS

June 30, 2017

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Board of Directors
Belle Creek Charter School
Henderson, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Belle Creek Charter School, component unit of Brighton School District 27J, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Belle Creek Charter School, 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 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 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Belle Creek Charter School as of June 30, 2017, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters (Required Supplementary Information)

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis and the required supplementary information listed in the table of contents 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 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.

Other Matters (Supplementary Information)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Belle Creek Charter School’s basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



September 12, 2017

Belle Creek Charter School Management's Discussion and Analysis

Introduction

As management of the Belle Creek Charter School (the "School"), we offer readers of the School financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2017.

Financial Highlights

Fiscal year ending June 30, 2017 is the third year reporting net pension liability and deferred inflows and outflows following Governmental Accounting Standards Board Statement (GASB) No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. As such, the School included the Net Pension Liability per GASB Statement No. 68 in the amount of \$15,039,110 for FY17 and \$8,084,838 for FY16 as a noncurrent liability on the Statement of Net Position. For FY17 and FY16, the liabilities and deferred inflows of resources of the School exceeded its assets and deferred outflows by \$8,447,136 and \$6,065,876 (net position), respectively.

At the close of the FY17 the School's governmental fund reported an ending fund balance of \$1,807,350, a decrease of \$45,397. The operations of the School are funded primarily by tax revenue received under the State School Finance Act (the Act). Tax revenue for the year from Per Pupil Revenue was \$4,450,622. The School also received \$21,880 in Mill Levy Override revenue.

Overview of Financial Statements

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

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

Belle Creek Charter School Management's Discussion and Analysis

The government-wide statement of activities distinguishes functions/programs of the School supported primarily by per pupil revenue (PPR) or property taxes passed through from the District (Brighton School District 27J). The governmental activities of the School include instruction and supporting services expense.

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

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other governmental units or charter schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School's near-term financing requirements.

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

The School maintains one individual governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund because it is considered to be a major fund.

The School adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with the budget.

Proprietary Fund. The Belle Creek Education Center is considered a component unit of the charter school, has one fund, an enterprise fund and is presented with a statement of net position, changes in net position and a statement of cash flows.

Fiduciary Fund. Fiduciary funds are used to account for resources held for the benefit of parties outside the School. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the School's own programs. The School maintains a student activity agency fund.

**Belle Creek Charter School
Management's Discussion and Analysis**

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This information is provided in pages 9-22.

Government-wide Financial Analysis

The liabilities and deferred inflows of resources exceeded the School's assets and deferred outflows of resources by \$8,447,136 at the close of the most recent fiscal year. The negative balance is due primarily to the adoption of GASB Statement No. 68, resulting in a net pension liability of \$15,039,110, representing its proportionate share of the plan's net pension liability.

School's Net Position

Governmental and Business-Type Activities

	June 30, 2017	June 30, 2016
Cash and Investments	\$2,133,934	\$2,127,544
Restricted Cash and Investments	852,175	845,535
Accounts Receivable & Prepaid Expenses	156,123	106,178
Capital Assets	5,016,912	5,204,631
Total Assets	8,159,144	8,283,888
 Deferred Outflows of Resources		
Loss on Debt Refunding, Net of Accumulated Amortization	932,576	994,748
Pensions, Net of Accumulated Amortization	5,821,966	1,039,580
Total Deferred Outflows of Resources	6,754,542	2,034,328
Current liabilities	581,355	470,840
Debt Service	7,291,354	7,511,445
Net Pension Liability	15,039,110	8,084,838
Total Liabilities	22,911,819	16,067,123
 Deferred Inflows of Resources		
Pensions, Net of Accumulated Amortization	449,003	316,969
 Net position		
Net Investment in Capital Assets	(1,255,015)	(1,219,425)
Restricted for Debt Service	666,676	663,029
Restricted for Building Repairs	88,018	82,400
Restricted for Special Education	90,000	92,000
Restricted for Emergencies	146,500	154,000
Unrestricted	(8,183,315)	(5,837,880)
Total Net Position	\$ (8,447,136)	\$ (6,065,876)

**Belle Creek Charter School
Management's Discussion and Analysis**

A portion of the School's Governmental and Business-Type assets (36.6%) is in cash and investments and (61.5%) are net capital assets. As outlined in Note 6 to the financials the School participates in a Defined Benefit Pension Plan and has recorded a Net Pension Liability as of June 30, 2017 of \$15,039,110. This and the operating loss resulted in a negative Net Position of \$8,447,136. Of these funds \$146,500 is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment.

School's Change in Net Position
For the Years Ended June 30, 2017 and 2016
Governmental and Business-Type Activities

	June 30, 2017	June 30, 2016
Program Revenue:		
Operating Grants and Contributions	\$ 225,848	\$ 218,754
Charges for Services	13,566	13,187
Total Program Revenues	<u>239,414</u>	<u>231,941</u>
General Revenue:		
Per Pupil Revenue	4,450,622	4,733,299
Mill Levy Revenue	21,880	23,922
Capital Construction	172,342	173,680
Grants and Contributions Not Restricted	40,558	7,119
Investment Earnings	20,102	8,364
Other	12,106	7,555
Total General Revenues	<u>4,717,610</u>	<u>4,953,939</u>
Total Revenues	<u>4,957,024</u>	<u>5,185,880</u>
Expenses:		
Current:		
Instruction	4,645,015	3,147,009
Supporting Services	2,086,748	1,572,641
Education Center	606,521	615,849
Total Expenses	<u>7,338,284</u>	<u>5,335,499</u>
Increase (Decrease) in Net Position	(2,381,260)	(149,619)
Beginning Net Position, June 30	<u>(6,065,876)</u>	<u>(5,916,257)</u>
Ending Net Position, June 30	<u>\$(8,447,136)</u>	<u>\$(6,065,876)</u>

Belle Creek Charter School Management's Discussion and Analysis

Financial Analysis of the School's Funds

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

Governmental Funds. The focus of the School's governmental 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, unrestricted, unassigned fund balance may serve as a useful measure of the School's net resources available for spending at the end of the fiscal year.

The primary factor driving the budget for the Academy is student enrollment. Enrollments for the previous school years are listed below. The enrollment projected for the 2017-2018 school year is expected to be 650. This factor was considered in preparing the School's budget for the 2017-2018 fiscal year.

Fiscal Year	Enrollment
2007 / 2008	650
2008 / 2009	681
2009 / 2010	675
2010 / 2011	668
2011 / 2012	699
2012 / 2013	694
2013 / 2014	691
2014 / 2015	699
2015 / 2016	707
2016 / 2017	654

We had a small dip in enrollment for FY17 as a result of the District opening new schools and students moving to a school that was closer to their home. With current construction in the area we anticipate that we will be back near capacity in a couple of years.

The economic outlook for FY18 is improving with the increase of \$234.11 per funded FTE or 3.32% in PPR funding. As of the end of the current fiscal year, the School's general fund reported an ending fund balance of \$1,807,350.

Proprietary Fund. Belle Creek Education Center's net position decreased \$29,704 to a negative \$597,296 from negative \$567,592. The decrease is largely attributed to depreciation expense and amortization expense on the loss on refunding of the bonds. We anticipate the deficit will decrease as the debt is repaid in future years.

Belle Creek Charter School Management's Discussion and Analysis

General Fund Budgetary Highlights

The School approves a budget in June based on enrollment projections for the following school year. In October after enrollment stabilizes, adjustments are made to the budget. The School approved a supplemental budget during the year to true up the beginning fund balance and adjust to the actual student count. The original General Fund Budget was \$6,924,185 and it was adjusted to \$6,765,038. Total expenditures were less than budgeted expenditures by \$1,768,114.

Capital Asset and Debt Administration

Capital Assets. Including the building of the School and other General Fund assets, net capital assets were \$5,016,912. Depreciation expense of \$187,719 was reported for the building and other Governmental Activities capital assets.

Long-term Lease. The School participates in a long-term lease agreement with the Belle Creek Education Center. Monthly principal and interest payments are due under the lease agreement, with interest accruing at rates ranging from 4% to 5.42%. The lease ends in March 2037. Annual debt service ranges from \$567,664 to \$572,759 with payments that began in calendar year 2008.

Economic Factors and Next Year's Budget

The School is fortunate to have a solid fund balance to help weather the enrollment fluctuations that the School is experiencing. The FY18 budget projects the School will have a decrease of approximately \$166,552 to the general fund ending fund balance. This is a planned decrease due to the temporary lower student enrollment.

Requests for Information

This financial report is designed to provide a general overview of the School's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Belle Creek Charter School, Rick Boos, Chief Financial Officer, 9290 E. 107th Ave., Henderson, Colorado 80640.

BASIC FINANCIAL STATEMENTS

BELLE CREEK CHARTER SCHOOL

STATEMENT OF NET POSITION

June 30, 2017

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and Investments	\$ 2,133,934	\$ -	\$ 2,133,934
Restricted Cash and Investments	88,018	764,157	852,175
Accounts Receivable	55,148	-	55,148
Prepaid Expenses	14,124	86,851	100,975
Capital Assets, Net of Accumulated Depreciation	8,957	5,007,955	5,016,912
TOTAL ASSETS	2,300,181	5,858,963	8,159,144
DEFERRED OUTFLOWS OF RESOURCES			
Loss on Debt Refunding, Net of Accumulated Amortization	-	932,576	932,576
Pensions, Net of Accumulated Amortization	5,821,966	-	5,821,966
TOTAL DEFERRED OUTFLOWS OF RESOURCES	5,821,966	932,576	6,754,542
LIABILITIES			
Accounts Payable	216,789	-	216,789
Accrued Liabilities	70,015	-	70,015
Accrued Salaries and Benefits	197,070	-	197,070
Accrued Interest Payable	-	97,481	97,481
Noncurrent Liabilities			
Due Within One Year	-	235,000	235,000
Due in More Than One Year	-	7,056,354	7,056,354
Net Pension Liability	15,039,110	-	15,039,110
TOTAL LIABILITIES	15,522,984	7,388,835	22,911,819
DEFERRED INFLOWS OF RESOURCES			
Pensions, Net of Accumulated Amortization	449,003	-	449,003
NET POSITION			
Net Investment in Capital Assets	8,957	(1,263,972)	(1,255,015)
Restricted for Debt Service	-	666,676	666,676
Restricted for Building Repairs	88,018	-	88,018
Restricted for Special Education	90,000	-	90,000
Restricted for Emergencies	146,500	-	146,500
Unrestricted	(8,183,315)	-	(8,183,315)
TOTAL NET POSITION	\$ (7,849,840)	\$ (597,296)	\$ (8,447,136)

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

BELLE CREEK CHARTER SCHOOL

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>	
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>
PRIMARY GOVERNMENT			
Governmental Activities			
Instruction	\$ 4,645,015	\$ 13,566	\$ 218,687
Supporting Services	<u>2,086,748</u>	<u>-</u>	<u>7,161</u>
Total Governmental Activities	<u>6,731,763</u>	<u>13,566</u>	<u>225,848</u>
Business-Type Activities			
Education Center	<u>606,521</u>	<u>-</u>	<u>-</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 7,338,284</u>	<u>\$ 13,566</u>	<u>\$ 225,848</u>
		GENERAL REVENUES	
		Per Pupil Revenue	
		Additional At-Risk Funding	
		District Mill Levy	
		Capital Construction	
		Grants and Contributions Not Restricted to Specific Programs	
		Investment Income	
		Miscellaneous	
		TRANSFERS	
		TOTAL GENERAL REVENUES AND TRANSFERS	
		CHANGE IN NET POSITION	
		NET POSITION, Beginning	
		NET POSITION, Ending	

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

NET (EXPENSE) REVENUE
AND CHANGE IN NET POSITION

GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
\$ (4,412,762)	\$ -	\$ (4,412,762)
<u>(2,079,587)</u>	<u>-</u>	<u>(2,079,587)</u>
<u>(6,492,349)</u>	<u>-</u>	<u>(6,492,349)</u>
<u>-</u>	<u>(606,521)</u>	<u>(606,521)</u>
<u>(6,492,349)</u>	<u>(606,521)</u>	<u>(7,098,870)</u>
4,450,622	-	4,450,622
3,141	-	3,141
21,880	-	21,880
172,342	-	172,342
40,558	-	40,558
14,605	5,497	20,102
8,965	-	8,965
<u>(571,320)</u>	<u>571,320</u>	<u>-</u>
<u>4,140,793</u>	<u>576,817</u>	<u>4,717,610</u>
(2,351,556)	(29,704)	(2,381,260)
<u>(5,498,284)</u>	<u>(567,592)</u>	<u>(6,065,876)</u>
<u>\$ (7,849,840)</u>	<u>\$ (597,296)</u>	<u>\$ (8,447,136)</u>

BELLE CREEK CHARTER SCHOOL

BALANCE SHEET
GOVERNMENTAL FUND

June 30, 2017

	<u>GENERAL</u>
ASSETS	
Cash and Investments	\$ 2,133,934
Restricted Cash and Investments	88,018
Accounts Receivable	55,148
Prepaid Expenditures	<u>14,124</u>
TOTAL ASSETS	<u><u>\$ 2,291,224</u></u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ 216,789
Accrued Liabilities	70,015
Accrued Salaries and Benefits	<u>197,070</u>
TOTAL LIABILITIES	<u>483,874</u>
FUND BALANCE	
Nonspendable Prepaid Expenditures	14,124
Restricted for Building Repairs	88,018
Restricted for Special Education	90,000
Restricted for Emergencies	146,500
Unrestricted, Unassigned	<u>1,468,708</u>
TOTAL FUND BALANCE	<u>1,807,350</u>
TOTAL LIABILITIES AND FUND BALANCE	<u><u>\$ 2,291,224</u></u>
 Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Total Fund Balance of the Governmental Fund	\$ 1,807,350
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	8,957
Long-term liabilities and related items, including net pension liability (\$15,039,110), pension-related deferred outflows of resources \$5,821,966, and pension-related deferred inflows of resources (\$449,003), are not due and payable in the current year and, therefore, are not reported in governmental funds.	<u>(9,666,147)</u>
Total Net Position of Governmental Activities	<u><u>\$ (7,849,840)</u></u>

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

BELLE CREEK CHARTER SCHOOL

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
Year Ended June 30, 2017

	GENERAL
REVENUES	
Local Sources	\$ 4,550,196
State Sources	329,890
Federal Sources	71,441
	4,951,527
 TOTAL REVENUES	 4,951,527
 EXPENDITURES	
Instruction	2,870,997
Supporting Services	1,554,607
Building Lease	571,320
	4,996,924
 TOTAL EXPENDITURES	 4,996,924
 NET CHANGE IN FUND BALANCE	 (45,397)
 FUND BALANCE, Beginning	 1,852,747
 FUND BALANCE, Ending	 \$ 1,807,350
 Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Net Change in Fund Balance of the Governmental Fund	\$ (45,397)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This amount represents depreciation expense in the current year.	(2,239)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount represents the change in the net pension liability (\$6,954,272), pension-related deferred outflows of resources \$4,782,386, and pension-related deferred inflows of resources (\$132,034) in the current year.	(2,303,920)
Change in Net Position of Governmental Activities	\$ (2,351,556)

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

BELLE CREEK CHARTER SCHOOL

STATEMENT OF NET POSITION
PROPRIETARY FUND

June 30, 2017

	<u>EDUCATION CENTER</u>
ASSETS	
CURRENT ASSETS	
Restricted Cash and Investments	\$ 764,157
Prepaid Expenses	<u>86,851</u>
TOTAL CURRENT ASSETS	851,008
NONCURRENT ASSETS	
Capital Assets, Net of Accumulated Depreciation	<u>5,007,955</u>
TOTAL ASSETS	<u>5,858,963</u>
DEFERRED OUTFLOWS OF RESOURCES	
Loss on Debt Refunding, Net of Accumulated Amortization	<u>932,576</u>
LIABILITIES	
CURRENT LIABILITIES	
Accrued Interest Payable	97,481
Loan Payable, Current Portion	<u>235,000</u>
TOTAL CURRENT LIABILITIES	332,481
NONCURRENT LIABILITIES	
Loan Payable	<u>7,056,354</u>
TOTAL LIABILITIES	<u>7,388,835</u>
NET POSITION	
Net Investment in Capital Assets	(1,263,972)
Restricted for Debt Service	<u>666,676</u>
TOTAL NET POSITION	<u>\$ (597,296)</u>

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

BELLE CREEK CHARTER SCHOOL

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUND
 Year Ended June 30, 2017

	<u>EDUCATION CENTER</u>
OPERATING REVENUES	
Lease Revenue	<u>\$ 571,320</u>
OPERATING EXPENSES	
Purchased Services	13,364
Depreciation	185,480
Debt Service	
Interest and Fees	<u>407,677</u>
TOTAL OPERATING EXPENSES	<u>606,521</u>
NET OPERATING INCOME (LOSS)	(35,201)
NONOPERATING REVENUES	
Investment Income	<u>5,497</u>
CHANGE IN NET POSITION	(29,704)
NET POSITION, Beginning	<u>(567,592)</u>
NET POSITION, Ending	<u>\$ (597,296)</u>

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

BELLE CREEK CHARTER SCHOOL

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

Increase (Decrease) in Cash and Cash Equivalents
Year Ended June 30, 2017

	<u>EDUCATION CENTER</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Lease Payments Received	\$ 571,320
Loan Interest Paid	(343,221)
Loan Principal Paid	(225,000)
Cash Paid to Suppliers	<u>(7,574)</u>
Net Cash Provided (Used) by Operating Activities	(4,475)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Earnings Received	<u>5,497</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	1,022
CASH AND CASH EQUIVALENTS, Beginning	<u>763,135</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 764,157</u>
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Net Operating Income (Loss)	\$ (35,201)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	185,480
Amortization of Discount	4,909
Amortization of Loss on Refunding	62,172
Changes in Assets and Liabilities	
Prepaid Expenses	5,790
Accrued Interest Payable	(2,625)
Loan Payable	<u>(225,000)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (4,475)</u>

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

BELLE CREEK CHARTER SCHOOL

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUND

June 30, 2017

	<u>STUDENT ACTIVITY</u>
ASSETS	
Cash and Investments	<u>\$ 33,925</u>
LIABILITIES	
Due to Student Groups	<u>\$ 33,925</u>

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

BELLE CREEK CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Belle Creek Charter School (the “School”) was organized in 2003 pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Brighton School District 27J (the “District”) in the State of Colorado.

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 School’s 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 there is a potential for the organization to provide benefits to, or impose financial burdens on, the School.

The School includes the Belle Creek Education Center (the “Education Center”) within its reporting entity. The Education Center was formed to support and assist the School to perform its function or to carry out its purpose, specifically to assist in the financing and construction of the School’s facilities. The Education Center is blended into the School’s financial statements as an enterprise fund.

The School is a component unit of the District. The School’s charter is granted by the District 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 nonfiduciary activities of the School. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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 1) charges to students or others 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. Unrestricted revenues not properly included among program revenues are reported instead as *general revenues*.

BELLE CREEK CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements (Continued)

Separate financial statements are provided for the governmental fund, the proprietary fund and the fiduciary fund, even though the latter is excluded from the School's government-wide financial statements. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as is the proprietary fund in the fund financial statements. 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. The agency fund utilizes the accrual basis of accounting.

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. Available means collected within the current year or soon enough thereafter to pay liabilities of the current year, not to exceed 60 days. 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, including expenditures related to compensated absences, are recorded only when payment is due.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with ongoing operations. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The School reports the following major governmental fund:

General Fund - This fund is the general operating fund of the School. It is currently used to account for all financial activities of the School.

The School reports one major proprietary fund, as follows:

Education Center - This fund is used to account for the financial transactions of the Education Center, primarily related to capital assets and the related debt service.

BELLE CREEK CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Additionally, the School reports the following fund type:

The *Agency Fund* accounts for resources collected to support student activities. The School holds all resources in a purely custodial capacity.

Assets, Liabilities and Net Position/Fund Balance

Cash and Investments - Cash equivalents include investments with an original maturity of three months or less.

Accounts Receivable - All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Prepaid Expenses - Certain payments to vendors reflect costs applicable to future years and are reported as prepaid expenses.

Capital Assets - Capital assets, which include property and equipment, are reported in the government-wide financial statements and the proprietary fund in the fund financial statements. Capital assets are defined as assets with an initial, individual cost of \$5,000 or more, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the acquisition value on the date of donation.

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported in the statement of net position in the government-wide financial statements and the proprietary fund in the fund financial statements. Capital assets are depreciated using the straight-line method over the following estimated useful lives.

Building and Improvements	40 years
Vehicles and Equipment	5 - 10 years

Accrued Salaries and Benefits - Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from August to July, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, are reported as a liability of the General Fund.

Compensated Absences - Employees of the School are allowed to accumulate unused vacation time and paid time off (PTO) up to a maximum of 60 hours. Upon termination of employment from the School, an employee will be compensated for the accrued vacation time and PTO at the rate of \$10 per hour. A liability for compensated absences is not reported in the financial statements because the amount is insignificant.

BELLE CREEK CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position/Fund Balance (Continued)

Long-Term Debt - In the government-wide financial statements and the proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Debt premiums, discounts and accounting losses resulting from debt refundings are deferred and amortized over the life of the debt using the straight-line method. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses.

Issuance costs, whether or not withheld from the debt proceeds, are reported as current expenses or expenditures.

Pensions - The School participates in the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan 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 and deductions from the SDTF's fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used by the SDTF. 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.

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 balances 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 for a specific purpose, 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 carries commercial insurance for these risks of loss.

The School, in conjunction with Eagle Ridge Academy and Bromley East Charter School, has established a self-insurance plan for employee health benefits. The School's premiums are determined at the beginning of each plan year and are deposited into a claims account throughout the year. The School is not responsible for claims in excess of the premiums. The claims account is reported as cash with an offsetting liability in the General Fund. The plan's fiscal year ends each July 31, and included individual stop loss insurance of \$65,000 and aggregate stop loss insurance of \$1,000,000 for the fiscal year ending July 31, 2017.

BELLE CREEK CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Accountability

At June 30, 2017, the Education Center had a negative net position of \$597,296. Management expects this deficit to be eliminated as the Education Center's debt is paid in future years.

NOTE 3: CASH AND INVESTMENTS

Cash and investments at June 30, 2017, consisted of the following:

Cash on Hand	\$ 500
Deposits	847,921
Investments	<u>2,171,613</u>
Total	<u>\$ 3,020,034</u>

Cash and investments are reported in the financial statements as follows:

Cash and Investments	\$ 2,133,934
Restricted Cash and Investments	852,175
Agency Fund Cash and Investments	<u>33,925</u>
Total	<u>\$ 3,020,034</u>

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires 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. At June 30, 2017, the School had bank deposits of \$612,630 collateralized with securities held by the financial institution's agent but not in the School's name.

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 do not address custodial risk.

BELLE CREEK CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 3: CASH AND INVESTMENTS (Continued)

Investments (Continued)

- 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 collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

Interest Rate Risk - State statutes generally limit investments to a maturity of five years from the date of purchase, unless the governing board authorizes the investment for a period in excess of five years.

Credit Risk - State statutes limit certain investments to those with specified ratings from nationally recognized statistical rating organizations, depending on the type of investment.

Concentration of Credit Risk - State statutes do not limit the amount the School may invest in one issuer, except for corporate securities.

Local Government Investment Pools - At June 30, 2017, the School and the Education Center had \$2,120,692 and \$50,921, respectively, invested in the Colorado Surplus Asset Fund Trust (CSAFE) and the Colorado Local Government Liquid Asset Trust (Colotrust), investment vehicles established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating the Pools. The Pools operate in conformity with the Securities and Exchange Commission's Rule 2a-7. The Pools are measured at the net asset value per share, with each share valued at \$1. The Pools are rated AAAM by Standard and Poor's. Investments of the Pools are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

Restricted Cash and Investments

At June 30, 2017, the School held restricted cash and investments of \$88,018 for building repairs, as required by the building lease agreement. In addition, cash and investments of \$764,157 are restricted by the Education Center for future debt service.

BELLE CREEK CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 4: CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2017, are summarized below:

	<u>Balances</u> 6/30/16	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> 6/30/17
Governmental Activities				
Capital Assets, Being Depreciated				
Vehicles and Equipment	\$ 123,871	\$ -	\$ -	\$ 123,871
Less Accumulated Depreciation				
Vehicles and Equipment	<u>(112,675)</u>	<u>(2,239)</u>	<u>-</u>	<u>(114,914)</u>
Governmental Activities Capital Assets, Net	<u>\$ 11,196</u>	<u>\$ (2,239)</u>	<u>\$ -</u>	<u>\$ 8,957</u>
Business-Type Activities				
Capital Assets, Being Depreciated				
Building and Improvements	\$ 7,419,195	\$ -	\$ -	\$ 7,419,195
Less Accumulated Depreciation				
Building and Improvements	<u>(2,225,760)</u>	<u>(185,480)</u>	<u>-</u>	<u>(2,411,240)</u>
Business-Type Activities Capital Assets, Net	<u>\$ 5,193,435</u>	<u>\$ (185,480)</u>	<u>\$ -</u>	<u>\$ 5,007,955</u>

Depreciation expense of the governmental activities was charged to the supporting services program of the School.

NOTE 5: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended June 30, 2017:

	<u>Balances</u> 6/30/16	<u>Additions</u>	<u>Payments</u>	<u>Balances</u> 6/30/17	<u>Due Within</u> <u>One Year</u>
Business-Type Activities					
2007 Building Loan	\$ 7,590,000	\$ -	\$ 225,000	\$ 7,365,000	\$ 235,000
Discount	<u>(78,555)</u>	<u>-</u>	<u>(4,909)</u>	<u>(73,646)</u>	<u>-</u>
Total	<u>\$ 7,511,445</u>	<u>\$ -</u>	<u>\$ 220,091</u>	<u>\$ 7,291,354</u>	<u>\$ 235,000</u>

On June 14, 2007, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$9,200,000 Charter School Revenue Refunding Bonds, Series 2007A, and \$100,000 Taxable Charter School Revenue Bonds, Series 2007B, to advance refund CECFA's outstanding Series 2002 Bonds. Proceeds of the Series 2002 Bonds were loaned to the Education Center under a lease agreement to construct the School's building. The School is obligated under a lease agreement to make monthly lease payments to the Education Center for use of the building. The Education Center is required to make equal loan payments to the Trustee, for payment of the Series 2007 Bonds. Monthly principal and interest payments are due under the agreements, with interest accruing at rates ranging from 4% to 5.42%. The bonds mature in March, 2037.

BELLE CREEK CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 5: LONG-TERM DEBT (Continued)

Future debt service requirements are as follows.

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 235,000	\$ 334,221	\$ 569,221
2019	245,000	324,586	569,586
2020	255,000	314,296	569,296
2021	265,000	303,459	568,459
2022	280,000	291,534	571,534
2023 - 2027	1,600,000	1,257,419	2,857,419
2028 - 2032	1,990,000	859,639	2,849,639
2033 - 2037	<u>2,495,000</u>	<u>356,588</u>	<u>2,851,588</u>
Total	<u>\$ 7,365,000</u>	<u>\$ 4,041,742</u>	<u>\$ 11,406,742</u>

NOTE 6: DEFINED BENEFIT PENSION PLAN

General Information

Plan Description - The School contributes to the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). All employees of the School participate in the SDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS) assigns the authority to establish and amend plan provisions to the State Legislature. PERA issues a publicly available financial report that includes information on the SDTF. That report may be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided - The SDTF provides retirement, disability, and survivor benefits to plan participants or their beneficiaries. Retirement benefits are determined by the amount of service credit earned or purchased, highest average salary, the benefit structure in place, the benefit option selected at retirement, and age at retirement. The retirement benefit is the greater of the a) highest average salary multiplied by 2.5% and then multiplied by years of service credit, or b) the value of the participant's contribution account plus an equal match on the retirement date, annualized into a monthly amount based on life expectancy and other actuarial factors. In no case can the benefit amount exceed the highest average salary or the amount allowed by applicable federal regulations.

Retirees may elect to withdraw their contributions upon termination of employment, and may be eligible to receive a matching amount if five years of service credit is earned and certain other criteria is met. Retirees who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs) as established by State statutes. Retirees who began employment before January 1, 2007, receive an annual increase of 2%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% or the average consumer price index for the prior calendar year. Retirees that began employment after January 1, 2007, receive an annual increase of the lesser of 2% or the average consumer price index for the prior calendar year, with certain limitations.

BELLE CREEK CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

General Information (Continued)

Disability benefits are available for plan participants once they reach five years of earned service credit and meet the definition of a disability. The disability benefit amount is based on the retirement benefit formula described previously, considering a minimum of twenty years of service credit.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure in place, and the qualified survivor receiving the benefits.

Contributions - The School and eligible employees are required to contribute to the SDTF at rates established by Title 24, Article 51, Part 4 of the CRS. These contribution requirements are established and may be amended by the State Legislature. The contribution rate for employees is 8% of covered salaries. The School's contribution rate for calendar years 2016 and 2017 was 19.15% and 19.65% of covered salaries, respectively. However, a portion of the School's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 7). The School's contributions to the SDTF for the year ended June 30, 2017, were \$457,943, equal to the required contributions.

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

At June 30, 2017, the School reported a net pension liability of \$15,039,110, representing its proportionate share of the net pension liability of the SDTF. The net pension liability was measured at December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016.

The School's proportion of the net pension liability was based on the School's contributions to the SDTF for the calendar year ended December 31, 2016, relative to the contributions of all participating employers. At December 31, 2016, the School's proportion was 0.0505111076%, which was a decrease of 0.0023506859% from its proportion measured at December 31, 2015.

For the year ended June 30, 2017, the School recognized pension expense of \$2,696,796. At June 30, 2017, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

BELLE CREEK CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 190,961	\$ 144
Changes of assumptions and other inputs	4,879,877	70,975
Net difference between projected and actual earnings on plan investments	528,271	-
Changes in proportion	-	377,884
Contributions subsequent to the measurement date	<u>222,857</u>	<u>-</u>
Total	<u>\$ 5,821,966</u>	<u>\$ 449,003</u>

School contributions subsequent to the measurement date of \$222,857 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,

2018	\$ 2,030,923
2019	2,064,604
2020	1,049,563
2021	<u>5,016</u>
Total	<u>\$ 5,150,106</u>

Actuarial Assumptions - The actuarial valuation as of December 31, 2015, determined the total pension liability using the following actuarial assumptions and other inputs. On November 18, 2016, PERA's governing board adopted revised economic and demographic assumptions, which were effective on December 31, 2016, and which were reflected in the roll-forward calculation of the total pension liability from December 31, 2015, to December 31, 2016, as follows:

BELLE CREEK CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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

	<u>Assumptions</u>	<u>Revised Assumptions</u>
Price inflation	2.8%	2.4%
Real wage growth	1.1%	1.1%
Wage inflation	3.9%	3.5%
Salary increases, including wage inflation	3.9% - 10.1%	3.5% - 9.7%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.5%	7.25%
Discount rate	7.5%	5.26%
Future post-retirement benefit increases:		
Hired prior to 1/1/07	2%	2%
Hired after 12/31/06	ad hoc	ad hoc

Mortality rates were based on the RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with males set back one year, and females set back two years. Active member mortality was adjusted to 55 percent of the base rate for males and 40 percent for females. For disabled retirees, the RP-2000 Disabled Retiree Mortality Table was used, set back two years.

The actuarial assumptions used in the December 31, 2015, valuation were based on the results of an actuarial experience study for the period January 1, 2008, through December 31, 2011, adopted by PERA's governing board on November 13, 2012, and an economic assumption study adopted by PERA's governing board on November 15, 2013, and January 17, 2014.

As a result of a 2016 experience analysis, revised economic and demographic actuarial assumptions were adopted by PERA's governing board on November 18, 2016, to more closely reflect PERA's actual experience. The revised assumptions reflected in the roll-forward of the total pension liability included healthy mortality assumptions for active members using the RP-2014 White Collar Employee Mortality Table. The mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates. For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The long-term expected rate of return on 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.

The most recent analysis of the long-term expected rate of return was adopted by PERA's governing board on November 18, 2016, and included the target allocation and best estimates of geometric real rates of return for each major asset class, as follows:

BELLE CREEK CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
U.S. Equity - Large Cap	21.20%	4.30%
U.S. Equity - Small Cap	7.42%	4.80%
Non U.S. Equity - Developed	18.55%	5.20%
Non U.S. Equity - Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income - Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	<u><u>100.00%</u></u>	

Discount Rate - The discount rate used to measure the total pension liability was 5.26%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and the employer contributions will be made at the rates specified in State statutes, which currently require annual increases, to a total of 20.15% of covered salaries for the year ended December 31, 2018. When the actuarially determined funding ratio reaches 103%, the employer contribution rate will decrease 0.5% each year, to a minimum of 10.15%.

Based on the assumptions described previously, the SDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate, defined as the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index, was used in the determination of the discount rate. The long-term expected rate of return of 7.25% on plan investments was applied to all periods through 2041, and the municipal bond index rate was applied to periods after 2041 to develop the discount rate. On the measurement date of December 31, 2016, the municipal bond index rate was 3.86%, resulting in a discount rate of 5.26%. The discount rate at the prior measurement date was 7.5%.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 5.26%, as well as the School's proportionate share of the net pension liability if it were calculated using a discount rate that is one percentage point lower (4.26%) or one percentage point higher (6.26%) than the current rate, as follows:

BELLE CREEK CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
 June 30, 2017

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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

	1% Decrease (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
Proportionate share of the net pension liability	<u>\$ 18,911,198</u>	<u>\$ 15,039,110</u>	<u>\$ 11,885,435</u>

Pension Plan Fiduciary Net Position - Detailed information about the SDTF's fiduciary net position is available in PERA's separately issued financial report, which may be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 7: POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description - The School contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by PERA. The HCTF provides a health care premium subsidy to PERA benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained as described previously.

Funding Policy - The School is required to contribute at a rate of 1.02% of covered salaries for all PERA participants. No employee contributions are required. The contribution requirements for the School are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The School's apportionment to the HCTF for the years ended June 30, 2017, 2016 and 2015 was \$24,079, \$23,935 and \$23,118, respectively, equal to the required amounts for each year.

NOTE 8: 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, 2017, 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.

BELLE CREEK CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
June 30, 2017

NOTE 8: **COMMITMENTS AND CONTINGENCIES** (Continued)

Special Education

The School is required by its charter contract with the District to establish a special education reserve equal to \$2,000 per special education pupil enrolled at the School. At June 30, 2017, this reserve, in the amount of \$90,000, was reported as restricted fund balance in the General Fund.

Tabor Amendment

In November 1992, Colorado voters approved the Tabor Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The Amendment is subject to many interpretations, but the School believes it is in substantial compliance with the Amendment. In accordance with the Amendment, the School has established an emergency reserve representing 3% of qualifying expenditures. At June 30, 2017, the reserve was reported as restricted fund balance in the General Fund, in the amount of \$146,500.

REQUIRED SUPPLEMENTARY INFORMATION

BELLE CREEK CHARTER SCHOOL

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AND CONTRIBUTIONS

PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO SCHOOL DIVISION TRUST FUND

June 30, 2017

	<u>12/31/16</u>	<u>12/31/15</u>	<u>12/31/14</u>	<u>12/31/13</u>
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY				
School's Proportion of the Net Pension Liability	0.0505111076%	0.0528617935%	0.0547387321%	0.0550435906%
School's Proportionate Share of the Net Pension Liability	\$ 15,039,110	\$ 8,084,838	\$ 7,418,937	\$ 7,020,795
School's Covered Payroll	\$ 2,221,182	\$ 2,303,706	\$ 2,292,554	\$ 2,216,173
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	677%	351%	324%	317%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	43%	59%	63%	64%
	<u>6/30/17</u>	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/14</u>
SCHOOL CONTRIBUTIONS				
Statutorily Required Contribution	\$ 433,864	\$ 416,031	\$ 388,436	\$ 362,406
Contributions in Relation to the Statutorily Required Contribution	<u>(433,864)</u>	<u>(416,031)</u>	<u>(388,436)</u>	<u>(362,406)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered Payroll	\$ 2,360,708	\$ 2,346,582	\$ 2,300,460	\$ 2,267,473
Contributions as a Percentage of Covered Payroll	18.38%	17.73%	16.89%	15.98%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

See the accompanying Independent Auditors' Report.

BELLE CREEK CHARTER SCHOOL

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Per Pupil Revenue	\$ 4,751,412	\$ 4,453,165	\$ 4,450,622	\$ (2,543)
District Mill Levy	23,314	23,314	21,880	(1,434)
Student Fees	13,090	12,900	13,566	666
Contributions	1,400	19,270	40,558	21,288
Investment Income	4,750	11,000	14,605	3,605
Miscellaneous	4,072	4,072	8,965	4,893
Total Local Sources	4,798,038	4,523,721	4,550,196	26,475
State Sources				
Additional At-Risk Funding	-	-	3,141	3,141
Capital Construction	171,570	171,836	172,342	506
Grants	150,903	152,454	154,407	1,953
Total State Sources	322,473	324,290	329,890	5,600
Federal Sources				
Grants	64,200	64,280	71,441	7,161
TOTAL REVENUES	5,184,711	4,912,291	4,951,527	39,236
EXPENDITURES				
Salaries	2,581,367	2,574,645	2,493,379	81,266
Employee Benefits	1,028,523	1,027,376	1,024,191	3,185
Purchased Services	842,245	874,576	795,643	78,933
Supplies and Materials	121,963	90,565	99,804	(9,239)
Property	30,000	30,000	7,600	22,400
Other	18,400	18,250	4,987	13,263
Building Lease	576,700	576,700	571,320	5,380
Appropriated Reserves	1,724,987	1,572,926	-	1,572,926
TOTAL EXPENDITURES	6,924,185	6,765,038	4,996,924	1,768,114
NET CHANGE IN FUND BALANCE	(1,739,474)	(1,852,747)	(45,397)	1,807,350
FUND BALANCE, Beginning	1,739,474	1,852,747	1,852,747	-
FUND BALANCE, Ending	\$ -	\$ -	\$ 1,807,350	\$ 1,807,350

See the accompanying Independent Auditors' Report.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2017

NOTE 1: SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND CONTRIBUTIONS

The Public Employees' Retirement Association of Colorado School Division Trust Fund's net pension liability and associated amounts are measured annually at December 31, based on an actuarial valuation as of the previous December 31. The School's contributions and related ratios represent cash contributions and any related accruals that coincide with the School's fiscal year ending on June 30.

Changes in Assumptions and Other Inputs

For the year ended June 30, 2017, the total pension liability was determined by an actuarial valuation as of December 31, 2015. In addition, the following revised economic and demographic assumptions were effective as of December 31, 2016, and were reflected in the roll-forward procedures to determine the total pension liability at December 31, 2016.

- Investment rate of return assumption decreased from 7.5% per year, compounded annually, net of investment expenses, to 7.25%.
- Price inflation assumption decreased from 2.8% per year to 2.4%.
- Real rate of investment return assumption increased from 4.7% per year, net of investment expenses, to 4.85%.
- Wage inflation assumption decreased from 3.9% per year to 3.5%.
- Healthy and disabled mortality assumptions are based on the RP-2014 Mortality Tables, updated from the RP-2000 Mortality Tables.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The School is required by State statutes to adopt a budget on a basis consistent with generally accepted accounting principles. A budget is not required for the Agency Fund and is, therefore, not presented in the financial statements. The Education Center is not required to adopt a budget.

The School adheres to the following procedures to establish the budgetary information 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 appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
- All budgets lapse at the fiscal year end.

SUPPLEMENTARY INFORMATION

BELLE CREEK CHARTER SCHOOL

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
STUDENT ACTIVITY FUND
 Year Ended June 30, 2017

	<u>BALANCE</u> 6/30/16	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCE</u> 6/30/17
ASSETS				
Cash and Investments	<u>\$ 29,238</u>	<u>\$ 65,203</u>	<u>\$ 60,516</u>	<u>\$ 33,925</u>
LIABILITIES				
Due to Student Groups	<u>\$ 29,238</u>	<u>\$ 65,203</u>	<u>\$ 60,516</u>	<u>\$ 33,925</u>

See the accompanying Independent Auditors' Report.