

**THOMAS MACLAREN STATE  
CHARTER SCHOOL**

FINANCIAL STATEMENTS  
With Independent Auditors' Report

For the Year Ended June 30, 2016

**THOMAS MACLAREN STATE CHARTER SCHOOL**  
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**JUNE 30, 2016**

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## INDEPENDENT AUDITORS' REPORT

To the Board of Directors  
Thomas MacLaren State Charter School

We have audited the accompanying financial statements of the governmental activities and each major fund of Thomas MacLaren State Charter School, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

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

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

### *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 of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Thomas MacLaren State Charter 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.

***Other-Matters***

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, and required supplementary information as 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 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.

*Hoelting & Company Inc.*

Colorado Springs, Colorado  
September 6, 2016

**THOMAS MACLAREN STATE CHARTER SCHOOL**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR FISCAL YEAR ENDED JUNE 30, 2016**

As management of Thomas MacLaren State Charter School (the School) we offer readers of the School's annual financial report this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2016. Readers are encouraged to consider the information presented here in conjunction with the annual financial report.

**FINANCIAL HIGHLIGHTS**

- Liabilities and deferred inflows of the School exceeded its assets and deferred outflows by \$2,195,434 during the year resulting in a negative net position balance.
- Net pension liability at June 30, 2016 was \$4,057,024 which had a significant impact on the ending net position.
- Total assets increased \$410,715, which represents an 62.5 percent increase from 2015. This was primarily due to an increase in the School's cash accounts.
- As of the close of the current fiscal year, the School's general fund reported an ending fund balance surplus of \$883,421.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis serves as an introduction to the School's basic financial statements. The School's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains required and other supplementary information in addition 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 as a whole, in a manner similar to a private-sector business and include two statements:

The *statement of net position* presents information on all of the School's assets, deferred outflows, liabilities, and deferred inflows, with the difference 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 reporting how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. Accrued interest expense is an example of this type of item.

Both government-wide financial statements distinguish functions of the School that are principally supported by intergovernmental revenues (governmental activities) from other functions that are intended

to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the School include costs of running a sixth through twelfth grade charter school.

### **Fund Financial Statements**

A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The fund financial statements provide more detailed information about the School's operations, focusing on its most significant funds, not the School as a whole. The School has a general fund, which is a governmental fund.

Governmental Funds: The School's basic services are included in this governmental fund, which focuses on (1) how money flows into and out of the fund and (2) the balances left at year-end that are available for spending or reserves. Consequently, the governmental fund statements provide a detailed short-term view that helps determine the status of financial resources that can be spent in the near future to finance the School's programs.

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. Thus, readers may better understand the long-term impact of the School's near-term financing decisions. To facilitate this comparison between governmental funds and governmental activities, reconciliations are provided for both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balance.

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

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

### **Required Supplementary Information**

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the School. The School adopts an annual appropriated budget for the general fund. A budgetary comparison schedule has been provided to demonstrate compliance with the budget. Two schedules have also been included to report certain pension information.

### **GOVERNMENT-WIDE FINANCIAL ANALYSIS**

As noted earlier, net position may serve over time as a useful indicator of the School's financial position. In the case of the School, total liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$2,195,434 as of June 30, 2016 resulting in a negative net position. \$12,337 are the school's investment in capital assets. \$89,200 of these funds are restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. The remaining deficit of \$2,296,971 is unrestricted.

**Condensed Statement of Net Position**

	2016	2015
Current and other assets	\$ 1,055,235	\$ 648,722
Capital assets	12,337	8,135
Total assets	<u>1,067,572</u>	<u>656,857</u>
Deferred outflows of resources	<u>1,428,875</u>	<u>72,191</u>
Total deferred outflows of resources	<u>1,428,875</u>	<u>72,191</u>
Current liabilities	171,814	152,852
Noncurrent liabilities	<u>4,377,047</u>	<u>3,139,179</u>
Total liabilities	<u>4,548,861</u>	<u>3,292,031</u>
Deferred inflows of resources	<u>143,020</u>	<u>234</u>
Total deferred inflows of resources	<u>143,020</u>	<u>234</u>
Net position:		
Investment in capital assets	12,337	8,135
Restricted	89,200	73,900
Unrestricted	<u>(2,296,971)</u>	<u>(2,645,252)</u>
Total net position	<u>\$ (2,195,434)</u>	<u>\$ (2,563,217)</u>

## Condensed Statement of Activities

	2016	2015
Revenues:		
General revenues:		
Per pupil revenue	\$ 2,719,778	\$ 2,286,086
Other	1,863	2,805
Program revenue:		
Charges for services	97,518	117,511
Operating grants and contributions	247,031	214,020
Capital grants and contributions	101,328	58,067
Total revenues	<u>3,167,518</u>	<u>2,678,489</u>
Expenses:		
Instruction	2,113,507	1,698,172
Support services	1,207,823	1,019,183
Total expenses	<u>3,321,330</u>	<u>2,717,355</u>
Change in net position	(153,812)	(38,866)
Net position, beginning, as originally stated	(2,563,217)	270,945
Prior period adjustment	521,595	(2,795,296)
Net position, beginning, as restated (deficit)	<u>(2,041,622)</u>	<u>(2,524,351)</u>
Net position, ending (deficit)	<u>\$ (2,195,434)</u>	<u>\$ (2,563,217)</u>

## ANALYSIS OF THE SCHOOL'S FUNDS

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

The general fund is the operating fund of the School. The fund balance for the general fund was a surplus of \$883,421 at the end of the current fiscal year.

## BUDGETARY HIGHLIGHTS

The School's budget is prepared in accordance with state law. During the year the School amended its budget primarily to reflect the following changes:

- Decreases in per pupil revenues of \$48,244.
- Increase in various expenditures of \$87,140.

## **CAPITAL ASSETS AND DEBT ADMINISTRATION**

### **Capital Assets**

Capital assets include all capital outlays related to capital assets at the school at 303 Austin Bluffs. The School's investment in capital assets for its governmental activities at the end of the year was \$12,337. There were no significant asset purchases during the year.

### **Debt Administration**

At the end of current fiscal year, the School had no debt outstanding.

## **ECONOMIC FACTORS**

- The primary factor driving the School's budget is student enrollment. Enrollment for the 2015-2016 school year was 392 students. Projected enrollment for the 2016-2017 school year is 455 students. The waitlist totaled 56 students as of August 1, 2016.
- After several years of seeing decreases in the Per Pupil Revenue rate (PPR), state funding for K-12 education has improved. The School's PPR for 2015-16 was \$6,940.04, an increase of 0.07% over the 2014-2015 PPR. The School's PPR for 2016-17 is projected at \$7,100— an increase of 2.3%.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Angie Stattman, Thomas MacLaren State Charter School, 303 Austin Bluffs Parkway, Colorado Springs, CO 80918.

## **BASIC FINANCIAL STATEMENTS**

**THOMAS MACLAREN STATE CHARTER SCHOOL**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2016**

**ASSETS**

Cash	\$ 899,598
Intergovernmental receivable	42,343
Other receivables	695
Deposits	100,000
Prepaid expense	12,599
Capital assets not being depreciated	8,269
Capital assets, net of accumulated depreciation	<u>4,068</u>
 Total Assets	 <u>1,067,572</u>

**DEFERRED OUTFLOWS OF RESOURCES**

Deferred pension outflows	<u>1,428,875</u>
 Total Deferred Outflows of Resources	 <u>1,428,875</u>

**LIABILITIES**

Accounts payable	42,461
Accrued salaries and benefits	128,360
Unearned revenue	993
Noncurrent liabilities:	
Due in more than one year	
Net pension liability	<u>4,377,047</u>
 Total Liabilities	 <u>4,548,861</u>

**DEFERRED INFLOWS OF RESOURCES**

Deferred pension outflows	<u>143,020</u>
 Total Deferred Inflows of Resources	 <u>143,020</u>

**NET POSITION**

Investment in capital assets	12,337
Restricted for TABOR	89,200
Unrestricted	<u>(2,296,971)</u>
 Total Net Position (deficit)	 <u><u>\$ (2,195,434)</u></u>

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

**THOMAS MACLAREN STATE CHARTER SCHOOL  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

Functions/Programs	Expenses	Program Revenues			Net Program Expense
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:					
Instruction	\$ 2,113,507	\$ 97,518	\$ 247,031	\$ -	\$ (1,768,958)
Student support	71,615	-	-	-	(71,615)
Instructional staff	1,173	-	-	-	(1,173)
General administration	51,255	-	-	-	(51,255)
School administration	677,771	-	-	-	(677,771)
Business services	9,758	-	-	-	(9,758)
Maintenance and operations	283,543	-	-	101,328	(182,215)
Central services	112,708	-	-	-	(112,708)
<b>Total governmental activities</b>	<b>\$ 3,321,330</b>	<b>\$ 97,518</b>	<b>\$ 247,031</b>	<b>\$ 101,328</b>	<b>(2,875,453)</b>
General Revenues:					
Per pupil revenue					2,719,778
Investment income					215
Other income					1,648
Total general revenues					<u>2,721,641</u>
Change in net position					<u>(153,812)</u>
Net position, beginning, as originally stated					(2,563,217)
Prior period adjustment					<u>521,595</u>
Net position, beginning, as restated (deficit)					<u>(2,041,622)</u>
Net position, ending (deficit)					<u><u>\$ (2,195,434)</u></u>

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

**THOMAS MACLAREN STATE CHARTER SCHOOL  
BALANCE SHEET  
GENERAL FUND  
JUNE 30, 2016**

**ASSETS**

Cash	\$ 899,598
Intergovernmental receivable	42,343
Other receivables	695
Deposits	100,000
Prepaid expenses	<u>12,599</u>
 Total Assets	 <u><u>\$ 1,055,235</u></u>

**LIABILITIES**

Accounts payable	\$ 42,461
Accrued salaries and benefits	128,360
Unearned revenue	<u>993</u>
 Total Liabilities	 <u>171,814</u>

**FUND BALANCE**

Nonspendable	12,599
Restricted for TABOR	89,200
Unassigned	<u>781,622</u>
 Total Fund Balance	 <u>883,421</u>

Total Liabilities and Fund Balance	<u><u>\$ 1,055,235</u></u>
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The accompanying notes are an integral part of these financial statements.

**THOMAS MACLAREN STATE CHARTER SCHOOL  
RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2016**

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Total Fund Balance of Governmental Funds	\$ 883,421
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.	12,337
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred outflows of resources.	1,428,875
Net pension liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	(4,377,047)
Other long-term liabilities are not due and payable in the current period and, therefore, are reported as deferred inflows of resources.	<u>(143,020)</u>
Net Position of Governmental Activities	<u><u>\$ (2,195,434)</u></u>

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

**THOMAS MACLAREN STATE CHARTER SCHOOL**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

<b>REVENUES</b>	
Local sources	\$ 264,636
State sources	2,893,672
Federal sources	<u>9,210</u>
Total revenues	<u>3,167,518</u>
<b>EXPENDITURES</b>	
Instruction	1,703,462
Student support	68,912
Instructional staff	1,173
General administration	51,255
School administration	549,156
Business services	9,758
Maintenance and operations	283,543
Central service	<u>112,708</u>
Total expenditures	<u>2,779,967</u>
Net change in fund balance	387,551
Fund balance, beginning	<u>495,870</u>
Fund balance, ending	<u><u>\$ 883,421</u></u>

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

**THOMAS MACLAREN STATE CHARTER SCHOOL  
RECONCILIATION OF THE STATEMENT OF  
REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE TO THE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2016**

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

Net Change in Fund Balance of Governmental Funds	\$	387,551
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.</p>		
		4,202
<p>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 the governmental funds.</p>		
		<u>(545,565)</u>
Change in Net Position of Governmental Activities	\$	<u><u>(153,812)</u></u>

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

## **NOTES TO FINANCIAL STATEMENTS**

**THOMAS MACLAREN STATE CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

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

Thomas MacLaren State Charter School (the School) was organized pursuant to the Colorado Charter Schools Act on July 11, 2007 to form and operate a charter school under the oversight of the Colorado Charter School Institute (CSI). The School began admitting students in the Fall of 2009. The School receives its State funding from CSI. The current charter runs through June 30, 2019 and may be renewed for an additional period by mutual agreement of the School and CSI.

The financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) 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. The more significant accounting policies of the School are described below.

*A. REPORTING ENTITY*

The financial reporting entity consists of the School and organizations for which the School is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the School. In addition, any 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 on the application of these criteria, the School does not include additional organizations within its reporting entity.

*B. BASIS OF PRESENTATION—GOVERNMENT-WIDE FINANCIAL STATEMENTS*

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds.

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government. Governmental activities are normally supported by taxes, intergovernmental revenues, and other nonexchange transactions. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

*C. BASIS OF PRESENTATION—FUND FINANCIAL STATEMENTS*

The accounts of the School are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements.

The School reports the following major governmental fund:

The *General Fund* is the general operating fund of the School. It is used to account for all financial resources except those required to be accounted for in another fund.

**THOMAS MACLAREN STATE CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

*D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING*

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants recognize revenue when the qualifying expenditures have been incurred and all other grant requirements have been met, and the amount is received during the period or within the availability period of this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

*E. ASSET, LIABILITIES, AND NET POSITION/FUND BALANCE*

*Cash and cash equivalents*

Cash and cash equivalents include cash on hand and in the bank and short-term investments with original maturities of three months or less from the date of acquisition.

*Investments*

Investments are stated at fair value.

*Receivables*

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

**THOMAS MACLAREN STATE CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

*E. ASSET, LIABILITIES, AND NET POSITION/FUND BALANCE (CONTINUED)*

*Prepaid expenses*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

*Capital Assets*

Capital assets, which include furniture and equipment, are reported in the government-wide financial statements. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend asset lives, are not capitalized. Improvements are capitalized and are depreciated over the remaining useful lives of the related capital assets, as applicable.

Furniture and equipment of the School are depreciated using the straight-line method over the following estimated useful lives:

Furniture and equipment	7 years
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When depreciable property is acquired, depreciation is included in expense for the year of acquisition for the number of months during the year the asset was in service. When depreciable property is retired or otherwise disposed of, depreciation is included in expense for the number of months in service during the year of retirement and the related costs and accumulated depreciation are removed from the accounts with any gain or loss reflected in the statement of revenue, expenses and changes in fund net position.

*Pensions*

Thomas MacLaren State Charter 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.

**THOMAS MACLAREN STATE CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

*E. ASSET, LIABILITIES, AND NET POSITION/FUND BALANCE (CONTINUED)*

*Deferred outflows/inflows of resources*

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, 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.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, 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.

*Net position flow assumption*

The School may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted—net position and unrestricted—net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School's policy to consider restricted—net position to have been depleted before unrestricted—net position is applied.

*Fund Balance Classification*

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the School is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications available to be used in the governmental fund financial statements are as follows:

**Nonspendable** – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

**Restricted** – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

**Committed** – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action that was used when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

**THOMAS MACLAREN STATE CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

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

*E. ASSET, LIABILITIES, AND NET POSITION/FUND BALANCE (CONTINUED)*

*Fund Balance Classification (Continued)*

Assigned – This classification includes amounts that are constrained by the School’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to management through the budgetary process. This classification also includes the remaining positive fund balance for any governmental funds except for the General Fund.

Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The School would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

*F. REVENUES AND EXPENDITURES/EXPENSES*

*Program revenues*

Amounts reported as *program revenues* include 1) fees and charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Revenues that are not classified as program revenues, including all taxes, are reported as *general revenues*.

*Compensated Absences*

The School’s employees accrue paid time off during the year for personal needs and illness. Accrued paid time off is not paid upon termination of employment. Up to five days may be rolled into the following year which may only be used for medical absences. Accumulated paid time off at June 30, 2016 is not considered to be material to the financial statements. As a result, a liability for unused paid time off is not recorded in the financial statements.

*G. ESTIMATES*

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**THOMAS MACLAREN STATE CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

*BUDGET INFORMATION*

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

Budgets are required by Colorado State Statutes for all funds. Prior to the fiscal year end, management submits to the Board of Directors a proposed budget for all funds for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. Prior to June 30, the budget is adopted by formal resolution.

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

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

Appropriations are based on total funds expected to be available in each budget year, including beginning fund balances and reserves as established by the Board of Directors. Variances between budget and actual are results from the non-expenditure of reserves, nonoccurrence of anticipated events, and normal operating variances.

The Board of Directors may authorize supplemental appropriations during the year. For budgetary management purposes, funds are appropriated for capital outlays.

**NOTE 3 - DEPOSITS AND INVESTMENTS**

*Cash deposits with financial institutions*

*Custodial credit risk—deposits.* Colorado State Statutes govern the entity's deposit of cash. The Public Deposit Protection Acts for banks and savings and loans require the state regulators to certify eligible depositories for public deposits. The acts require the eligible depositories with public deposits in excess of the federal insurance levels to create a single institution collateral pool of defined eligible assets. Eligible collateral includes obligations of the United States, obligations of the State of Colorado or local Colorado governments and obligations secured by first lien mortgages on real property located in the State. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the assets in the pool must be at least equal to 102% of the uninsured deposits.

At June 30, 2016, the carrying amount of the School's deposits was \$899,598 and the bank balances were \$918,855. Of the total bank balance, \$250,000 was covered by FDIC insurance and \$668,855 was uninsured, but collateralized in accordance with the provisions of the Colorado Public Deposit Protection Act (PDPA). The collateral is pooled and held in a trust for all uninsured deposits as a group.

**THOMAS MACLAREN STATE CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 3 - DEPOSITS AND INVESTMENTS**

*Investments*

The School is required to comply with State statutes that 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 investments to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years. State statutes do not address custodial risk.

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

The School had no investments as of June 30, 2016.

**THOMAS MACLAREN STATE CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 4 - CAPITAL ASSETS**

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

	Beginning <u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	Ending <u>Balance</u>
Capital assets, not being depreciated:				
Construction in Progress	\$ <u>          -</u>	\$ <u>    8,269</u>	\$ <u>          -</u>	\$ <u>    8,269</u>
Capital assets, being depreciated:				
Equipment	<u>    28,470</u>	<u>          -</u>	<u>          -</u>	<u>    28,470</u>
Total capital assets, being depreciated	28,470	-	-	28,470
Less accumulated depreciation	<u>  (20,335)</u>	<u>  (4,067)</u>	<u>          -</u>	<u>  (24,402)</u>
Total capital assets being depreciated, net	<u>    8,135</u>	<u>  (4,067)</u>	<u>          -</u>	<u>    4,068</u>
Total capital assets, net	<u>\$    8,135</u>	<u>\$    4,202</u>	<u>\$          -</u>	<u>\$   12,337</u>

*Depreciation expense was charged to functions/programs of as follows:*

Instruction	\$ <u>    4,067</u>
Total	\$ <u>    4,067</u>

**THOMAS MACLAREN STATE CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 5 - DEFINED BENEFIT PENSION PLAN**

*General Information about the Pension Plan*

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

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

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

**THOMAS MACLAREN STATE CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 5 - DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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

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

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

	For the Year Ended December 31, 2015	For the Year Ended December 31, 2016
Employer Contribution Rate	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)	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. §24-51-411	4.20%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. §24-51-411	4.00%	4.50%
Total Employer Contribution Rate to the SCHDTF	17.33%	18.13%

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 Thomas MacLaren State Charter School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from Thomas MacLaren State Charter School were \$244,561 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 Thomas MacLaren State Charter School reported a liability of \$4,377,047 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 Thomas MacLaren State Charter School proportion of the net pension liability was based on Thomas MacLaren State Charter School contributions to the SCHDTF for the calendar year 2015 relative to the total contributions of participating employers to the SCHDTF.

**THOMAS MACLAREN STATE CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 5 – DEFINED BENEFIT PENSION PLAN (CONTINUED)**

At December 31, 2015, the Thomas MacLaren State Charter School’s proportion was 0.0286188226 percent, which was an increase of 0.0054571928 from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the Thomas MacLaren State Charter School recognized pension expense of \$790,126. At June 30, 2016, the Thomas MacLaren State Charter School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 57,799	\$ 182
Changes of assumptions or other inputs	-	61,855
Net difference between projected and actual earnings on pension plan investments	372,172	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	871,316	80,982
Contributions subsequent to the measurement date	127,588	N/A
Total	\$ 1,428,875	\$ 143,020

\$127,588 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	\$ 452,049
2018	405,145
2019	224,754
2020	76,319

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

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

**THOMAS MACLAREN STATE CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 5 – DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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

The actuarial assumptions used in the December 31, 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 actuarial valuation as follows:

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

**THOMAS MACLAREN STATE CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 5 – DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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

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

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

**THOMAS MACLAREN STATE CHARTER SCHOOL**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2016**

**NOTE 5 – DEFINED BENEFIT PENSION PLAN (CONTINUED)**

*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.
- 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.

**THOMAS MACLAREN STATE CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 5 – DEFINED BENEFIT PENSION PLAN (CONTINUED)**

*Sensitivity of the Thomas MacLaren State Charter School proportionate share of the net pension liability to changes in the discount rate.* The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 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	\$ 5,673,932	\$ 4,377,047	\$ 3,298,280

*Pension plan fiduciary net position.* Detailed information about the SCHDTF’s fiduciary net position is available in PERA’s comprehensive annual financial report which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**NOTE 6 - POSTEMPLOYMENT HEALTHCARE BENEFITS**

*Health Care Trust Fund*

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

*Funding policy.* The Thomas MacLaren State Charter School is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Thomas MacLaren State Charter 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 Thomas MacLaren State Charter School contributions to the HCTF were \$14,063, 11,337, and \$8,525 respectively, equal to the required contributions for each year

**THOMAS MACLAREN STATE CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 7 - RISK MANAGEMENT**

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The School carries commercial insurance for these risks of loss, including worker's compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the last three fiscal years.

**NOTE 8 - CONCENTRATION OF RISK**

*Charter School Institute*

The School is funded directly by the Charter School Institute (CSI) based on the CSI's per pupil funding. For the fiscal year ended June 30, 2016, this funding along with pass-through grant funding accounted for approximately 92% of the School's revenues.

**NOTE 9 - COMMITMENTS AND CONTINGENCIES**

*LEASE COMMITMENT*

In May 2016, the School entered into a lease agreement with The Pulpit Rock Church to utilize a portion of their building for classrooms. The agreement requires monthly lease payments of \$19,583 through June 30, 2017, with the option to extend the lease for an additional year.

Future minimum lease payments are as follows:

Fiscal Year <u>Ending June 30</u>	
2017	<u>235,000</u>
Total	<u>\$ 235,000</u>

*GRANTS*

The School has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursement to grantor agencies for expenditures disallowed under terms of the grant. However, in the opinion of the School, any such adjustments will not have a material adverse effect on the financial position of the School.

**THOMAS MACLAREN STATE CHARTER SCHOOL  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2016**

**NOTE 10 - AMENDMENT TO COLORADO CONSTITUTION**

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities and other specific requirements of state and local governments.

The amendment requires emergency reserves be established. These reserves must be at least 3% of fiscal year spending. The School is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary and benefit increases. At June 30, 2016 there was a \$89,200 reservation of fund balance in the General Fund for the amendment.

The Amendment is complex and subject to judicial interpretation. The School believes it is in compliance with the requirements of the amendment. However, the School has made certain interpretations of the amendment's language in order to determine its compliance.

**NOTE 11 - COMPLIANCE**

The School has complied with the requirements of the Financial Policies and Procedures Handbook for the 2016 audit period as required by Colorado Statute CRS 22-44-204(3).

**NOTE 12 – PRIOR PERIOD ADJUSTMENT**

During the year, it was determined that pension contributions subsequent to the measurement date and other pension outflows totaling \$521,595 were not included in deferred outflows. To correct this oversight, the beginning net position for governmental activities of a deficit \$2,563,217, as originally reported, has been decreased to a deficit \$2,041,622.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**THOMAS MACLAREN STATE CHARTER SCHOOL**  
**SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY AND COVERED PAYROLL**  
**JUNE 30, 2016**

	<u>2013</u>	<u>2014</u>	<u>2015</u>
School's proportion of the net pension liability (asset)	0.0186231385%	0.0231616298%	0.0286188226%
School's proportionate share of the net pension liability (asset)	\$ 2,375,376	\$ 3,139,179	\$ 4,377,047
School's covered-employee payroll	\$ 750,758	\$ 970,306	\$ 1,247,202
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	316.40%	323.52%	350.95%
Plan fiduciary net position as a percentage of the total pension liability	64.1%	62.8%	59.2%

\* The amounts presented for each fiscal year were determined as of 12/31.

\* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

**THOMAS MACLAREN STATE CHARTER SCHOOL**  
**SCHEDULE OF EMPLOYER'S STATUTORY PAYROLL CONTRIBUTIONS AND COVERED PAYROLL**  
**JUNE 30, 2016**

	<u>2013</u>	<u>2014</u>	<u>2015</u>
Contractually required contribution	\$ 116,593	\$ 159,421	\$ 216,140
Contributions in relation to the contractually required contribution	<u>(116,593)</u>	<u>(159,421)</u>	<u>(216,140)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered-employee payroll	\$ 750,758	\$ 970,306	\$ 1,247,202
Contributions as a percentage of covered-employee payroll	15.53%	16.43%	17.33%

\* The amounts presented for each fiscal year were determined as of 12/31.

\* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

**THOMAS MACLAREN STATE CHARTER SCHOOL**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE**  
**BUDGET AND ACTUAL**  
**GENERAL FUND**  
**FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Local sources				
Fees	\$ 65,756	\$ 72,336	\$ 74,840	\$ 2,504
Pupil activities	165,776	165,776	187,933	22,157
Other	6,500	6,500	1,863	(4,637)
Total local sources	<u>238,032</u>	<u>244,612</u>	<u>264,636</u>	<u>20,024</u>
State sources				
Per pupil revenue	2,749,912	2,701,668	2,719,778	18,110
Capital construction funding	99,750	105,676	101,329	(4,347)
Other	40,610	43,509	72,565	29,056
Total state sources	<u>2,890,272</u>	<u>2,850,853</u>	<u>2,893,672</u>	<u>42,819</u>
Federal sources				
Total federal sources	<u>6,250</u>	<u>9,210</u>	<u>9,210</u>	<u>-</u>
Total revenues	<u>3,134,554</u>	<u>3,104,675</u>	<u>3,167,518</u>	<u>62,843</u>
<b>EXPENDITURES</b>				
Instruction	1,604,393	1,694,273	1,703,462	(9,189)
Student support	68,669	74,429	68,912	5,517
Instructional staff	1,040	2,000	1,173	827
General administration	92,122	94,550	51,255	43,295
School administration	607,464	616,364	549,156	67,208
Business services	7,340	9,510	9,758	(248)
Maintenance and operations	288,000	290,360	283,543	6,817
Central services	102,576	159,758	112,708	47,050
Emergency reserve	82,500	-	-	-
Total expenditures	<u>2,854,104</u>	<u>2,941,244</u>	<u>2,779,967</u>	<u>161,277</u>
Net change in fund balance	280,450	163,431	387,551	224,120
Fund balance, beginning	411,341	495,870	495,870	-
Fund balance, ending	<u>\$ 691,791</u>	<u>\$ 659,301</u>	<u>\$ 883,421</u>	<u>\$ 224,120</u>

See the accompanying independent auditors' report.