TWO RIVERS COMMUNITY SCHOOL

BASIC FINANCIAL STATEMENTS

June 30, 2016

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Board of Directors
Two Rivers Community School
Glenwood Springs, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of Two Rivers Community School, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the 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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 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 Two Rivers Community School, as of June 30, 2016, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, schedule of the school's proportionate share, and schedule of the school's contributions on pages 25-27 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

John Cutler & Associates, LLC

October 13, 2016

Two Rivers Community School
Management's Discussion and Analysis
For the year ended in June 30, 2016

As management of Two Rivers Community School (TRCS) we offer readers this narrative as an overview and analysis of the basic financial statements and financial activities of TRCS for the fiscal year ended June 30, 2016.

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to Two Rivers Community School's basic financial statements. Two Rivers Community 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 Two Rivers Community School, in a manner similar to a private-sector business.

The statement of net position presents information on all of Two Rivers Community School's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Two Rivers Community School is improving or deteriorating.

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

The government-wide statement of activities distinguishes functions/programs of Two Rivers Community School supported primarily by Per Pupil Operating Revenue or other revenues passed through from the Charter School Institute. The governmental activities of Two Rivers Community School include instruction and supporting services.

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

Financial Highlights

The year ended June 30, 2016 is the third year of operations for TRCS, and the second year of operations using per-pupil as the main source of revenue. As of June 30, 2016, net position decreased to ($385,954) based on the implementation of new regulations under the Governmental Accounting Standards Board Statement (GASB) Number 68. Further information about GASB 68 is provided in Note 7 of the financial statements.

At the close of the fiscal year Two Rivers Community School governmental funds reported a combined ending fund balance of $477,989, an increase of $302,115 added to $175,874 from the prior year. The total fund balance represents 23.26% of the total revenues for SY15-16. This unassigned fund balance is aligned with the school's goals to keep cash on hand for its finance obligations during building plans.

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. Two Rivers Community School, like other governmental units or schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Two Rivers Community School are governmental funds.

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

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

Two Rivers Community School maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, which is the one governmental fund.

Two Rivers Community School adopts an annual appropriated budget for its funds. Budgetary comparison statements have been provided for the funds to demonstrate compliance with the budget.

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The basic governmental fund financial statements can be found on pages 3-5 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This information is provided in pages 6-24 of this report.

Other information

A budgetary comparison schedule for the General Fund can be found on page 25 of this report.

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 Two Rivers Community School, liabilities exceeded assets mainly due to the new pension liability-reporting requirement under GASB 68. The school's net position of ($385,954) in FY 2015-2016 changed from ($80,691) in FY 2014-2015.

Two Rivers Community School's Net Position

	Governmental Activities	
	June 30, 2016	June 30, 2015
ASSETS		
Cash in the bank	$ 500,816	$ 174,240
Accounts Receivable	33,287	54,100
Prepaid Expenses		14,520
Capital Assets, Non Depreciated	22,806	
Capital Assets, Depreciated	227,330	298,742
Rent Deposit	31,300	31,300
Total Assets	**815,539**	**572,902**
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	1,416,398	1,392,353
LIABILITIES		
Accounts Payable	8,856	234
Line of Credit	20,981	27,191
Unearned Revenue	4,567	4,350
Accrued Salaries & Benefits	53,010	66,511
Non-current liabilities due in one year	47,968	46,413
Non-current liabilities due in More than one year	109,336	157,252
Noncurrent Liability – Net Pension Liability	2,340,008	1,743,898
Total Liabilities	**2,584,726**	**2,045,849**
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	33,165	97
NET POSITION		
Net Investment in Capital Assets	70,026	95,077
Restricted for Emergencies	55,500	43,000
Unrestricted	(511,480)	(218,768)
Total Net Position	**$ (385,954)**	**$ (80,691)**

The largest portion of Two Rivers Community School's assets is in cash at 61% of total assets, a change of $326,576 from the previous year. The second largest portion is capital assets, depreciated, net of accumulated depreciation at 28% of total assets.

Two Rivers Community School's Change in Net Position
Governmental Activities

	June 30, 2015	June 30, 2016
Program Revenue:		
Charges for Services	104,639	168,257
Operating Grants and Contributions	351,480	349,251
Capital Grants and Contributions	27,696	52,629
Total Program Revenue	483,815	570,137
General Revenue:		
Per Pupil Revenue	1,144,891	1,484,424
Interest/Miscellaneous	3	292
Total General Revenue	1,144,894	1,484,716
Total Revenue	1,628,709	2,054,853
Expenses:		
Current:		
Instruction	938,096	1,010,393
Supporting Services	743,467	1,343,649
Interests on long term debt	4,252	6,074
Total Expenses	1,685,815	2,360,116
Increase/(Decrease) in Net Position	(57,106)	(305,263)
Net Position, Beginning - RESTATED	(23,585)	(80,691)
Net Position, Ending	$ (80,691)	$(385,954)

The largest portion of Two Rivers Community School's revenues came from per pupil revenue – 72% in 2016.

Financial Analysis of the Government's Funds
As noted earlier, Two Rivers Community School uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds. The focus of Two Rivers Community School's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing Two Rivers Community School's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the School's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the School's General Fund reported an ending fund balance of $477,989, an increase from $175,874 from the previous year. This increase is greatly significant since the school was able to retain a little over 23% of its total revenues with previous fund balance combined.

General Fund Budgetary Highlights

The School approves a final budget in June based on enrollment projections for the school year. Before January, after enrollment stabilizes, adjustments are made to the budget. At year-end, the school had some variances between the original budget and actual activities. On the revenue side, the school recognized $16,946 more than expected revenues from the revised budget, and $182,444 less in expenditures. This was the result of the school's ability to raise funds through local fundraising and grants, save cash by carefully spending the Colorado Charter School Program (CCSP) startup grant, and by keeping close accounting on all school expenses and revenues.

One budget amendment was made during the 2015-2016 school year on January 25th, 2016.

Capital Assets & Long-Term Debt

Two Rivers Community School has capital assets in leasehold improvements and machinery and equipment (two school buses) in the amount in the amount of $227,330. Two Rivers Community School had long-term debt with balance of $157,304 as of June 30, 2016.

Economic Factors and Next Year's Budget

The primary factor driving the budget for Two Rivers Community School is student enrollment. Enrollment for the 2015-16 school year was 212-pupil count, 203.6 funded pupils. This information was analyzed as part of the 2016-2017budget, which is projecting a 228 funded student count including 20 students in kindergarten funded at less then 1 PPR. Two Rivers Community School will utilize all non-restrictive funds to keep as cash on hand to meet the requirements of the bonds issued and lent to the school to purchase, build, and remodel the current facility.

Requests for Information

This financial report is designed to provide a general overview of Two Rivers Community 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 the school:

Two Rivers Community School
Director of Business and Outreach
P.O. Box 188
Glenwood Springs, CO. 81602

BASIC FINANCIAL STATEMENTS

TWO RIVERS COMMUNITY SCHOOL

STATEMENT OF NET POSITION
As of June 30, 2016

	Governmental Activities	
	2016	2015
ASSETS		
Cash and Investments	$ 500,816	$ 174,240
Accounts Receivable	33,287	54,100
Prepaid Expenses	-	14,520
Deposits	31,300	31,300
Capital Assets, Not Depreciated	22,806	-
Capital Assets, Depreciated, Net of Accumulated Depreciation	227,330	298,742
TOTAL ASSETS	815,539	572,902
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	1,416,398	1,392,353
LIABILITIES		
Accounts Payable	8,856	234
Accrued Salaries and Benefits	53,010	66,511
Line of Credit	20,981	27,191
Unearned Revenue	4,567	4,350
Noncurrent Liabilities		
Due in One Year	47,968	46,413
Due in More than One Year	109,336	157,252
Net Pension Liability	2,340,008	1,743,898
TOTAL LIABILITIES	2,584,726	2,045,849
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	33,165	97
NET POSITION		
Net Investment in Capital Assets	70,026	95,077
Restricted for Emergencies	55,500	43,000
Unrestricted	(511,480)	(218,768)
TOTAL NET POSITION	$ (385,954)	$ (80,691)

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

TWO RIVERS COMMUNITY SCHOOL

STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

		PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION	
					Governmental Activities	
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2016	2015
PRIMARY GOVERNMENT						
Governmental Activities						
Instructional	$ 1,010,393	$ -	$ 266,994	$ -	$ (743,399)	$ (698,591)
Supporting Services	1,343,649	168,257	82,257	52,629	(1,040,506)	(499,157)
Interest on Long-Term Debt	6,074	-	-	-	(6,074)	(4,252)
Total Governmental Activities	$ 2,360,116	$ 168,257	$ 349,251	$ 52,629	(1,789,979)	(1,202,000)
GENERAL REVENUES						
Per Pupil Revenue					1,484,424	1,144,891
Miscellaneous					292	3
TOTAL GENERAL REVENUES					1,484,716	1,144,894
CHANGE IN NET POSITION					(305,263)	(57,106)
NET POSITION, Beginning					(80,691)	(23,585)
NET POSITION, Ending					$ (385,954)	$ (80,691)

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

TWO RIVERS COMMUNITY SCHOOL

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	TOTALS 2016	TOTALS 2015
ASSETS		
Cash and Investments	$ 500,816	$ 174,240
Accounts Receivable	33,287	54,100
Prepaid Expenditures	-	14,520
Deposits	31,300	31,300
TOTAL ASSETS	$ 565,403	$ 274,160
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	$ 8,856	$ 234
Accrued Salaries	53,010	66,511
Line of Credit	20,981	27,191
Unearned Revenues	4,567	4,350
TOTAL LIABILITIES	87,414	98,286
FUND BALANCES		
Nonspendable	31,300	45,820
Restricted for Emergencies	55,500	43,000
Unassigned	391,189	87,054
TOTAL FUND BALANCES	477,989	175,874
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.	250,136	298,742
Long-term liabilities and related assets are not due and payable in the current period and, therefore, are not reported in the funds. This is the loan payable.	(157,304)	(203,665)
Long-term liabilities and related assets are not due and payable in the current period and, therefore, are not reported in the funds. This liability includes net pension liability of ($2,340,008), deferred outflows relates to pension of $1,416,398, and deferred inflows related to pensions of ($33,165).	(956,775)	(351,642)
Net Position of governmental activities	$ (385,954)	$ (80,691)

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

TWO RIVERS COMMUNITY SCHOOL

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2016

	TOTALS	
	2016	2015
REVENUES		
Local Sources	$ 1,735,230	$ 1,361,508
State Sources	111,880	62,439
Federal Sources	207,743	204,762
TOTAL REVENUES	2,054,853	1,628,709
EXPENDITURES		
Current		
Instruction	678,676	678,676
Supporting Services	812,901	559,395
Capital Outlay	208,726	390,592
Debt Service		
Principal	46,361	26,335
Interest	6,074	4,252
TOTAL EXPENDITURES	1,752,738	1,659,250
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	302,115	(30,541)
OTHER FINANCING SOURCES (USES)		
Debt Proceeds	-	230,000
TOTAL OTHER FINANCING SOURCES (USES)	-	230,000
NET CHANGE IN FUND BALANCES	302,115	199,459
FUND BALANCES, Beginning	175,874	(23,585)
FUND BALANCES, Ending	$ 477,989	$ 175,874

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

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

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

Net change in fund balances - total governmental funds	$ 302,115
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation expense ($96,474), exceeds capital outlay $47,868 in the current year.	(48,606)
Repayment of long-term principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the amount of the principal payment for the year.	46,361
Deferred charges related to pensions are not recognized in the governmental funds. However, for the government-wide funds that amount is capitalized and amortized.	(605,133)
Change in net position of governmental activities	$ (305,263)

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

NOTE 1: *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*

Two Rivers Community School (the "School") was formed in 2013 pursuant to the Colorado Charter Schools Act to form and operate a charter school under the guidance of the Charter School Institute. The accounting policies of the School conform to generally accepted accounting principles as applicable to governmental units. Following is a summary of the more significant policies.

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.

The Two Rivers Building Corporation (the "Building Corporation") is considered to be financially accountable to the School. The purpose of the Building Corporation is to provide a mechanism to issue and pay debt on behalf of the School. The Corporation is considered to be part of the School for financial reporting purposes because its resources are entirely for the direct benefit of the Academy and is blended into the Academy's General Fund financial statements. Separate financial statements are not available for the Building Corporation.

Government-Wide and Fund Financial Statements

The School financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the School. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported in a single column.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 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 intergovernmental revenues not properly included among program revenues are reported instead as general revenues.

NOTE 1: ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*** (Continued)

Government-Wide and Fund Financial Statements (Continued)

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period, not to exceed 60 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Intergovernmental revenues, grants, 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. All other revenue items are considered to be measurable and available only when cash is received by the School.

Internally dedicated resources are reported as general revenues rather than as program revenues.

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

NOTE 1: ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*** (Continued)

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

The School reports the following major governmental funds:

General Fund – This 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.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and balance sheets will sometimes report a separate section for deferred outflows or resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position and fund balance 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 and balance sheets will sometimes report a separate section for deferred inflows or resources. This separate financial statement element, deferred inflow of resources, represents an acquisition of net position and fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Assets, Liabilities and Fund Balance/Net Position

Prepaid Expenses – Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses. An expenditure is reported in the year in which the services are consumed.

Capital Assets – Capital assets, which include leasehold improvements, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net position in the government-wide financial statements. Depreciation has been provided over the following estimated useful lives of the capital assets using the straight-line method: Leasehold improvements over 7 years.

NOTE 1: ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*** (Continued)

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

Long-term Debt – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are recognized in the current period. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. 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 on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

Unearned Revenue – Unearned revenues include grant funds that have been collected but the corresponding expenditures have not been incurred.

Net Position – The government-wide fund financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted. Investment in capital assets is intended to reflect the portion of net position which is associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost. Restricted net position is liquid assets, which have third party limitations on their use. Unrestricted net position represents assets that do not have any third party limitations on their use.

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 used in the governmental fund financial statements are as follows:

- Nonspendable – amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact. The School reports its deposits and prepaid amounts as nonspendable.

- 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. The School has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies.

NOTE 1: ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*** (Continued)

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

- 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 (ordinance or resolution) that was employed 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. The School did not have any committed resources as of June 30, 2016.

- 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 fund balances.

Compensated Absences

The School's policy allows employees to accumulate Paid Time Off (PTO) during the year. Upon termination of employment, no payment is made to the employee for accrued but unpaid PTO, therefore no liability has been recorded in the government-wide financial statements.

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 purchases commercial insurance for these risks of loss. Settled claims have not exceeded coverage in the last three years.

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

Budgets and Budgetary Accounting

A budget is adopted for the General Fund on a basis consistent with generally accepted accounting principles.

School management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1. The budget is adopted by the Board of Directors prior to June 30. Expenditures may not legally exceed appropriations at the fund level. Revisions must be approved by the Board of Directors. The budget includes proposed expenditures and the means of financing them. All appropriations lapse at fiscal year end.

NOTE 3: ***CASH AND INVESTMENTS***

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations.

At June 30, 2016, State regulatory commissioners have indicated that one of the financial institutions holding deposits for the School is an eligible public depository. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. 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 the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The School has no policy regarding custodial credit risk for deposits.

At June 30, 2016, the School had deposits with financial institutions with a carrying amount of $500,816. The bank balances with the financial institutions were $510,777. Of this amount, $250,000 was covered by federal depository insurance and $260,777 was covered by collateral held by authorized escrow agents in the financial institution's name (PDPA).

NOTE 3: ***CASH AND INVESTMENTS*** (Continued)

Investments

Interest Rate Risk

The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Colorado statutes specify in which instruments units of local government may invest, which include:

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

The School does not have any investments as of June 30, 2016.

NOTE 4: ***CAPITAL ASSETS***

Capital Assets activity for the year ended June 30, 2016 is summarized below.

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
Governmental Activities				
Capital Assets, Not Depreciated				
Construction in Progress	$ -	$ 22,806	$ -	$ 22,806
Capital Assets, Depreciated				
Leasehold Improvements	$ 275,442	$ -	$ -	$ 275,442
Machinery and Equipment	23,300	25,062	-	48,362
Total Capital Assets, Depreciated	298,742	25,062	-	323,804
Accumulated Depreciation				
Leasehold Improvements	-	91,814	-	91,814
Machinery and Equipment	-	4,660	-	4,660
Total Accumulated Depreciation	-	96,474	-	96,474
Total Capital Assets, Depreciated, Net	298,742	(71,412)	-	227,330
Total Capital Assets, Net	**$ 298,742**	**$ (48,606)**	**$ -**	**$ 250,136**

Depreciation expense is charged to the Supporting Services Activity.

NOTE 5: ***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, as of June 30, 2016, were $53,010. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements of the General Fund.

NOTE 6: ***LONG-TERM DEBT***

Following is a summary of the School's long-term debt transactions for the year ended June 30, 2016:

	Balance June 30, 2015	Additions	Payments	Balance June 30, 2016	Due In One Year
Mortgage	**$ 203,335**	**$ -**	**$ 46,361**	**$ 157,304**	**$ 47,968**

Mortgage – Alpine Bank

In July 2014, the School obtained a loan payable to Alpinne Bank in the amount of $230,000. This loan carries an interest rate of 3.3% per year. The School is required to make monthly principal and interest payments in the amount of $4,370 through July 2017, with a final payment in the amount of $105,670 due in August 2017.

Line of Credit – Alpine Bank

In June 2014, the School opened a line of credit with the bank in the amount of $32,863. As of June 30, 2016, the line of credit carried a balance of $20,981. This line of credit was extended and the School is required to make monthly payments of principal and interest of $566, with a final payment due in August 30. 2016. This line of credit carries an interest rate of 3.0%.

Future debt service requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
2017	$ 47,968	$ 4,467	$ 52,435
2018	109,336	300	109,636
Total	**$ 157,304**	**$ 4,767**	**$ 162,071**

NOTE 7: ***DEFINED BENEFIT PENSION PLAN***

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

General Information about the Pension Plan

Plan description. Eligible employees of the School are provided with pensions through the 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.

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.

NOTE 7: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

General Information about the Pension Plan (Continued)

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned.

If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

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

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

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

NOTE 7: *DEFINED BENEFIT PENSION PLAN* (Continued)

General Information about the Pension Plan (Continued)

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

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF School were $142,114 for the year ended June 30, 2016.

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

At June 30, 2016 the School reported a liability of $2,340,008 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The School's proportion of the net pension liability was based on the School's contributions to the SCHDTF for the calendar year 2015 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2015, the School's proportion was 0.01530%, which was an increase of 0.00243% from its proportion measured as of December 31, 2014.

NOTE 7: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

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

For the year ended June 30, 2016 the School recognized pension expense of $747,247. At June 30, 2016, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 30,900	$ 97
Net difference between projected and actual earnings on pension plan investments	$ 198,966	N/A
Changes in proportion and differences between contributions recognized and proportionate share of contributions	$ 1,111,107	N/A
Changes in assumptions and other inputs	N/A	$ 33,068
Contributions subsequent to the measurement date	$ 75,425	N/A
Total	$ 1,416,398	$ 33,165

$75,425 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30, 2016	
2017	$578,407
2018	$578,425
2019	$110,175
2020	$ 40,801

NOTE 7: *DEFINED BENEFIT PENSION PLAN* (Continued)

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

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

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

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

The following programming changes were made:

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

NOTE 7: *DEFINED BENEFIT PENSION PLAN* (Continued)

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

The following methodology changes were made:

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

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

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

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

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

NOTE 7: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

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

NOTE 7: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

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

When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

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

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

Sensitivity of the School's proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50%, 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	$3,033,334	$2,340,008	$1,763,290

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

NOTE 7: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

Other Post-Employment Benefits

Health Care Trust Fund

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

Funding Policy – The School is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the School are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2016 and 2015, the School's employer contribution to the HCTF was $7,724 and $5,621, respectively, equal to their required contribution for the year.

NOTE 8: ***COMMITMENTS AND CONTINGENCIES***

Building Lease

In March 2014, the School entered into a lease agreement for the use of its educational facility. The original lease term expired on May 31, 2015, however the school has the option to renew for two additional 1-year lease terms ending on May 31, 2017. Monthly lease payments of $11,300 were required on the original lease term and increase by 3% of the prior term for each renewal period.

The lease agreement includes an option to purchase the building prior to the expiration of the lease agreement in the amount of $1,600,000 less any credits due under this option.

Rent expense of $140,017 was recorded in the financial statements for the year ended June 30, 2016.

NOTE 8: ***<u>COMMITMENTS AND CONTINGENCIES</u>*** (Continued)

Claims and Judgments

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

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The School believes it has complied with the Amendment. As required by the Amendment, the School has established a reserve for emergencies. At June 30, 2016, the reserve of $55,500 was recorded as a reservation of fund balance in the General Fund. The School has designated their deposits and prepaids as assets to cover this reserve.

NOTE 9: ***<u>DEFICIT NET POSITION</u>***

The Net Position of the government type activities is in a deficit position of $385,954 due to the School including the Net Pension Liability per GASB No. 68.

NOTE 10: ***<u>SUBSEQUENT EVENT</u>***

In September 2016, the Pubic Finance Authority (PFA) issued Charter School Revenue Bonds, Series 2016 A and B in the amount of $9,975,000. The bonds mature in December 2046. Proceeds from the bonds will be loaned to the School under a lease agreement to purchase and make necessary capital improvements to the School's current facility.

REQUIRED SUPPLEMENTARY INFORMATION

TWO RIVERS COMMUNITY SCHOOL

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2016

	2016				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2015 ACTUAL
REVENUES					
Local Sources					
Per Pupil Revenue	$ 1,421,561	$ 1,508,499	$ 1,484,424	$ (24,075)	$ 1,144,891
Tuition and Fees	182,040	141,490	168,257	26,767	104,639
Contributions	25,000	90,000	82,257	(7,743)	111,975
Interest	-	-	-	-	3
Other	-	-	292	292	-
State Sources					
Grants and Donations	67,964	90,063	111,880	21,817	62,439
Federal Sources				-	
Grants and Donations	285,007	207,855	207,743	(112)	204,762
TOTAL REVENUES	1,981,572	2,037,907	2,054,853	16,946	1,628,709
EXPENDITURES					
Salaries	764,354	816,318	804,968	11,350	610,079
Employee Benefits	228,399	240,376	217,757	22,619	172,087
Purchased Services	470,262	374,701	310,444	64,257	326,194
Supplies and Materials	84,085	86,029	123,395	(37,366)	121,763
Property	120,570	231,582	208,726	22,856	390,592
Other	87,039	77,800	35,013	42,787	7,948
Debt Service					
Principal	277,381	52,428	46,361	6,067	26,335
Interest	-	7,991	6,074	1,917	4,252
Reserves	-	47,957	-	47,957	-
TOTAL EXPENDITURES	2,032,090	1,935,182	1,752,738	182,444	1,659,250
EXCESS OF REVENUES OVER EXPENDITURES	(50,518)	102,725	302,115	199,390	(30,541)
OTHER FINANCING SOURCES (USES)					
Debt Proceeds	196,500	-	-	-	230,000
NET CHANGE IN FUND BALANCES	145,982	102,725	302,115	199,390	199,459
FUND BALANCES, Beginning	-	175,874	175,874	-	(23,585)
FUND BALANCE, Ending	$ 145,982	$ 278,599	$ 477,989	$ 199,390	$ 175,874

See the accompanying independent auditors' report.

TWO RIVERS COMMUNITY SCHOOL

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
SCHOOL DISTRICT TRUST FUND

Years Ended December 31,

	2014	2015
School's proportionate share of the Net Pension Liability	0.013%	0.015%
School's proportionate share of the Net Pension Liability	$ 1,743,898	$ 2,340,008
School's covered-employee payroll	$ 262,921	$ 793,194
School's proportionate share of the Net Pension Liability as a percentage of its covered-employee payroll	663.3%	295.0%
Plan fiduciary net position as a percentage of the total pension liability	62.8%	59.2%

See the accompanying independent auditors' report.

TWO RIVERS COMMUNITY SCHOOL

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
SCHOOL DISTRICT TRUST FUND

Years Ended June 30,

	2015	2016
Statutorily required contributions	$ 105,208	$ 142,114
Contributions in relation to the Statutorily required contributions	105,208	142,114
Contribution deficiency (excess)	$ -	$ -
School's covered-employee payroll	$ 551,065	$ 757,284
Contributions as a percentage of covered-employee payroll	19.09%	18.77%

See the accompanying independent auditors' report.