

**THE VANGUARD SCHOOL  
AT  
CHEYENNE MOUNTAIN CHARTER ACADEMY  
COLORADO SPRINGS, COLORADO  
FINANCIAL STATEMENTS  
WITH  
INDEPENDENT AUDITORS' REPORT**

**For the Year Ended  
June 30, 2016**

**THE VANGUARD SCHOOL  
AT  
CHEYENNE MOUNTAIN CHARTER ACADEMY**

**ROSTER OF OFFICIALS**

**Year Ended June 30, 2016**

**Board Of Directors**

Dan Geoffroy - President  
Jeff Leasure - Vice President  
Patricia Jesse - Secretary  
Bryan Campbell - Treasurer  
Matt Hughes - Director

**Administrative Staff**

Colin Mullaney - Executive Director  
Ward Barr - Principal  
Diane Borre - Business Manager

**THE VANGUARD SCHOOL  
AT  
CHEYENNE MOUNTAIN CHARTER ACADEMY**

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**THE VANGUARD SCHOOL  
AT  
CHEYENNE MOUNTAIN CHARTER ACADEMY**

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## **INTRODUCTORY SECTION**

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**Management Discussion And Analysis**  
**(Required Supplementary Information – Unaudited)**

# **Cheyenne Mountain Charter Academy dba The Vanguard School**

## **Management's Discussion and Analysis**

**Fiscal Year Ending June 30, 2016**

As management of The Vanguard School, we offer readers of the school's basic financial statements this narrative and analysis of the financial activities of Vanguard for the year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information provided by auditors in the Independent Auditor's Report.

### **Financial Highlights**

The year ending June 30, 2016, is the twenty-first year of operations for the school. In that period, the general fund balance changed to \$2,451,505 from \$1,828,459. School operations are funded primarily by tax revenue received under the State School Finance Act. Tax revenue for the year from Per Pupil Revenue was approximately \$8,567,049. The school operated within its budget and there were no major budget revisions during the year.

### **Overview of Financial Statements**

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

### ***Government-wide Financial Statements***

The government-wide financial statements are designed to provide readers with a broad overview of the school's finances in a manner similar to a private-sector business. The statement of net position presents information on all the school's assets and liabilities, with the difference between the two being reported as net position. Over time, the 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 income statement presents information showing how the school's net position changed during the year. All changes in net worth are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future periods (for example, salaries and benefits earned but unpaid as of yearend).



**TABLE 1 - CONDENSED STATEMENT OF NET POSITION**

	<b>Governmental Activities</b>	
	<b>2016</b>	<b>2015</b>
Current Assets	\$ 3,559,982	\$ 2,938,690
Capital Assets - Net	<u>1,442,313</u>	<u>1,557,280</u>
Total Assets	<u>5,002,295</u>	<u>4,495,970</u>
Deferred Outflows	<u>2,348,976</u>	<u>1,215,897</u>
Current Liabilities	1,108,477	1,110,231
Long-Term Liabilities	<u>16,478,088</u>	<u>14,558,319</u>
Total Liabilities	<u>17,586,565</u>	<u>15,668,550</u>
Deferred Infows	<u>232,439</u>	<u>934</u>
Net Investment in Capital Assets	1,442,313	1,557,280
Restricted Net Position	284,000	265,000
Unrestricted Net Position	<u>(12,194,046)</u>	<u>(11,779,897)</u>
<b>Total Net Position (Deficit)</b>	<b><u>\$ (10,467,733)</u></b>	<b><u>\$ (9,957,617)</u></b>

**TABLE 2 - CONDENSED STATEMENT OF ACTIVITIES**

	<b>Governmental Activities</b>	
	<b>2016</b>	<b>2015</b>
<b>Program Revenues:</b>		
Charges for Services	\$ 504,313	\$ 524,365
Operating Grants	223,534	282,572
Capital Grants	<u>319,392</u>	<u>204,827</u>
Total Program Revenues	<u>1,047,239</u>	<u>1,011,764</u>
<b>General Revenues:</b>		
Per Pupil	8,567,049	8,067,350
Investment Income	7,706	9,449
Miscellaneous	<u>14,301</u>	<u>(29,246)</u>
Total General Revenues	<u>8,589,056</u>	<u>8,047,553</u>
<b>Total Revenues</b>	<b><u>9,636,295</u></b>	<b><u>9,059,317</u></b>
<b>Expenses</b>		
Instruction	6,170,074	5,673,369
Supporting Services	2,946,424	2,423,768
Community Service	5,658	83,709
Debt Service Interest	1,193,905	1,509,634
Depreciation	<u>122,869</u>	<u>3,389</u>
<b>Total Expenses</b>	<b><u>10,438,930</u></b>	<b><u>9,693,869</u></b>
<b>Transfers</b>	<b><u>292,519</u></b>	<b><u>184,091</u></b>
<b>Change in Net Position</b>	<b>(510,116)</b>	<b>(450,461)</b>
<b>Net Position - Beginning</b>	<b><u>(9,957,617)</u></b>	<b><u>(9,507,156)</u></b>
<b>Net Position - Ending</b>	<b><u>\$ (10,467,733)</u></b>	<b><u>\$ (9,957,617)</u></b>

## ***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The school keeps track of these monies to ensure and demonstrate compliance with finance-related legal requirements. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The fund tracking is reported in the auditor's report. The school adopts an annual budget for all funds. A budgetary comparison has been provided for the general fund to demonstrate compliance with this budget.

## ***Notes to Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

## **Government-wide Financial Analysis**

As noted previously, net position may serve over time as a useful indicator of the school's financial position. For the year ending June 30, 2016, the school's revenues exceeded expenses by \$623,046 in the general fund. The ending fund balance in the general fund – governmental funds is \$2,451,505. Approximately \$284,000 of these funds are restricted to comply with Article X, Section 20, of the Colorado Constitution, known as the TABOR Amendment. Accordingly, these funds are not available to satisfy general operating expenses of the school. The remaining approximately \$2,167,505 is unrestricted and available to meet the school's ongoing financial obligations.

The school's Statement of Net Position shows a negative balance of \$(10,177,733) as of June 30, 2016. This was due to GASB Statement No. 68 implementation. GASB 68 requires Vanguard to report the net pension liability of the school's proportionate share in the PERA pension plan, which is \$16,399,668. This liability must be reported on the school's financial statements but is not an actual liability owed by the school.

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

**Governmental Funds.** The focus of Vanguard's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the school's financing requirements. In particular, 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.

## General Fund Budgetary Highlights

The school budgeted for expenditures in the general fund of \$9,927,17 for the year ended June 30, 2016. Actual expenditures were \$9,154,200. The school budgeted for revenues in the general fund of \$9,775,308. Actual revenues received were \$9,524,522.

## Capital Asset and Debt Administration

**Capital assets.** The school's investment in capital assets as of June 30, 2016, amounts to \$16,419,850 (net of accumulated depreciation). This investment in capital assets includes land, buildings, and playground, office and instructional equipment. The detail of this investment is in Note 3 to the financial statements.

	<u>Balance June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2016</u>
<b>Fiduciary Capital Assets:</b>				
Capital Assets Not Being Depreciated				
Sites	\$ 3,475,000	\$ -	\$ -	\$ 3,475,000
Total Capital Assets Not Being Depreciated	<u>3,475,000</u>	<u>-</u>	<u>-</u>	<u>3,475,000</u>
Capital Assets Being Depreciated				
High School and K-4 Building	10,444,580	-	-	10,444,580
Gym & Modular Units	7,531,208	300,000	-	7,831,208
Total Capital Assets Being Depreciated	<u>17,975,788</u>	<u>300,000</u>	<u>-</u>	<u>18,275,788</u>
Less: Accumulated Depreciation:				
High School and K-4 Building	(2,228,540)	(348,153)	-	(2,576,693)
Gym & Modular Units	(2,493,205)	(261,040)	-	(2,754,245)
Total Accumulated Depreciation	<u>(4,721,745)</u>	<u>(609,193)</u>	<u>-</u>	<u>(5,330,938)</u>
<b>Fiduciary Capital Assets, Net</b>	<b><u>\$ 16,729,043</u></b>	<b><u>\$ (309,193)</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 16,419,850</u></b>

	Balance June 30, 2015	Additions	Deletions	Balance June 30, 2016
<b>Governmental Activities Capital Assets:</b>				
Capital Assets Not Being Depreciated				
Land Improvements	\$ 245,714	\$ -	\$ -	\$ 245,714
Construction in Progress	33,382	-	33,382	-
Total Capital Assets Not Being Depreciated	<u>279,096</u>	<u>-</u>	<u>33,382</u>	<u>245,714</u>
Capital Assets Being Depreciated				
Land and Building Improvements	1,239,256	41,284	-	1,280,540
Equipment	42,317	-	-	42,317
Total Capital Assets Being Depreciated	<u>1,281,573</u>	<u>41,284</u>	<u>-</u>	<u>1,322,857</u>
Less: Accumulated Depreciation:				
Land and Building Improvements	(568)	(120,048)	-	(120,616)
Equipment	(2,821)	(2,821)	-	(5,642)
Total Accumulated Depreciation	<u>(3,389)</u>	<u>(122,869)</u>	<u>-</u>	<u>(126,258)</u>
<b>Governmental Activities Capital Assets, Net</b>	<b><u>\$ 1,557,280</u></b>	<b><u>\$ (81,585)</u></b>	<b><u>\$ 33,382</u></b>	<b><u>\$ 1,442,313</u></b>

**Long-term debt.** In December 2006, the school issued bonds in the amount of \$11,560,000 and \$110,000. In December 2007, the school issued additional bonds in the amount of \$10,500,000 and \$105,000. These bonds were refunded in May 2016 by the 2016 Colorado Educational Cultural Facilities Loan. The final maturity is June 15, 2047. This amount is collateralized by the school building. The school maintains credit ratings with Standard and Poor's Ratings Services. Long-term debt is detailed in Note 5 to the financial statements.

	Balance		Payments on		Balance	Current
	6/30/15	Advances	Refunding	Payments	6/30/16	Portion
<b>Cheyenne Mountain Charter Academy</b>						
Accrued Compensated Absences	\$ 72,120	\$ 6,300	\$ -	\$ -	\$ 78,420	\$ -
PERA Net Pension Liability	14,486,199	1,913,469	-	-	16,399,668	-
<b>Total Long Term Obligations</b>	<b><u>\$ 14,558,319</u></b>	<b><u>\$ 1,919,769</u></b>	<b><u>\$ -</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 16,478,088</u></b>	<b><u>\$ -</u></b>
<b>Foundation - Blended Component Unit</b>						
Series 2006 A and 2006 B (Taxable) Insured Bonds	\$ 9,750,000	\$ -	\$ 9,750,000	\$ -	\$ -	\$ -
Series 2007 Uninsured Senior Bonds	9,320,000	-	\$ 9,320,000	-	-	-
2016 Colorado Educational and Cultural Facilities Loan	-	25,120,000	-	-	25,120,000	440,000
Bond Premiums	-	898,281	-	-	898,281	-
<b>Total Long Term Obligations</b>	<b><u>\$ 19,070,000</u></b>	<b><u>\$ 26,018,281</u></b>	<b><u>\$ 19,070,000</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 26,018,281</u></b>	<b><u>\$ 440,000</u></b>
Deferred Gain on Refunding	\$ -	\$ 831,942	\$ -	\$ -	\$ 831,942	\$ -

## **Economic Factors and Next Year's Budget**

The primary factor driving the budget for the school is student enrollment. Grades K-8 were full with waiting lists for all grades. Enrollment in grades K-12 for the 2015-16 school year was 1287 (1234 FTE). The enrollment in grades K-12 for the 2016-17 school year is projected to be 1338 (1277 FTE). This factor was considered in preparing the school's budget.

## **Requests for Information**

The financial report is designed to provide a general overview of the school's finances for all those with an interest in the school. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

The Vanguard School  
Business Office  
1605 S. Corona Avenue  
Colorado Springs, CO 80905

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## **FINANCIAL SECTION**

# Holscher, Mayberry & Company, LLC

## Certified Public Accountants

Member of the American Institute of Certified Public Accountants  
Governmental Audit Quality Center  
and Private Company Practice Section

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Board of Directors  
The Vanguard School at  
Cheyenne Mountain Charter Academy  
Colorado Springs, Colorado

### INDEPENDENT AUDITORS' REPORT

#### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, major fund, and the aggregate remaining fund information of The Vanguard School at Cheyenne Mountain Charter Academy, (the "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 the 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 auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. 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.

#### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, major fund, and the aggregate remaining fund information of The Vanguard School at Cheyenne Mountain Charter Academy, as of June 30, 2016, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.



**Report on Summarized Comparative Information**

We have previously audited The Vanguard School at Cheyenne Mountain Charter Academy's 2015 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated November 20, 2015. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015 is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Other Matters**

***Required Supplementary Information – Management Discussion and Analysis and Pension Schedules (Unaudited)***

Accounting principles generally accepted in the United States of America require that the management, discussion and analysis on pages M1 – M6 and pension schedules on 30 - 31 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.

***Required Supplementary Information – Budgetary Comparison Schedule and Other Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules on pages 32 - 33 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. In addition, the budgetary comparison schedules on pages 34 - 36 and listed as other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.



November 20, 2015  
Englewood, Colorado

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## **Basic Financial Statements**

**THE VANGUARD SCHOOL AT CHEYENNE MOUNTAIN CHARTER ACADEMY**

**STATEMENT OF NET POSITION  
JUNE 30, 2016**

	<u>Governmental Activities</u>
<b>ASSETS AND DEFERRED OUTFLOWS</b>	
<b>ASSETS</b>	
Current Assets	
Cash and Investments	\$ 3,363,696
Cash with Fiscal Agent	5,062
Accounts Receivable	91,543
Internal Balances	75,607
Inventory	<u>24,075</u>
Total Current Assets	<u>3,559,983</u>
Noncurrent Assets	
Capital Assets not being depreciated	245,714
Capital Assets being depreciated	1,322,857
Accumulated Depreciation	<u>(126,258)</u>
Total Noncurrent Assets	<u>1,442,313</u>
<b>TOTAL ASSETS</b>	<u><b>5,002,296</b></u>
<b>DEFERRED OUTFLOWS</b>	
Contributions Subsequent to Measurement Date	422,817
Change in School's Proportionate Share of the Net Pension Liability - net	315,167
Difference Between Actual and Expected Experience - net	216,560
Difference Between Projected and Actual Returns on Pension Plan Investments - net	<u>1,394,432</u>
<b>TOTAL DEFERRED OUTFLOWS</b>	<u><b>2,348,976</b></u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<u><b>\$ 7,351,272</b></u>
<b>LIABILITIES, DEFERRED INFLOWS AND NET POSITION</b>	
<b>LIABILITIES</b>	
Current Liabilities	
Accounts Payable	\$ 171,547
Accrued Salaries and Benefits	787,167
Unearned Revenue	<u>149,763</u>
Total Current Liabilities	1,108,477
Noncurrent Liabilities	
Due In More Than One Year	<u>16,478,088</u>
<b>TOTAL LIABILITIES</b>	<u><b>17,586,565</b></u>
<b>DEFERRED INFLOWS</b>	
Difference Between Projected and Actual Pension Plan Experience - net	683
Change in Pension Plan Assumptions - net	<u>231,756</u>
<b>TOTAL DEFERRED INFLOWS</b>	<u><b>232,439</b></u>
<b>NET POSITION</b>	
Invested in Capital Assets, Net of Related Debt	1,442,313
Restricted for TABOR Emergency	287,000
Unrestricted	<u>(12,197,045)</u>
<b>TOTAL NET POSITION</b>	<u><b>(10,467,732)</b></u>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSTION</b>	<u><b>\$ 7,351,272</b></u>

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

**THE VANGUARD SCHOOL AT CHEYENNE MOUNTAIN CHARTER ACADEMY**

**STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2016**

		PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS	PRIMARY GOVERNMENT
FUNCTIONS/PROGRAMS	<u>EXPENSES</u>				<u>GOVERNMENTAL ACTIVITIES</u>
PRIMARY GOVERNMENT:					
GOVERNMENT ACTIVITIES:					
Current:					
Instruction	\$ 6,170,074	\$ 483,463	\$ 219,421	\$ 319,392	\$ (5,147,798)
Supporting Services	2,946,425	20,850	4,113	-	(2,921,462)
Community Services	5,658	-	-	-	(5,658)
Debt Service - Lease Payments	1,193,905	-	-	-	(1,193,905)
Depreciation (Unallocated)	<u>122,869</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(122,869)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 10,438,931</u>	<u>\$ 504,313</u>	<u>\$ 223,534</u>	<u>\$ 319,392</u>	<u>(9,391,692)</u>
GENERAL REVENUES:					
Per Pupil Revenues from Cheyenne Mountain School District 12					8,567,049
Investment Earnings					7,706
Miscellaneous					14,303
TRANSFERS					<u>292,519</u>
TOTAL GENERAL REVENUES AND TRANSFERS					<u>8,881,577</u>
CHANGE IN NET POSITION					(510,115)
NET POSITION - Beginning					<u>(9,957,617)</u>
NET POSITION - Ending					<u>\$ (10,467,732)</u>

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

**THE VANGUARD SCHOOL AT CHEYENNE MOUNTAIN CHARTER ACADEMY**

**BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2016  
With Comparative Totals for June 30, 2015**

	TOTAL	
	2016	2015
<b>ASSETS</b>		
Cash and Investments	\$ 3,363,696	\$ 2,877,443
Cash with Fiscal Agent	5,062	5,062
Accounts Receivable	91,543	37,705
Due from Other Funds	75,607	-
Inventory	24,075	17,330
Loans Receivable	-	1,150
<b>TOTAL ASSETS</b>	<b>\$ 3,559,983</b>	<b>\$ 2,938,690</b>
<b>LIABILITIES AND FUND BALANCES</b>		
<b>LIABILITIES</b>		
Accounts Payable	\$ 171,547	\$ 328,923
Accrued Salaries and Benefits	787,167	643,930
Unearned Revenue	149,763	137,378
<b>TOTAL LIABILITIES</b>	<b>1,108,477</b>	<b>1,110,231</b>
<b>FUND BALANCES</b>		
Restricted:		
for Labor Emergency	287,000	265,000
Other Assigned Fund Balance	300,000	-
Unrestricted Fund Balance	1,864,506	1,563,459
<b>TOTAL FUND BALANCES</b>	<b>2,451,506</b>	<b>1,828,459</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 3,559,983</b>	<b>\$ 2,938,690</b>
<b>TOTAL FUND BALANCE - GOVERNMENTAL FUNDS</b>	<b>\$ 2,451,506</b>	
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds:</p>		
Capital Assets not being depreciated	245,714	
Capital Assets being depreciated	1,322,857	
Accumulated Depreciation	(126,258)	
<p>Earned but unpaid accumulated leave balances are not reported in the funds:</p>		
Accrued Compensated Absences	(78,420)	
<p>Certain long-term pension related costs and adjustments are not available to pay or payable currently and are therefore not reported in the funds:</p>		
Contributions subsequent to measurement date	422,817	
Difference between actual and expected experience	298,590	
Amortization of experience difference	(82,030)	
Difference between projected and actual investment returns on the pension plan	1,847,480	
Amortization of investment return difference	(453,048)	
Net pension liability	(16,399,668)	
Difference between projected and actual pension plan experience	(1,487)	
Amortization of pension plan experience difference	804	
Changes of assumptions	(319,543)	
Amortization of change in assumptions	87,787	
Change in School's proportionate share of net pension liability	659,547	
Amortization of change in proportion	(344,380)	
<b>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</b>	<b>\$ (10,467,732)</b>	

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

**THE VANGUARD SCHOOL AT CHEYENNE MOUNTAIN CHARTER ACADEMY**

**STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

**YEAR ENDED JUNE 30, 2016**

**With Comparative Totals for the Year Ended June 30, 2015**

	GENERAL FUND	NONMAJOR SPORTS FUND	TOTAL	
			2016	2015
REVENUES				
Local Sources	\$ 9,069,534	\$ 111,773	\$ 9,181,307	\$ 8,664,029
State Sources	369,622	-	369,622	244,382
Federal Sources	85,368	-	85,368	150,906
<b>TOTAL REVENUES</b>	<u>9,524,524</u>	<u>111,773</u>	<u>9,636,297</u>	<u>9,059,317</u>
EXPENDITURES				
Current:				
Instruction	5,251,203	151,568	5,402,771	5,218,330
Supporting Services	2,703,435	-	2,703,435	5,348,274
Community Support	5,658	-	5,658	83,709
Debt Service - Lease Payments (Foundation)	1,193,905	-	1,193,905	-
<b>TOTAL EXPENDITURES</b>	<u>9,154,201</u>	<u>151,568</u>	<u>9,305,769</u>	<u>10,650,313</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	370,323	(39,795)	330,528	(1,590,996)
OTHER FINANCING SOURCES				
Transfers In (Out)	252,724	39,795	292,519	184,091
<b>CHANGE IN FUND BALANCE</b>	623,047	-	623,047	(1,406,905)
FUND BALANCES, Beginning	1,828,459	-	1,828,459	3,235,364
FUND BALANCES, Ending	<u>\$ 2,451,506</u>	<u>\$ -</u>	<u>\$ 2,451,506</u>	<u>\$ 1,828,459</u>
<b>NET CHANGES IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS</b>			\$ 623,047	
Amounts reported for governmental activities in the statement of activities are different because:				
Purchases of capital assets are expensed in governmental funds: and depreciated on the statement of activities:				
Capitalized Expenses			7,902	
Depreciation Expense			(122,869)	
Accrued compensated absences are recorded on the cash basis in the funds:				
Change in accrued compensated absences			(6,300)	
Pension expense at the fund level represent cash contributions to the defined benefit plan. For the activity level presentation, the amount represents the actuarial cost of the benefits for the fiscal year:				
Change in contributions subsequent to measurement date			37,107	
Change in the difference between actual and expected experience (outflows)			298,590	
Change in the amortization of experience difference (outflows)			(82,030)	
Current year projected to actual investment return difference			1,514,152	
Current year amortization of overall investment return differences			(419,715)	
Change in net pension liability			(1,913,469)	
Current year projected to actual pension plan experience difference (inflows)			(405)	
Current year amortization of overall pension plan experience differences (inflows)			656	
Change in the changes of assumptions			(319,543)	
Change in the amortization of change in assumptions			87,787	
Current year change in proportionate share of cost-sharing plan liability			45,641	
Current year amortization of overall proportionate share differences			(260,666)	
<b>CHANGE IN NET POSITION IN GOVERNMENTAL ACTIVITIES</b>			<u>\$ (510,115)</u>	

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

**THE VANGUARD SCHOOL AT CHEYENNE MOUNTAIN CHARTER ACADEMY**

**STATEMENT OF FIDUCIARY NET POSITION**

**JUNE 30, 2016**

**With Comparative Totals for June 30, 2015**

	FOUNDATION	STUDENT ACTIVITY	TOTAL	
	FUND	AGENCY FUND	2016	2015
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS AND DEFERRED OUTFLOWS</b>				
<b>ASSETS</b>				
Restricted Cash and Investments	\$ 8,090,180	\$ 56,776	\$ 8,146,956	\$ 1,692,686
Capital Assets	21,750,789	-	21,750,789	21,450,788
Accumulated Depreciation	<u>(5,330,938)</u>	<u>-</u>	<u>(5,330,938)</u>	<u>(4,721,745)</u>
Total Assets	24,510,031	56,776	24,566,807	18,421,729
<b>DEFERRED OUTFLOWS OF FINANCIAL RESOURCES</b>				
Deferred Charge on Refunding - net	<u>831,942</u>	<u>-</u>	<u>831,942</u>	<u>-</u>
<b>TOTAL ASSETS AND DEFERRED OUTFLOWS</b>	<b><u>\$ 25,341,973</u></b>	<b><u>\$ 56,776</u></b>	<b><u>\$ 25,398,749</u></b>	<b><u>\$ 18,421,729</u></b>
<b>LIABILITIES AND NET POSITION</b>				
<b>LIABILITIES</b>				
<b>CURRENT LIABILITIES</b>				
Accrued Liabilities	\$ 149,513	\$ -	\$ 149,513	\$ 38,246
Interfund Payables	75,607	-	75,607	-
Current Portion of Long Term Debt	<u>-</u>	<u>-</u>	<u>-</u>	<u>510,000</u>
Total Current Liabilities	<u>225,120</u>	<u>-</u>	<u>225,120</u>	<u>548,246</u>
<b>NONCURRENT LIABILITIES</b>				
Bonds Payable	-	-	-	18,560,000
Loan Payable	25,120,000	-	25,120,000	-
Loan Premium	<u>898,281</u>	<u>-</u>	<u>898,281</u>	<u>-</u>
Total Noncurrent Liabilities	<u>26,018,281</u>	<u>-</u>	<u>26,018,281</u>	<u>18,560,000</u>
Total Liabilities	<u>26,243,401</u>	<u>-</u>	<u>26,243,401</u>	<u>19,108,246</u>
<b>NET POSITION</b>				
Restricted for the Benefit of Others	<u>(901,428)</u>	<u>56,776</u>	<u>(844,652)</u>	<u>(686,517)</u>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b><u>\$ 25,341,973</u></b>	<b><u>\$ 56,776</u></b>	<b><u>\$ 25,398,749</u></b>	<b><u>\$ 18,421,729</u></b>

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



THE VANGUARD SCHOOL AT CHEYENNE MOUNTAIN CHARTER ACADEMY

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
 YEAR ENDED JUNE 30, 2016  
 With Comparative Totals for the Year Ended June 30, 2015

	FOUNDATION FUND	STUDENT ACTIVITY AGENCY FUND	TOTAL	
			2016	2015
ADDITIONS				
Interest Income	\$ 478	\$ -	\$ 478	\$ 208
Rent Revenue	1,193,905	-	1,193,905	1,419,655
Capital Contributions	224,393	-	224,393	-
Student and Other Receipts	-	120,681	120,681	42,975
Loss on Disposal of Capital Assets	-	-	-	(18,807)
TOTAL ADDITIONS	<u>1,418,776</u>	<u>120,681</u>	<u>1,539,457</u>	<u>1,444,031</u>
DEDUCTIONS				
Purchased Services - Professional	423,053	-	423,053	-
Supplies and Other	-	95,139	95,139	27,826
Depreciation	609,193	-	609,193	599,193
Debt Service	570,207	-	570,207	938,238
TOTAL DEDUCTIONS	<u>1,602,453</u>	<u>95,139</u>	<u>1,697,592</u>	<u>1,565,257</u>
CHANGE IN NET POSITION	(183,677)	25,542	(158,135)	(121,226)
FIDUCIARY NET POSITION, Beginning	<u>(717,751)</u>	<u>31,234</u>	<u>(686,517)</u>	<u>(565,291)</u>
FIDUCIARY NET POSITION, Ending	<u>\$ (901,428)</u>	<u>\$ 56,776</u>	<u>\$ (844,652)</u>	<u>\$ (686,517)</u>

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

**THE VANGUARD SCHOOL  
AT  
CHEYENNE MOUNTAIN CHARTER ACADEMY**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2016**

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

The financial statements of The Vanguard School at Cheyenne Mountain Charter Academy (the "School") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

**A. Reporting Entity**

In evaluating how to define the government for financial reporting purposes, the School's management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting.

Based upon the application of these criteria, one additional organization is includable within the School's reporting entity, the Cheyenne Mountain Charter School Foundation (the "Foundation"), a blended component unit. The School is considered a component unit of Cheyenne Mountain School District 12 (the "District"). It is the administrative position of the Colorado Department of Education that a charter school has the same relationship to a public school as does any other school program or school building within a school district. A charter school is part of a local school district that is a political subdivision of the State of Colorado. The School and Foundation have organized as non-profit corporations under the laws of the State of Colorado and Section 501(c) (3) of the Internal Revenue Code. The School and Foundation were created to help guide students in development of their character and academic potential through an academically rigorous, content rich educational program.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The School does not report any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues.

**THE VANGUARD SCHOOL  
AT  
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**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2016**

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

**B. Government-Wide and Fund Financial Statements (Continued)**

Direct expenses are those clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

Financial statements are provided for the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements as applicable.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

Government-wide 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; 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 Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Entitlement revenues are recognized to the extent of related expenditures or when compliance with matching requirements is met. A receivable is established when the related expenditures exceed revenue receipts and a deferred revenue account is established when receipts exceed the related expenditures. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

All other revenue items are considered to be measurable and available only when cash is received by the government.

**THE VANGUARD SCHOOL  
AT  
CHEYENNE MOUNTAIN CHARTER ACADEMY**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2016**

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

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

The School reports the following funds:

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

Sports Fund This nonmajor special revenue fund is used to account for the proceeds received for various sports related activities and to account for expenditures related to ongoing student activities such as sporting events.

Foundation Fund This fiduciary fund is for the blended component unit of the School. The Foundation was used to issue debt and construct the original facilities for the School.

Student Activity Agency Fund This fiduciary fund is used to account for the proceeds received for various student activities. The fund is used for ongoing student activities such as student events, clubs and sporting events.

Amounts reported as Program revenues include:

- Charges to customers or applicants for goods, services, or privileges provided;
- Operating grants and contributions; and
- Capital grants and contributions.

Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes and District flow through per pupil funding.

**D. Budgets and Budgetary Accounting**

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all funds. All annual appropriations lapse at fiscal year-end.

**THE VANGUARD SCHOOL  
AT  
CHEYENNE MOUNTAIN CHARTER ACADEMY**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2016**

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

**D. Budgets and Budgetary Accounting (Continued)**

The School adheres to the procedures described below in establishing the budgetary data reflected in the financial statements.

- Budgets are required by state law for all funds. By May 31, the Administrators submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. All budgets lapse at year-end.
- Prior to June 30, the budget is adopted by formal resolution.
- 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.
- Budgeted amounts reported in the accompanying financial statements are as originally adopted by the Board of Directors.

**E. Assets, Deferred Inflows, Liabilities, Deferred Outflows, and Net Position/Fund Balance**

Cash The School's cash and cash equivalents are considered to be cash-on-hand and demand deposits, which are deposited in checking accounts which are legally authorized.

Deposits All deposits are reported at their gross value.

Due From Primary Government Activities with primary government that are representative of cash held by the primary government at the end of the fiscal year are referred to as either "Due From Primary Government" or "Due to Primary Government". There were no amounts to be reported as of June 30, 2015.

Capital Assets Capital Assets, which include property, buildings, and equipment, are reported as either governmental activity capital assets if acquired through operating resources or in the blended component unit, the Foundation Fund, if funded as part of the initial facility construction. Capital assets are defined by the School as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year.

**THE VANGUARD SCHOOL  
AT  
CHEYENNE MOUNTAIN CHARTER ACADEMY**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2016**

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

**E. Assets, Deferred Inflows, Liabilities, Deferred Outflows, and Net Position/Fund Balance (Continued)**

*Capital Assets* (Continued)

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Where cost could not be determined from the available records, estimated historical cost was used to record the estimated value of the assets. Assets acquired by gift or bequest are recorded at their fair market value at the date of transfer.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets lives are not capitalized.

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

<u>Assets</u>	<u>Years</u>
Buildings	30-40
Building Improvements	10-20
Equipment	15

*Long-Term Obligations* Long-term obligations in the government-wide financial statements are reported as liabilities in the applicable activity.

*Vacation, Sick Leave, and Other Compensated Absences* Employees are entitled to certain compensated absences based on their length of employment. Except for sick leave, compensated absences do not vest or accumulate and are recorded as expenditures when they are paid. Compensated absences (sick leave) are reflected in the Governmental Activities. Since all employees are contracted to work a set number of days during a year, no vacation accrual accumulates.

*Deferred outflows/inflows of resources* In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has two items that qualify for reporting in this category, both related to outstanding pension obligations and further described in Note 9.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School reports deferred inflows for pension related deferrals as further described in Note 9.

**THE VANGUARD SCHOOL  
AT  
CHEYENNE MOUNTAIN CHARTER ACADEMY**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2016**

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

**E. Assets, Deferred Inflows, Liabilities, Deferred Outflows, and Net Position/Fund Balance (Continued)**

*Net Position/Fund Balance* In the government-wide financial statements and for the proprietary fund statements, net position is either shown as net investment in capital assets, with these assets essentially being nonexpendable; restricted when constraints placed on the net position are externally imposed; or unrestricted.

For the governmental fund presentation, fund balances that are classified as “nonspendable” include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

Fund balance is reported as “restricted” when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors, are reported as “committed” fund balance. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts.

Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, are reported as “assigned” fund balance. Intent is expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

All remaining fund balance in the General Fund is presented as unassigned.

**F. Net Position/Fund Balance Flow Assumption**

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance, if allowed under the terms of the restriction. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

**THE VANGUARD SCHOOL  
AT  
CHEYENNE MOUNTAIN CHARTER ACADEMY**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2016**

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

**G. Revenues and Expenditures**

Revenues for governmental funds are recorded when they become measurable and available. Generally, per-pupil operating revenues and fees are recognized when received. Grants from other governments are recognized to the extent of related expenditures, or when compliance with matching requirements is met. A receivable is established when the related expenditures exceed revenue receipts and a deferred revenue account is established when receipts exceed the related expenditures. Expenditures for governmental funds are generally recognized when the related liability is incurred.

**NOTE 2: CASH AND INVESTMENTS**

Cash and investments at June 30, 2016 were as follows:

<u>Type</u>	<u>Rating</u>	<u>Weighted Maturity (Yrs)</u>	<u>Bank Balance</u>	<u>Carrying Value</u>
<b>Deposits:</b>				
Demand deposits - FDIC Insured			\$ 559,728	\$ 559,728
Certificates of Depsoit - FDIC Insured			250,000	250,000
Demand deposits - PDPA Collateralized (not in School's name)			2,106,683	2,100,600
Certificates of Depsoit - PDPA Collateralized (not in School's name)			15,312	15,312
Cash on hand			-	-
Total Deposits			<u>2,931,723</u>	<u>2,925,640</u>
<b>Investments:</b>				
Mutual Funds - Federated Prime Oblig. Fund	AAAm	-		1,531,433
Mutual Funds - Federated Treasury Oblig. Fund	AAAm	-		6,558,747
Federal Farm Credit Bank	Aaa	1.70		150,000
Federal Home Loan Bank	Aaa	2.41		349,895
Total Investments		<u>0.13</u>		<u>8,590,075</u>
<b>Total Deposits and Investments</b>				<u>\$ 11,515,715</u>
<b>Reconciliation to Financial Statements:</b>				
Cash and Investments - Governmental Activities				\$ 3,363,697
Cash with Fiscal Agent - Governmental Activities				5,062
Cash and Investments - Restricted Foundation				8,090,180
Cash and Investments - Restricted Pupil Activity				<u>56,776</u>
<b>Total Deposits and Investments</b>				<u>\$ 11,515,714</u>

**Deposits**

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.



**THE VANGUARD SCHOOL  
AT  
CHEYENNE MOUNTAIN CHARTER ACADEMY**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2016**

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

**Deposits (Continued)**

At June 30, 2016, State regulatory commissioners have indicated that all financial institutions holding deposits for the School are eligible public depositories. 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 percent of the uninsured deposits.

**Custodial Credit Risk**

Deposits in financial institutions, reported as cash, cash equivalents, and investments had a bank balance as summarized above at June 30, 2016, which was fully insured by depository insurance or secured with collateral held through PDPA. All investments evidenced by individual securities are registered in the name of the School.

**Investment interest rate risk**

The School has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates other than those contained in Colorado Revised Statutes. Maturities of investments held at June 30, 2016 are provided in the previous schedule and are tiered to mature at intervals within a five year maximum range.

**Investment credit risk**

The School has no investment policy that limits its investment choices other than the limitation of state law as follows:

1. Direct obligations of the US government, its agencies, and instrumentalities to which the full faith and credit of the US government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged;
2. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out of state financial institutions;
3. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper, and repurchase agreements with certain limitations;

**THE VANGUARD SCHOOL  
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CHEYENNE MOUNTAIN CHARTER ACADEMY**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2016**

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

**Investment credit risk (Continued)**

4. County, municipal, or school tax supported debt obligations; bond or revenue anticipation notes; money; or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school;

5. Notes or bonds secured by a mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and obligations of the National Mortgage Association; and

6. Money market funds regulated by the Securities and Exchange Commission (SEC) in which investments consist of the investments mentioned in 1, 2, 3, and 4, above.

The School's Foundation is not subject to state statute.

**Concentration of investment credit risk**

The School places no limit on the amount it may invest in any one issuer. At June 30, 2016, the School had no concentration of credit risk.

The School invests excess funds under the prudent investor rule. The criteria for selection of investments and their order of priority are: 1) safety; 2) liquidity; and 3) yield.

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Funds	\$ -	\$ 8,090,180	\$ -	\$ 8,090,180
U.S. Agencies	-	499,895	-	499,895
Total Investments	<u>\$ -</u>	<u>\$ 8,590,075</u>	<u>\$ -</u>	<u>\$ 8,590,075</u>

**THE VANGUARD SCHOOL  
AT  
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**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2016**

**NOTE 3: CAPITAL ASSETS**

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

	<b>Balance June 30, 2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2016</b>
<b>Fiduciary Capital Assets:</b>				
Capital Assets Not Being Depreciated				
Sites	\$ 3,475,000	\$ -	\$ -	\$ 3,475,000
Total Capital Assets Not Being Depreciated	3,475,000	-	-	3,475,000
Capital Assets Being Depreciated				
High School and K-4 Building	10,444,580	-	-	10,444,580
Gym & Modular Units	7,531,208	300,000	-	7,831,208
Total Capital Assets Being Depreciated	17,975,788	300,000	-	18,275,788
Less: Accumulated Depreciation:				
High School and K-4 Building	(2,228,540)	(348,153)	-	(2,576,693)
Gym & Modular Units	(2,493,205)	(261,040)	-	(2,754,245)
Total Accumulated Depreciation	(4,721,745)	(609,193)	-	(5,330,938)
<b>Fiduciary Capital Assets, Net</b>	<b>\$ 16,729,043</b>	<b>\$ (309,193)</b>	<b>\$ -</b>	<b>\$ 16,419,850</b>
	<b>Balance June 30, 2015</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2016</b>
<b>Governmental Activities Capital Assets:</b>				
Capital Assets Not Being Depreciated				
Land Improvements	\$ 245,714	\$ -	\$ -	\$ 245,714
Construction in Progress	33,382	-	33,382	-
Total Capital Assets Not Being Depreciated	279,096	-	33,382	245,714
Capital Assets Being Depreciated				
Land and Building Improvements	1,239,256	41,284	-	1,280,540
Equipment	42,317	-	-	42,317
Total Capital Assets Being Depreciated	1,281,573	41,284	-	1,322,857
Less: Accumulated Depreciation:				
Land and Building Improvements	(568)	(120,048)	-	(120,616)
Equipment	(2,821)	(2,821)	-	(5,642)
Total Accumulated Depreciation	(3,389)	(122,869)	-	(126,258)
<b>Governmental Activities Capital Assets, Net</b>	<b>\$ 1,557,280</b>	<b>\$ (81,585)</b>	<b>\$ 33,382</b>	<b>\$ 1,442,313</b>

**THE VANGUARD SCHOOL  
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CHEYENNE MOUNTAIN CHARTER ACADEMY**

**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2016**

**NOTE 4: 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, are \$787,167. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements of the General Fund.

**NOTE 5: LONG-TERM DEBT**

Long-term debt activity for the year ended June 30, 2016 was as follows:

	Balance		Payments on		Balance	Current
	6/30/15	Advances	Refunding	Payments	6/30/16	Portion
<b>Cheyenne Mountain Charter Academy</b>						
Accrued Compensated Absences	\$ 72,120	\$ 6,300	\$ -	\$ -	\$ 78,420	\$ -
PERA Net Pension Liability	14,486,199	1,913,469	-	-	16,399,668	-
<b>Total Long Term Obligations</b>	<b>\$ 14,558,319</b>	<b>\$ 1,919,769</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 16,478,088</b>	<b>\$ -</b>
	Balance		Payments on		Balance	Current
	6/30/2015	Advances	Refunding	Payments	6/30/2016	Portion
<b>Foundation - Blended Component Unit</b>						
Series 2006 A and 2006 B (Taxable) Insured Bonds	\$ 9,750,000	\$ -	\$ 9,750,000	\$ -	\$ -	\$ -
Series 2007 Uninsured Senior Bonds	9,320,000	-	9,320,000	-	-	-
2016 Colorado Educational and Cultural Facilities Loan	-	25,120,000	-	-	25,120,000	440,000
Bond Premiums	-	898,281	-	-	898,281	-
<b>Total Long Term Obligations</b>	<b>\$ 19,070,000</b>	<b>\$ 26,018,281</b>	<b>\$ 19,070,000</b>	<b>\$ -</b>	<b>\$ 26,018,281</b>	<b>\$ 440,000</b>
Deferred Charge on Refunding	\$ -	\$ 831,942	\$ -	\$ -	\$ 831,942	\$ -

In September 2006, the School, through the Foundation, issued \$11,560,000 and \$110,000 School Revenue and Refunding and Improvement Bonds (Cheyenne Mountain Charter Academy Project) Colorado Educational and Cultural Facilities Authority School Revenue Bonds - Series 2006A and Series 2006B. The principal is payable June 15; interest at 4% to 5.2% is payable June 15 and December 15. Final maturity is December 15, 2036. Payments were made through the Foundation Fund. These bonds were refunded in May 2016 by the 2016 Colorado Educational Cultural Facilities Loan. The School recognized a net present value savings of \$604,579 through the refunding.

In December 2007, the School, through the Foundation, issued \$10,500,000 and \$105,000 School Revenue Bonds (Cheyenne Mountain Charter Academy Project) - Series 2007A and Series 2007B. The principal is payable June 15; interest at 4% to 5.375% is payable June 15 and December 15. Final maturity is December 15, 2038. Payments were made through the Foundation Fund. These bonds were advanced refunded in May 2016 by the 2016 Colorado Educational Cultural Facilities Loan. The School recognized a net present value savings of \$934,885 through the refunding.

**THE VANGUARD SCHOOL  
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**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2016**

**NOTE 5: LONG-TERM DEBT (Continued)**

In conjunction with the issuance of the 2006 and 2007 bonds, the District is required to provide an annual report each year; as well as, report certain material events, if they occur, to the national reporting website for bond issuances, EMMA, which is located at emma.msrb.org. For the fiscal year ended June 30, 2016, the District appears to be in compliance with these requirements.

In May 2016, the School, through the Foundation, obtained a loan for \$25,120,000 to refund the 2006 and 2007 bonds in addition financing construction improvements to the educational facilities and funding a debt service reserve fund. The new loan will have coupon payment rates ranging from 3.00% to 5.00%. Interest and principal will be paid annually on June 15<sup>th</sup> of each year starting June 15, 2017 and ending on June 16, 2047. The School has recorded bond premiums of \$898,281 and a deferred charge on refunding of \$831,942, both of which will be amortized over the life of the loan. The School recognized a net present value savings of \$1,539,464 through the refunding.

Future debt service requirements are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ -	\$ 1,089,603	\$ 1,089,603
2018	440,000	983,100	1,423,100
2019	455,000	969,900	1,424,900
2020	470,000	951,700	1,421,700
2021	490,000	932,900	1,422,900
2022-2026	2,775,000	4,347,350.00	7,122,350
2027-2031	3,510,000	3,619,250.00	7,129,250
2032-2036	4,340,000	2,802,087.00	7,142,087
2037-2041	5,115,000	2,000,438.00	7,115,438
2042-2046	6,145,000	966,938.00	7,111,938
2047	1,380,000	51,750	1,431,750
<b>Total</b>	<b><u>\$ 25,120,000</u></b>	<b><u>\$ 18,715,016</u></b>	<b><u>\$ 43,835,016</u></b>

**NOTE 6: DEFICIT NET POSITION**

The Foundation Fund has deficit net position of \$790,160 as of June 30, 2016.

The Governmental Activities has a deficit net position of \$10,177,732, and an unrestricted net position deficit of \$12,197,045 primarily due to adding the PERA net pension liability of \$16,399,668, further described in note 9. As the School has no control over pension benefits or contribution rates, we expect this deficit net position to continue going forward.

**THE VANGUARD SCHOOL  
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**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2016**

**NOTE 7: SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES AND LEGAL COMPLIANCE**

**A. Claims and Judgments**

The School participates in 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 is 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 any of the individual governmental funds or the overall financial position of the School.

**B. Tabor Amendment**

In November 1992, Colorado voters passed the Tabor Amendment (Amendment 1) to the State Constitution which limits state and local government tax powers and imposes spending limitations.

The School is subject to the Tabor Amendment. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and assessed valuation. Revenue received in excess of the limitations may be required to be refunded, unless authorized through ballot measure to retain the revenue. The Tabor Amendment is subject to many interpretations, but the School believes it is in substantial compliance with the Amendment.

The Tabor Amendment requires the School to establish a reserve for emergencies. At June 30, 2016, the School's reserve of \$284,000 was recorded as a restricted fund balance in the General Fund.

**NOTE 8: RISK MANAGEMENT**

The School is exposed to various risks of loss related to: torts; theft of; damage to; destruction of assets; injuries to employees; and natural disasters. The School funds its outside insurance purchases, deductibles, and uninsured losses through the general fund. The School continues to carry commercial insurance for all other risks of loss, including errors and omissions and property. Settled claims resulting from these risks have not exceeded commercial coverage.

**THE VANGUARD SCHOOL  
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**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2016**

**NOTE 9: DEFINED BENEFIT PENSION PLAN**

**A. Summary of Significant Accounting Policies**

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

**B. 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](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.

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**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2016**

**NOTE 9: DEFINED BENEFIT PENSION PLAN**

**B. General Information about the Pension Plan (Continued)**

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

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

In all cases the service retirement benefit is limited to 100 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 (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.



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**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2016**

**NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)**

**B. General Information about the Pension Plan (Continued)**

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

<b>January 1<sup>st</sup> through December 31<sup>st</sup></b>	<b>2014<sup>1</sup></b>	<b>2015<sup>1</sup></b>
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	3.80%	4.20%
Supplemental amortization equalization disbursement (SAED) as specified in C.R.S. 24-51-411	3.50%	4.00%
<b>Total employer contribution rate to the SCHDTF</b>	<b>16.43%</b>	<b>17.33%</b>

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from School were \$775,466 for the plan year ended December 31, 2015 and \$846,814 for the fiscal year ended June 30, 2016.

**C. 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 \$16,399,668 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 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 .1072%, which was an increase of .0052% from its proportion measured as of December 31, 2014.

**THE VANGUARD SCHOOL  
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**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2016**

**NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)**

**C. 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 \$1,373,662. 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	Deferred Inflows
Difference between expected and actual experience	\$ 216,560	\$ (683)
Changes of assumptions or other inputs	\$ -	\$ (231,756)
Net difference between projected and actual earnings on pension plan investments	\$ 1,394,432	\$ -
Changes in proportion and differences between contributions recognized and proportionate share of contributions - Plan Basis	\$ -	\$ 315,167
Contributions subsequent to the measurement date	\$ 422,817	\$ -
<b>Total</b>	<b>\$ 2,033,809</b>	<b>\$ 82,728</b>

\$422,817 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:	Totals
2017	\$ (541,796)
2018	(492,140)
2019	(373,842)
2020	(285,942)
<b>Total</b>	<b>\$ (1,693,720)</b>

**THE VANGUARD SCHOOL  
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**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2016**

**NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)**

**C. 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:

Actuarial cost method	Entry Age
Price inflation	2.80%
Real wage growth	1.10%
Wage inflation	3.90%
Salary increase, including wage inflation	3.90-10.10%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.50%
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 (AIR)

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

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

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

**THE VANGUARD SCHOOL  
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**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2016**

**NOTE 9: DEFINED BENEFIT PENSION PLAN (Continued)**

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

As of the most recent analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, 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 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%.

*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 assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Based on those 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.

**THE VANGUARD SCHOOL  
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**NOTES TO FINANCIAL STATEMENTS**

Year Ended June 30, 2016

**NOTE 9: DEFINED BENEFIT PENSION PLAN** (Continued)

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

*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%) or 1-percentage-point higher (8.50%) than the current rate:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Proportionate share of the net pension asset (liability)	\$ (21,258,763)	\$(16,399,668)	\$(12,357,808)

*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 10: DEFINED CONTRIBUTION PENSION PLAN**

Voluntary Investment Program

**A. Plan Description**

Employees of the School that are also members of the SCHDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S, as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Plan. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**B. Funding Policy**

The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. The School does not contribute to the plan. Employees are immediately vested in their own contributions, employer contributions, if any, and investment earnings. For the year ended June 30, 2016 program members contributed \$28,168.

**THE VANGUARD SCHOOL  
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**NOTES TO FINANCIAL STATEMENTS**

**Year Ended June 30, 2016**

**NOTE 11: DEFINED CONTRIBUTION PENSION PLAN**

Health Care Trust Fund

**A. 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](http://www.copera.org/investments/pera-financial-reports).

**B. Funding Policy**

The School is required to contribute at a rate of 1.02% of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the School are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2016, 2015 and 2014 each of the two preceding, the School contributions to the HCTF were \$48,695, \$46,577 and \$42,703, respectively, equal to their required contributions for each year.

**NOTE 12: OPERATING LEASE**

In August 24, 2000, the School has entered into an operating lease for facilities. A second amendment to the lease began in September 2012 and runs through August 2017. The lease requires monthly base rents of \$4,428 totaling \$53,147 annually plus triple net charges. The lease contains an additional sixty month extension provision upon 120 days notice prior to expiration.

**Required Supplementary Information  
(Pension Schedules Unaudited)**

**THE VANGUARD SCHOOL AT CHEYENNE MOUNTAIN CHARTER ACADEMY**

**SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE  
NET PENSION ASSET (LIABILITY)  
PERA Pension Plan  
Last 10 Fiscal Years<sup>(1)</sup>**

	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/14</u>
School's proportion of the net pension asset (liability)	0.107227%	0.106883%	0.102070%
School's proportionate share of the net pension asset (liability)	\$ (16,399,668)	\$ (14,486,199)	\$ (13,018,956)
School's covered-employee payroll	\$ 4,672,944	\$ 4,477,619	\$ 4,114,753
School's proportionate share of the net pension asset (liability) as a percentage of covered-employee payroll	350.95%	323.52%	316.40%
Plan fiduciary net position as a percentage of the total pension liability	59.16%	62.84%	64.07%

**Note:** All amounts are as of plan calculation dates which are one fiscal year prior to the date shown.

<sup>(1)</sup> - Additional years will be added to this schedule as they become available.

See the accompanying Independent Auditors' Report.



**THE VANGUARD SCHOOL AT CHEYENNE MOUNTAIN CHARTER ACADEMY**

**SCHEDULE OF SCHOOL CONTRIBUTIONS  
PERA Pension Plan  
Last 10 Fiscal Years<sup>(1)</sup>**

	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/14</u>
Contractually required contributions	\$ 809,821	\$ 735,673	\$ 639,021
Actual contributions	<u>(809,821)</u>	<u>(735,673)</u>	<u>(639,021)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered-employee payroll	\$ 4,672,944	\$ 4,477,619	\$ 4,114,753
Contributions as a percentage of covered-employee payroll	17.33%	16.43%	15.53%

**Note:** All amounts are as of plan calculation dates which are one fiscal year prior to the date shown.

<sup>(1)</sup> - Additional years will be added to this schedule as they become available.

See the accompanying Independent Auditors' Report.

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## **Required Supplementary Information**

**THE VANGUARD SCHOOL AT CHEYENNE MOUNTAIN CHARTER ACADEMY**

**BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED JUNE 30, 2016  
With Comparative Totals for the Year Ended June 30, 2015**

	2016				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POS (NEG)	2015 ACTUAL
<b>REVENUES</b>					
<b>Local Sources:</b>					
Per Pupil Operating Revenue Alloc.	\$ 8,539,834	\$ 8,606,308	\$ 8,567,049	\$ (39,259)	\$ 8,067,350
Tuition	184,000	230,000	211,213	(18,787)	200,473
Interest Income	7,000	6,000	7,706	1,706	9,449
Food Service	-	-	-	-	43,822
Student Activity Fees	79,045	80,000	73,986	(6,014)	96,784
Fund Raising	-	5,000	4,113	(887)	3,231
Donations	90,000	110,000	83,823	(26,177)	88,880
Instructional Services Fees	87,000	100,000	86,491	(13,509)	82,738
Rental/Leases	10,000	25,000	20,850	(4,150)	8,228
Other Local	5,000	20,000	14,303	(5,697)	(29,246)
<b>Total Local Sources</b>	<u>9,001,879</u>	<u>9,182,308</u>	<u>9,069,534</u>	<u>(112,774)</u>	<u>8,571,709</u>
<b>State Sources:</b>					
Primary Government flow-through:					
Charter School Construction Grant	308,520	400,000	319,392	(80,608)	204,827
ECEA	18,000	50,000	50,230	230	39,555
<b>Total State Sources</b>	<u>326,520</u>	<u>450,000</u>	<u>369,622</u>	<u>(80,378)</u>	<u>244,382</u>
<b>Federal Sources:</b>					
Primary Government flow-through:					
Title I, A - Improving Basic Programs	80,000	80,000	76,568	(3,432)	87,042
Title II, A	10,000	10,000	8,800	(1,200)	12,000
School Food Authority flow-through:					
NSLP Reimbursements	-	53,000	-	(53,000)	51,864
<b>Total Federal Sources</b>	<u>90,000</u>	<u>143,000</u>	<u>85,368</u>	<u>(57,632)</u>	<u>150,906</u>
<b>TOTAL REVENUES</b>	<u>9,418,399</u>	<u>9,775,308</u>	<u>9,524,524</u>	<u>(250,784)</u>	<u>8,966,997</u>
<b>EXPENDITURES</b>					
<b>Instruction:</b>					
Salaries	3,785,832	3,891,792	3,744,423	147,369	3,749,047
Benefits	1,449,039	1,651,316	1,080,843	570,473	998,459
PS - Other	160,200	142,700	143,032	(332)	148,120
Supplies	212,500	210,200	197,863	12,337	171,612
Property	30,000	30,000	46,058	(16,058)	23,058
Other Expenses	20,000	25,000	30,184	(5,184)	12,704
<b>Total Instruction</b>	<u>5,657,571</u>	<u>5,951,008</u>	<u>5,251,203</u>	<u>699,805</u>	<u>5,103,000</u>
<b>Supporting Services:</b>					
<b>Pupils:</b>					
Salaries	101,221	92,397	100,735	(8,338)	63,214
Benefits	-	18,480	35,707	(17,227)	21,768
Supplies	-	500	-	500	2,059
<b>Total Pupil Support</b>	<u>101,221</u>	<u>111,377</u>	<u>136,442</u>	<u>(25,065)</u>	<u>87,041</u>
<b>Staff Support:</b>					
Salaries	52,450	44,022	49,448	(5,426)	46,679
Benefits	23,256	73,031	46,565	26,466	49,589
PS - Professional	5,000	5,000	3,688	1,312	3,730
PS - Other	20,000	5,000	18,870	(13,870)	17,902
Supplies	20,100	25,000	36,961	(11,961)	23,507
<b>Total Staff Support</b>	<u>120,806</u>	<u>152,053</u>	<u>155,532</u>	<u>(3,479)</u>	<u>141,407</u>
<b>General Administration:</b>					
Salaries	129,500	121,250	131,384	(10,134)	125,000
Benefits	-	25,750	26,970	(1,220)	24,660
PS - Professional	27,000	34,500	61,994	(27,494)	38,225
PS - Other	7,000	3,000	4,077	(1,077)	5,517
Supplies	500	1,000	910	90	208
<b>Total General Administration</b>	<u>164,000</u>	<u>185,500</u>	<u>225,335</u>	<u>(39,835)</u>	<u>193,610</u>

See the accompanying Independent Auditors' Report.

**THE VANGUARD SCHOOL AT CHEYENNE MOUNTAIN CHARTER ACADEMY**

**BUDGETARY COMPARISON SCHEDULE**

**GENERAL FUND**

**YEAR ENDED JUNE 30, 2016**

**With Comparative Totals for the Year Ended June 30, 2015**

	2016			VARIANCE WITH FINAL BUDGET POS (NEG)	2015 <u>ACTUAL</u>
	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>		
EXPENDITURES (Continued)					
Supporting Services (Continued):					
School Administration:					
Salaries	498,923	457,901	464,471	(6,570)	473,467
Benefits	-	166,580	120,925	45,655	109,465
PS - Professional	20,000	20,000	8,122	11,878	14,661
PS - Other	32,000	32,000	60,268	(28,268)	49,874
Supplies	<u>6,000</u>	<u>4,500</u>	<u>16,203</u>	<u>(11,703)</u>	<u>6,248</u>
Total School Administration	<u>556,923</u>	<u>680,981</u>	<u>669,989</u>	<u>10,992</u>	<u>653,715</u>
Business Administration:					
Salaries	116,560	113,864	122,757	(8,893)	110,863
Benefits	-	22,775	29,414	(6,639)	26,962
PS - Professional	20,000	20,000	37,869	(17,869)	30,962
PS - Other	30,000	30,000	25,096	4,904	24,749
Supplies	<u>1,500</u>	<u>2,500</u>	<u>1,990</u>	<u>510</u>	<u>1,134</u>
Total Business Administration	<u>168,060</u>	<u>189,139</u>	<u>217,126</u>	<u>(27,987)</u>	<u>194,670</u>
Operations and Maintenance					
Salaries	304,192	234,131	247,247	(13,116)	249,289
Benefits	-	46,826	65,064	(18,238)	58,659
PS - Property	1,812,463	1,711,740	423,598	1,288,142	3,162,725
Supplies	185,000	180,000	166,173	13,827	169,599
Property	<u>135,000</u>	<u>80,000</u>	<u>85,917</u>	<u>(5,917)</u>	<u>48,431</u>
Total Operations and Maintenance	<u>2,436,655</u>	<u>2,252,697</u>	<u>987,999</u>	<u>1,264,698</u>	<u>3,688,703</u>
Transportation					
PS - Property	1,000	1,000	3,112	(2,112)	316
Property	<u>500</u>	<u>500</u>	<u>1,689</u>	<u>(1,189)</u>	<u>263</u>
Total Transportation	<u>1,500</u>	<u>1,500</u>	<u>4,801</u>	<u>(3,301)</u>	<u>579</u>
Other Central Support					
Salaries	104,550	159,718	99,616	60,102	121,088
Benefits	55,000	86,744	64,839	21,905	74,142
PS - Professional	12,000	8,478	8,851	(373)	12,071
PS - Property	1,000	1,500	1,388	112	79
PS - Other	74,022	74,022	79,146	(5,124)	70,833
Supplies	50,000	40,000	46,112	(6,112)	48,953
Property	<u>30,000</u>	<u>30,000</u>	<u>6,259</u>	<u>23,741</u>	<u>61,383</u>
Total Other Central Support	<u>326,572</u>	<u>400,462</u>	<u>306,211</u>	<u>94,251</u>	<u>388,549</u>
Total Supporting Services	<u>3,874,737</u>	<u>3,973,709</u>	<u>2,703,435</u>	<u>1,270,274</u>	<u>5,348,274</u>
Community Support					
Food Service					
PS - Other	2,500	2,500	5,658	(3,158)	3,254
Supplies	-	-	-	-	80,455
Total Community Support	<u>2,500</u>	<u>2,500</u>	<u>5,658</u>	<u>(3,158)</u>	<u>83,709</u>
Debt Service - Lease Payments (Foundation)	-	-	1,193,905	(1,193,905)	-
TOTAL EXPENDITURES	<u>9,534,808</u>	<u>9,927,217</u>	<u>9,154,201</u>	<u>773,016</u>	<u>10,534,983</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(116,409)	(151,909)	370,323	522,232	(1,567,986)
OTHER FINANCING SOURCES (USES)					
Transfers In (Out)	<u>135,000</u>	<u>165,000</u>	<u>252,724</u>	<u>87,724</u>	<u>161,081</u>
CHANGE IN FUND BALANCE	18,591	13,091	623,047	609,956	(1,406,905)
FUND BALANCE, Beginning	<u>(13,091)</u>	<u>(13,091)</u>	<u>1,828,459</u>	<u>1,841,550</u>	<u>3,235,364</u>
FUND BALANCE, Ending	<u>\$ 5,500</u>	<u>\$ -</u>	<u>\$ 2,451,506</u>	<u>\$ 2,451,506</u>	<u>\$ 1,828,459</u>

See the accompanying Independent Auditors' Report.

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## **Other Supplementary Information**

**THE VANGUARD SCHOOL AT CHEYENNE MOUNTAIN CHARTER ACADEMY**

**SCHEDULE OF REVENUES, EXPENDITURES  
AND CHANGE IN FUND BALANCES -  
BUDGET AND ACTUAL  
SPORTS FUND**

**YEAR ENDED JUNE 30, 2016**

**With Comparative Totals for the Year Ended June 30, 2015**

	2016			2015
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET POS (NEG)	ACTUAL
<b>REVENUES</b>				
Local Sources:				
Student Activity Fees	\$ 81,000	\$ 79,887	\$ (1,113)	\$ 62,594
Dues and Fees	15,000	13,109	(1,891)	8,103
Gate Revenue	<u>25,000</u>	<u>18,777</u>	<u>(6,223)</u>	<u>21,623</u>
<b>TOTAL REVENUES</b>	<u>121,000</u>	<u>111,773</u>	<u>(9,227)</u>	<u>92,320</u>
<b>EXPENDITURES</b>				
Instruction:				
Salaries	65,000	55,350	9,650	49,269
Benefits	24,130	11,275	12,855	10,005
PS - Professional	20,000	15,139	4,861	12,468
PS - Other	44,000	21,956	22,044	23,790
Supplies	13,350	44,364	(31,014)	16,562
Other Expenses	<u>4,520</u>	<u>3,484</u>	<u>1,036</u>	<u>3,236</u>
<b>TOTAL EXPENDITURES</b>	<u>171,000</u>	<u>151,568</u>	<u>19,432</u>	<u>115,330</u>
 <b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	 (50,000)	 (39,795)	 10,205	 (23,010)
 <b>OTHER FINANCING SOURCES</b>				
Transfers In (Out)	<u>50,000</u>	<u>39,795</u>	<u>(10,205)</u>	<u>23,010</u>
 <b>CHANGE IN FUND BALANCE</b>	 -	 -	 -	 -
 <b>FUND BALANCE, Beginning</b>	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>
<b>FUND BALANCE, Ending</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See the accompanying Independent Auditors' Report.



**THE VANGUARD SCHOOL AT CHEYENNE MOUNTAIN CHARTER ACADEMY**

**FOUNDATION FUND  
SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN NET POSITION  
BUDGET (GAAP BASIS) AND ACTUAL  
YEAR ENDED JUNE 30, 2016**

**With Comparative Totals for the Year Ended June 30, 2015**

	2016			2015
	FINAL BUDGET	ACTUAL	VARIANCE WITH FINAL BUDGET FAV (UNFAV)	ACTUAL
RECEIPTS				
Interest Income	\$ -	\$ 478	\$ 478	\$ 208
Rent Revenue	1,452,544	1,193,905	(258,639)	1,419,655
Contributed Capital	-	224,393	224,393	-
Loss on Disposal of Capital Assets	-	-	-	(18,807)
	1,452,544	1,418,776	(33,768)	1,401,056
TOTAL RECEIPTS				
DISBURSEMENTS				
PS - Professional	-	423,053	(423,053)	-
Interest Expense	1,452,544	570,207	882,337	938,238
	1,452,544	993,260	459,284	938,238
TOTAL EXPENDITURES				
RECEIPTS OVER DISBURSEMENTS				
BUDGETARY (GAAP) BASIS	\$ -	425,516	\$ 425,516	462,818
ADJUSTMENTS FROM BUDGET TO GAAP BASIS OF ACCOUNTING:				
Depreciation Expense		(609,193)		(599,193)
RECEIPTS OVER (UNDER) DISBURSEMENTS - GAAP BASIS		(183,677)		(136,375)
NET POSITION, Beginning		(717,751)		(581,376)
NET POSITION, Ending		\$ (901,428)		\$ (717,751)

See the accompanying Independent Auditors' Report.

**THE VANGUARD SCHOOL AT CHEYENNE MOUNTAIN CHARTER ACADEMY**

**STUDENT ACTIVITY AGENCY FUND  
SCHEDULE OF RECEIPTS, DISBURSEMENTS,  
AND CHANGES IN NET POSITION  
BUDGET AND ACTUAL**

**YEAR ENDED JUNE 30, 2016**

**With Comparative Totals for the Year Ended June 30, 2015**

	2016			2015
	FINAL BUDGET	ACTUAL	VARIANCE- FAVORABLE (UNFAVORABLE)	ACTUAL
Receipts	\$ 170,000	\$ 120,681	\$ (49,319)	\$ 42,975
Disbursements	170,000	95,139	74,861	27,826
Net Receipts (Disbursements)	\$ -	25,542	\$ 25,542	15,149
NET POSITION, Beginning		31,234		16,085
NET POSITION, Ending		\$ 56,776		\$ 31,234

See the accompanying Independent Auditors' Report.