SOUTHWEST EARLY COLLEGE
Denver, Colorado

FINANCIAL STATEMENTS

June 30, 2016

SOUTHWEST EARLY COLLEGE
June 30, 2016

Board of Directors

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S&C Swanhorst & Company LLC
Certified Public Accountants

Board of Directors
Southwest Early College
Denver, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and the major fund of Southwest Early College, component unit of Denver School District, 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 Southwest Early College, as listed in the table of contents.

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

Auditors' Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Southwest Early College as of June 30, 2016, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Swanhurst & Company LLC

September 11, 2016

Early Colleges of Colorado, Inc.
DBA Southwest Early College

Management's Discussion and Analysis
Fiscal Year Ending June 30, 2016

As management of Early Colleges of Colorado, Inc. DBA Southwest Early College (SWEC), we offer readers of SWEC's basic financial statements this narrative and analysis of the financial activities of Southwest Early College for the year ended June 30, 2016. We encourage readers to consider the information presented here in conjunction with additional information provided in the accompanying financial statements.

Financial Highlights

The year ended June 30, 2016 was the twelfth year of operations for SWEC. The general fund balance for fiscal year ending June 30, 2016 is $621,504, $117,715 up from a balance of $503,789 as of June 30, 2015.

The operations of SWEC are funded primarily by tax revenue received under the State School Finance Act (the Act). Tax revenue for the year ended June 30, 2016 from Per Pupil Revenue was $1,530,072 down from $1,927,722 for the year ended June 30, 2015.

SWEC is located in a facility that is rented. However, the school lost the lease in its existing location and will be moving to a smaller space in the same complex. The new monthly lease amount starting with August 2016 is $13,283 with the landlord being responsible for maintenance and upgrades. This is a savings of $23,417.

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to SWEC'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 SWEC's finances in a manner similar to a private-sector business.

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

The statement of activities presents information showing how SWEC's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of 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 year-end).

The government-wide statement of activities distinguishes functions/programs of SWEC that are primarily supported by the per-pupil operating revenue passed from Denver Public Schools. These activities include instruction and supporting services expense.

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. SWEC 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.

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, the net position may serve over time as a useful indicator of SWEC's financial position. As of June 30, 2016, SWEC's combined net position was a negative ($342,299) due to the net pension liability in the amount of $1,004,418, representing its proportionate share of the Denver Public Schools Division Trust Fund (DPSD) pension liability, administered by the Public Employees' Retirement Association of Colorado (PERA) This amount was determined by an independent actuarial valuation of PERA's financial position at December 31, 2015. Of SWEC's total net position a negative ($412,730) is unrestricted and $57,000 is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment.

Mill levy revenue approved by Denver voters brought in mill levy revenue in FY16 of $197,819 down from $226,100 in FY15.

Statement of Net Position		2015-2016	2014-2015
Assets			
Cash	$	660,192	503,722
Grants Receivable		19,912	21,828
Prepaid Expenses		657	480
TABOR held by Denver School District			58,299
Capital Assets, Net of Accumulated Depreciation		13,431	20,146
Total Assets		694,192	604,475
Deferred Outflows of Resources			
Pensions, Net of Accumulated Amortization		287,494	70,571
Liabilities			
Accounts Payable		308	641
Accrued Liabilities		14,616	23,845
Accrued Salaries and Benefits		44,333	56,054
Noncurrent Liabilities			
Net Pension Liability		1,004,418	905,200
Total Liabilities		1,063,675	985,740
Deferred Inflows of Resources			
Pensions, Net of Accumulated Amortization		260,310	53,770
Net Position			
Net Investment in Capital Assets		13,431	20,146
Restricted for Emergencies		57,000	70,000
Unrestricted		(412,730)	(454,610)
Total Net Position	$	(342,299)	(364,464)

Change in Net Position		2015-2016	2014-2015
Revenues			
Per Pupil Revenue	$	1,530,072	1,927,722
At-Risk Funding		7,333	270
Mill Levy Override		197,819	226,100
Charges for Services		39,668	31,524
Grants and Contributions		148,142	163,537
Capital Grants and Contributions			0
Capital Construction Funding		51,957	44,524
Investment Earnings		117	122
Other		13,705	14,813
Total Revenue		1,988,813	2,408,612
Expenses			
Instruction		823,199	1,059,692
Supporting Services		1,143,449	1,263,332
Total Expenses		1,966,648	2,323,024
Increase/(Decrease) in Net Position		22,165	85,588
Net Position, Beginning		(364,464)	(405,052)
Net Position, Ending	$	(342,299)	(364,464)

SWEC has adopted GASB 68

SWEC's Net Position is a negative ($342,299). The negative balance is due primarily to the adoption of GASB Statement No. 68, resulting in a net pension liability of $1,004,418 representing its proportionate share of DPSD's pension liability.

Financial Analysis of SWEC's Funds

Governmental funds

The focus of Southwest Early College's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing SWEC's financing requirements. In particular, unassigned fund balance may serve as a useful measure of SWEC's net resources available to spend at the end of the fiscal year.

As of the end of the current fiscal year, SWEC's general fund reported an ending fund balance of $621,504. The general fund balance increased for the year, due to conservative purchasing practices.

General Fund Budgetary Highlights

SWEC budgeted for General Fund expenditures of $1,940,266 for the year ended June 30, 2016. Actual expenditures were $1,871,098.

There was a budget amendment during the year, which reflected a decrease in PPR, an increase in State revenues, a decrease in projected salaries and benefits, and a decrease in purchased professional services.

Capital Asset and Debt Administration

Capital Assets

SWEC's investment in capital assets as of June 30, 2016, amounts to $13,431. This investment in capital assets consists of leasehold improvements and equipment. The detail of this investment is in Note 3 to the financial statements.

Long-term debt

SWEC has no long-term debt other than the net pension liability.

Economic Factors and Next Year's Budget

The primary factor driving the budget for SWEC is student enrollment. Student FTE for the FY15 school year was 201 a drop from 263 in last fiscal year. The FTE projected for the FY16 school year is expected to be 180, due to continuing competition in the area. This factor was considered in preparing SWEC's budget for 2016-2017.

Requests for Information

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

Southwest Early College
3001 South Federal Boulevard
Denver, CO 80236

BASIC FINANCIAL STATEMENTS

SOUTHWEST EARLY COLLEGE

STATEMENT OF NET POSITION
June 30, 2016

		GOVERNMENTAL ACTIVITIES
ASSETS		
Cash	$	660,192
Grants Receivable		19,912
Prepaid Expenses		657
Capital Assets, Net of Accumulated Depreciation		13,431
TOTAL ASSETS		694,192
DEFERRED OUTFLOWS OF RESOURCES		
Pensions, Net of Accumulated Amortization		287,494
LIABILITIES		
Accounts Payable		308
Accrued Liabilities		14,616
Accrued Salaries and Benefits		44,333
Noncurrent Liabilities		
Net Pension Liability		1,004,418
TOTAL LIABILITIES		1,063,675
DEFERRED INFLOWS OF RESOURCES		
Pensions, Net of Accumulated Amortization		260,310
NET POSITION		
Net Investment in Capital Assets		13,431
Restricted for Emergencies		57,000
Unrestricted		(412,730)
TOTAL NET POSITION	$	(342,299)

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

SOUTHWEST EARLY COLLEGE

STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION GOVERNMENTAL ACTIVITIES
PRIMARY GOVERNMENT				
Governmental Activities				
Instruction	$ 821,988	$ 39,668	$ 110,314	$ (672,006)
Supporting Services	1,144,660	-	37,828	(1,106,832)
Total Governmental Activities	$ 1,966,648	$ 39,668	$ 148,142	(1,778,838)
GENERAL REVENUES				
Per Pupil Revenue				1,530,072
Supplemental At-Risk Aid				5,158
Additional At-Risk Funding				2,175
District Mill Levy				197,819
Capital Construction				51,957
Investment Income				117
Miscellaneous				13,705
TOTAL GENERAL REVENUES				1,801,003
CHANGE IN NET POSITION				22,165
NET POSITION, Beginning				(364,464)
NET POSITION, Ending				$ (342,299)

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

SOUTHWEST EARLY COLLEGE

BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2016

		GENERAL
ASSETS		
Cash	$	660,192
Grants Receivable		19,912
Prepaid Expenditures		657
TOTAL ASSETS	$	680,761
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts Payable	$	308
Accrued Liabilities		14,616
Accrued Salaries and Benefits		44,333
TOTAL LIABILITIES		59,257
FUND BALANCE		
Nonspendable Prepaid Expenditures		657
Restricted for Emergencies		57,000
Unrestricted, Unassigned		563,847
TOTAL FUND BALANCE		621,504
TOTAL LIABILITIES AND FUND BALANCE	$	680,761

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

Total Fund Balance of the Governmental Fund	$	621,504
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.		13,431
Long-term liabilities and related items, including net pension liablity ($1,004,418), pension-related deferred outflows of resources $287,494, and pension-related deferred inflows of resources ($260,310), are not due and payable in the current year and, therefore, are not reported in governmental funds.		(977,234)
Total Net Position of Governmental Activities	$	(342,299)

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

SOUTHWEST EARLY COLLEGE

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

		GENERAL
REVENUES		
Local Sources	$	1,781,381
State Sources		102,572
Federal Sources		104,860
TOTAL REVENUES		1,988,813
EXPENDITURES		
Instruction		762,861
Supporting Services		1,108,237
TOTAL EXPENDITURES		1,871,098
NET CHANGE IN FUND BALANCE		117,715
FUND BALANCE, Beginning		503,789
FUND BALANCE, Ending	$	621,504

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

Net Change in Fund Balance of the Governmental Fund	$	117,715
Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and are allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This amount represents depreciation expense in the current year.		(6,715)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount represents the change in the net pension liability ($99,218), pension-related deferred outflows of resources $216,923, and pension-related deferred inflows of resources ($206,540) in the current year.		(88,835)
Change in Net Position of Governmental Activities	$	22,165

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Early Colleges of Colorado, Inc., dba Southwest Early College (the "School") was established during 2003, pursuant to the Colorado Charter Schools Act, to form and operate a charter school within Denver School District (the "District"). The School began classes in the Fall of 2004.

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

Reporting Entity

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

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

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the School. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported in a single column.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to students or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted revenues not properly included among program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

Assets, Liabilities and Net Position/Fund Balance

Cash and Investments - Investments are reported at fair value.

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

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

Capital Assets - Capital assets, which include leasehold improvements and equipment, are reported in the government-wide financial statements. 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. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the acquisition value on the date of donation.

Capital assets are amortized or depreciated using the straight-line method over the life of the related lease agreement or the estimated useful life, as follows:

Leasehold Improvements	5 years
Equipment	5 years

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Compensated Absences - Employees of the School are allowed to accumulate unused personal and sick leave to a maximum of 88 hours. The School does not reimburse or otherwise compensate terminated employees for any unused personal and sick leave. Therefore, no liability is reported in the financial statements for these compensated absences.

Long-Term Debt - In the government-wide financial statements, long-term debt is reported as a liability. In the fund financial statements, governmental funds recognize the face amount of debt issued as other financing sources.

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

Net Position/Fund Balance - In the government-wide and fund financial statements, net position and fund balance are restricted when constraints placed on the use of resources are externally imposed. The Board of Directors is authorized to establish a fund balance commitment through passage of a resolution, and may assign fund balances to a specific purpose through an informal action.

The School has not established a formal policy for its use of restricted and unrestricted fund balance. However, if both restricted and unrestricted fund balances are available for a specific purpose, the School uses restricted fund balance first, followed by committed, assigned, and unassigned balances.

Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School carries commercial insurance for these risks of loss.

NOTE 2: CASH AND INVESTMENTS

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local governments to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The fair value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2016, the School had bank deposits of $420,631 collateralized with securities held by the financial institution's agent but not in the School's name.

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments

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

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

The School had no investments at June 30, 2016.

NOTE 3: CAPITAL ASSETS

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

	Balance 6/30/15	Additions	Deletions	Balance 6/30/16
Governmental Activities				
Capital Assets, Being Depreciated				
Leasehold Improvements	$ 85,043	$ -	$ -	$ 85,043
Equipment	81,658	-	-	81,658
Total Capital Assets, Being Depreciated	166,701	-	-	166,701
Accumulated Depreciation				
Leasehold Improvements	(85,043)	-	-	(85,043)
Equipment	(61,512)	(6,715)	-	(68,227)
Total Accumulated Depreciation	(146,555)	(6,715)	-	(153,270)
Capital Assets, Net	**$ 20,146**	**$ (6,715)**	**$ -**	**$ 13,431**

Depreciation expense was charged to the instruction program of the School.

NOTE 4: DEFINED BENEFIT PENSION PLAN

General Information

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

Benefits Provided - The DPSD provides retirement, disability, and survivor benefits to plan participants or their beneficiaries. Retirement benefits are determined by the amount of service credit earned or purchased, highest average salary, the benefit structure in place, the benefit option selected at retirement, and age at retirement. The retirement benefit is the greater of the a) highest average salary multiplied by 2.5% and then multiplied by years of service credit, or b) $15 times the first ten years of service credit plus $20 times the service credit over ten years, plus a monthly amount equal to the annuitized participant contribution account balance based on life expectancy and other actuarial factors. In no case can the benefit amount exceed the highest average salary or the amount allowed by applicable federal regulations.

Retirees who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs) as established by State statutes. Retirees receive an annual increase of 2%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% or the average consumer price index for the prior calendar year.

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

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

Contributions - The School and eligible employees are required to contribute to the DPSD at rates established by Title 24, Article 51, Part 4 of the CRS. These contribution requirements are established and may be amended by the State Legislature. The contribution rate for employees is 8% of covered salaries. The School's contribution rate for calendar years 2015 and 2016 was 18.35% and 19.15% of covered salaries, respectively. However, the State Legislature allowed the School to offset its contribution rates by an amount equal to the obligations of the District with respect to its outstanding PCOPs (See Note 5). As a result, the School's contribution rates for calendar years 2015 and 2016 were 2.38% and 3.61%, respectively. In addition, a portion of the School's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 6). The School's contributions to the DPSD for the year ended June 30, 2016, were $18,956, equal to the required contributions. Employer contributions are recognized by the DPSD when the related compensation is payable to the employees.

NOTE 4: DEFINED BENEFIT PENSION PLAN (Continued)

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 net pension liability of $1,004,418, representing its proportionate share of the net pension liability of the DPSD. The net pension liability was measured at 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. Certain changes in assumptions and other inputs since the prior measurement date affected the total pension liability and are more fully described in the notes to required supplementary information. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The School's proportion of the net pension liability was based on the School's contributions to the DPSD for the calendar year ended December 31, 2015, relative to the contributions of all participating employers. At December 31, 2015, the School's proportion was 0.1234634180%, which was a decrease of 0.0214682316% from its proportion measured at December 31, 2014.

For the year ended June 30, 2016, the School recognized pension expense of $101,514. At June 30, 2016, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 45,227	$ 153
Changes of assumptions and other inputs	-	112,430
Net difference between projected and actual earnings on plan investments	233,793	-
Changes in proportion	-	147,727
Contributions subsequent to the measurement date	8,474	-
Total	**$ 287,494**	**$ 260,310**

School contributions subsequent to the measurement date of $8,474 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	
2017	$ 5,733
2018	5,733
2019	5,733
2020	1,951
2021	(440)
Total	**$ 18,710**

NOTE 4: DEFINED BENEFIT PENSION PLAN (Continued)

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

Actuarial Assumptions - The actuarial valuation as of December 31, 2014, determined the total pension liability using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Price inflation	2.8%
Real wage growth	1.1%
Wage inflation	3.9%
Salary increases, including wage inflation	3.9% - 10.1%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.5%
Future post-retirement benefit increases	2%

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

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

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

The most recent analysis of the long-term expected rate of return was presented to the PERA governing board on November 15, 2013, and included the target allocation and best estimates of geometric real rates of return for each major asset class, as follows:

NOTE 4: DEFINED BENEFIT PENSION PLAN (Continued)

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

Asset Class	Target Allocation	10 year Expected Geometric Real Rate of Return
U.S. Equity - Large Cap	26.76%	5.00%
U.S. Equity - Small Cap	4.40%	5.19%
Non U.S. Equity - Developed	22.06%	5.29%
Non U.S. Equity - Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Government/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%**	

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and the employer contributions will be made at the rates specified in State statutes, which currently require annual increases, to a total of 20.15% of covered salaries for the year ended December 31, 2018. When the actuarially determined funding ratio reaches 103 percent, the employer contribution rate will decrease 0.5% each year, to a minimum of 10.15%. Based on those assumptions, the DPSD's fiduciary net position was projected to be available to make all projected future benefit payments to current participants. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. In addition, the discount rate did not change from the prior measurement date.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as the School's proportionate share of the net pension liability if it were calculated using a discount that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate, as follows:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Proportionate share of the net pension liability	**$ 1,572,273**	**$ 1,004,418**	**$ 533,292**

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

NOTE 5: PENSION CERTIFICATES OF PARTICIPATION

Beginning in 2008, the District issued Taxable Pension Certificates of Participation (PCOPs) to fund the liabilities of the DPSD (See Note 4). For the year ended June 30, 2016, the School contributed 9.95% of covered salaries, totaling $64,428, to the District to cover its obligation relating to the PCOPs.

NOTE 6: POSTEMPLOYMENT HEALTHCARE BENEFITS

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

Funding Policy - The School is required to contribute at a rate of 1.02% of covered salaries for all DPSD participants. No employee contributions are required. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The School's apportionment to the HCTF for the years ended June 30, 2016, 2015 and 2014 was $6,602, $8,730 and $8,205, respectively, equal to the required amounts for each year.

NOTE 7: COMMITMENTS AND CONTINGENCIES

Lease Commitment

The School has entered into an operating lease agreement for school facilities. During the year ended June 30, 2016, the School paid base rent of $462,000 under this agreement. The agreement requires monthly base rent of $13,283 beginning August 1, 2016, through July 31, 2017.

Claims and Judgements

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

NOTE 7: **COMMITMENTS AND CONTINGENCIES** (Continued)

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The Amendment is subject to many interpretations, but the School believes it is in substantial compliance with the Amendment. In accordance with the Amendment, the School is required to establish an emergency reserve representing 3% of qualifying expenditures. At June 30, 2016, the reserve was reported as restricted fund balance in the General Fund, in the amount of $57,000.

REQUIRED SUPPLEMENTARY INFORMATION

SOUTHWEST EARLY COLLEGE

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AND CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO
DENVER PUBLIC SCHOOLS DIVISION TRUST FUND
June 30, 2016

	12/31/15	12/31/14	12/31/13
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY			
School's Proportion of the Net Pension Liability	0.1234634180%	0.1449316496%	0.1577613073%
School's Proportionate Share of the Net Pension Liability	$ 1,004,418	$ 905,200	$ 820,523
School's Covered-Employee Payroll	$ 772,569	$ 854,166	$ 870,845
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	130%	106%	94%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	79%	84%	86%

	6/30/16	6/30/15	6/30/14
SCHOOL CONTRIBUTIONS			
Statutorily Required Contribution	$ 12,354	$ 20,188	$ 33,792
Contributions in Relation to the Statutorily Required Contribution	(12,354)	(20,188)	(33,792)
Contribution Deficiency (Excess)	$ -	$ -	$ -
School's Covered-Employee Payroll	$ 647,215	$ 856,220	$ 819,844
Contributions as a Percentage of Covered-Employee Payroll	1.91%	2.36%	4.12%

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

See the accompanying Independent Auditors' Report.

SOUTHWEST EARLY COLLEGE

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Per Pupil Revenue	$ 2,030,490	$ 1,519,331	$ 1,530,072	$ 10,741
District Mill Levy	247,084	186,706	197,819	11,113
Tuition	6,000	6,000	25,231	19,231
Student Activities	13,000	9,000	14,437	5,437
Investment Income	500	200	117	(83)
Miscellaneous	15,000	15,000	13,705	(1,295)
State Sources				
English Language Proficiency Act	8,000	46,103	43,282	(2,821)
At-Risk Supplemental Aid	-	-	5,158	5,158
Additional At-Risk Funding	-	-	2,175	2,175
Capital Construction	66,500	50,250	51,957	1,707
Federal Sources				
Title I	68,991	88,837	88,389	(448)
Improving Teacher Quality	12,549	12,549	11,941	(608)
English Language Acquisition	6,290	6,290	4,530	(1,760)
TOTAL REVENUES	2,474,404	1,940,266	1,988,813	48,547
EXPENDITURES				
Salaries	854,624	675,833	656,926	18,907
Employee Benefits	192,691	152,824	136,433	16,391
Purchased Services	1,042,467	1,006,112	1,028,144	(22,032)
Supplies and Materials	84,416	69,039	42,925	26,114
Miscellaneous	23,839	15,938	6,670	9,268
Debt Service	5,000	-	-	-
Contingency	214,634	20,520	-	20,520
TOTAL EXPENDITURES	2,417,671	1,940,266	1,871,098	69,168
NET CHANGE IN FUND BALANCE	56,733	-	117,715	117,715
FUND BALANCE, Beginning	339,886	503,789	503,789	-
FUND BALANCE, Ending	$ 396,619	$ 503,789	$ 621,504	$ 117,715

See the accompanying Independent Auditors' Report.

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

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

Changes in Assumptions and Other Inputs

For the year ended June 30, 2016, the total pension liability was determined by an actuarial valuation as of December 31, 2014. The following programming and methodology changes were made since the prior actuarial valuation as of December 31, 2013.

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

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

Management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1, for their approval. The budget includes proposed expenditures and the means of financing them.

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

All appropriations lapse at fiscal year end.