RICARDO FLORES MAGÓN ACADEMY

FINANCIAL STATEMENTS

June 30, 2016

RICARDO FLORES MAGON ACADEMY

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Swanhorst & Company LLC
Certified Public Accountants

Board of Trustees
Ricardo Flores Magon Academy
Westminister, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Ricardo Flores Magon Academy 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 Ricardo Flores Magon Academy, as listed in the table of contents.

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

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

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

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

Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Ricardo Flores Magon Academy as of June 30, 2016, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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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.

September 20, 2016

Ricardo Flores Magon Academy

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

As management of Ricardo Flores Magon Academy (RFMA), we offer readers of RFMA's basic financial statements this narrative and analysis of the financial activities of RFMA 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 ninth year of operations for RFMA. The general fund balance for fiscal year ending June 30, 2016 is $473,466, an increase of $113,983 from the prior year. The net position for the Building Corporation is $615,759, a decrease of $30,705 from the prior year.

The operations of RFMA are funded primarily by tax revenue received under the State School Finance Act (the Act). Tax revenue for the year from Per Pupil Revenue was $2,547,218.

RFMA obtained a $1,500,000 loan during fiscal year 2013-2014 to finance building improvements and refinance outstanding debt. This loan requires monthly principal and interest payments of $10,388 and has interest accruing at a current rate of 5.5%. A balloon payment of $1,268,909 is due at maturity on July 5, 2019. Another long-term loan was taken from the Colorado Charter School Institute during fiscal year 2013-2014 for $50,000. This non-interest bearing loan was due in twenty equal payments of $2,500 beginning November 1, 2014 and ending June 1, 2016. During the year ended June 30, 2016, the loan was paid in full.

Overview of Financial Statements

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

The statement of net position presents information on all RFMA's assets and liabilities, and deferred inflows and outflows, with the difference 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 RFMA is improving or deteriorating. The statement of activities presents information showing how RFMA'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 RFMA that are primarily supported by the per-pupil operating revenue passed from the Colorado Charter School Institute. These activities include instruction and supporting services.

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. RFMA 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, except that the focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Both the balance sheet and the statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between the governmental fund and the governmental activities.

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 RFMA's financial position. For the year ended June 30, 2016, RFMA's total net position was a negative $2,843,635 due to the net pension liability in the amount of $4,899,358, representing its proportionate share of the net pension liability of the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA).

Of RFMA's total net position, $642,403 is invested in capital assets net of related debt, negative $3,577,038 is unrestricted, and $91,000 is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment.

RFMA has adopted GASB 68 (Defined Benefit Pension Plan)

As noted previously, RFMA's Net Position is a negative $2,843,635. The negative balance is due primarily to the adoption of GASB Statement No. 68, resulting in a net pension liability of $4,899,358, representing its proportionate share of the SDTF's net pension liability.

Statement of Net Position	2015-2016	2014-2015
Assets		
Cash	$ 577,579	$ 457,532
Accounts Receivable	36,549	28,450
Grants Receivable	52,202	62,924
Prepaid Expenses	-	6,039
Capital Assets, Not Being Depreciated	66,000	66,000
Capital Assets, Net of Accumulated Depreciation	2,000,473	2,088,741
Total Assets	**2,732,803**	**2,709,686**
Deferred Outflows of Resources		
Pensions, Net of Accumulated Amortization	1,009,276	360,198
Liabilities		
Accounts Payable	16,695	22,404
Accrued Liabilities	43,984	56,217
Accrued Salaries and Benefits	132,185	116,841
Accrued Interest Payable	6,497	6,699
Noncurrent Liabilities		
Due Within One Year	47,882	74,230
Due in More Than One Year	1,369,691	1,417,381
Net Pension Liability	4,899,358	3,945,655
Total Liabilities	**6,516,292**	**5,639,427**
Deferred Inflows of Resources		
Pensions, Net of Accumulated Amortization	69,422	295
Net Position		
Net Investment in Capital Assets	642,403	686,431
Restricted for Emergencies	91,000	78,000
Unrestricted	(3,577,038)	(3,334,269)
Total Net Position	**$ (2,843,635)**	**$ (2,569,838)**

Change in Net Position		2015-2016		2014-2015
Revenues				
Per Pupil Revenue	$	2,547,218	$	2,370,022
Charges for Services		36,252		23,636
Operating Grants and Contributions		531,350		514,815
Capital Grants and Contributions		17,000		-
Grants and Contributions not Restricted to Specific Programs		26,175		36,138
At-Risk Supplemental Aid		3,818		-
Additional At-Risk Funding		3,765		-
Capital Construction		86,388		54,563
Insurance Proceeds		26,516		-
Investment Income		354		351
Other		29		6,802
Total Revenues		**3,278,865**		**3,006,327**
Expenses				
Instruction		1,679,245		1,515,418
Supporting Services		1,718,060		1,505,047
Building Corporation		155,357		162,594
Total Expenses		**3,552,662**		**3,183,059**
Increase (decrease) in net position		(273,797)		(176,732)
Net Position, Beginning		(2,569,838)		(2,393,106)
Net Position, Ending	**$**	**(2,843,635)**	**$**	**(2,569,838)**

Financial Analysis of RFMA's Funds

Governmental Fund

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

As of the end of fiscal year 2015-2016, RFMA's general fund reported an ending fund balance of $473,466, and increase of $113,983 from the prior year. This increase is primarily the result of increased per pupil state funding coupled will increased enrollment.

Proprietary Fund

RFMA also maintains a proprietary fund to account for the financial activity of the BG Building Corporation (Building Corporation). The Corporation is a non-profit entity organized for the purpose of holding title to the school's property.

As of the end of fiscal year 2015-2016, the Building Corporation reported an ending fund balance of $615,759, a decrease of $30,705 from prior year.

General Fund Budgetary Highlights

In fiscal year 2015-2016 RFMA budgeted for general fund revenue of $3,312,643. Actual revenue was $3,252,349, or $60,294 less than expected. RFMA budgeted for general fund expenditures of $3,369,511. Actual expenditures were $3,164,882, or $204,629 less than expected.

There were budget amendments during the year, which reflected decreases in revenues and increases in expenditures related to salaries and benefits as a new leadership program is introduced.

RFMA has an obligation remaining on a building leased in August 2007 but not currently in use. This lease obligation continues until June 30, 2017. Payments for fiscal year 2015-2016 totaled $253,064. More information regarding this commitment can be found in Note 7 to the financial statements.

Capital Asset and Debt Administration

Capital Assets

The Building Corporation's investment in capital assets net of accumulated depreciation as of June 30, 2016, amounts to $66,000 in land and $1,973,829 in building and building improvements. RFMA also had $26,644 invested in equipment. More information regarding capital assets can be found in Note 3 to the financial statements.

Long-term debt

As of June 30, 2016, the Building Corporation had debt outstanding with a balance of $1,417,573. More information regarding long-term debt can be found in Note 4 to the financial statements.

Economic Factors and Next Year's Budget

The primary factor driving the budget for RFMA is student enrollment. Full time enrollment for the 2015-2016 school year was 337.7. The enrollment projected for the 2016-2017 school year is expected to be 350.2. This factor was considered in preparing RFMA's budget for 2016-2017.

Requests for Information

This financial report is designed to provide a general overview of RFMA's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the school:

Ricardo Flores Magon Academy
5301 Lowell Boulevard
Westminster, CO 80221

BASIC FINANCIAL STATEMENTS

RICARDO FLORES MAGON ACADEMY

STATEMENT OF NET POSITION
June 30, 2016

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash	$ 577,579	$ -	$ 577,579
Accounts Receivable	36,549	-	36,549
Grants Receivable	52,202	-	52,202
Capital Assets, Not Being Depreciated	-	66,000	66,000
Capital Assets, Net of Accumulated Depreciation	26,644	1,973,829	2,000,473
TOTAL ASSETS	692,974	2,039,829	2,732,803
DEFERRED OUTFLOWS OF RESOURCES			
Pensions, Net of Accumulated Amortization	1,009,276	-	1,009,276
LIABILITIES			
Accounts Payable	16,695	-	16,695
Accrued Liabilities	43,984	-	43,984
Accrued Salaries and Benefits	132,185	-	132,185
Accrued Interest Payable	-	6,497	6,497
Noncurrent Liabilities			
Due Within One Year	-	47,882	47,882
Due in More Than One Year	-	1,369,691	1,369,691
Net Pension Liability	4,899,358	-	4,899,358
TOTAL LIABILITIES	5,092,222	1,424,070	6,516,292
DEFERRED INFLOWS OF RESOURCES			
Pensions, Net of Accumulated Amortization	69,422	-	69,422
NET POSITION			
Net Investment in Capital Assets	26,644	615,759	642,403
Restricted for Emergencies	91,000	-	91,000
Unrestricted	(3,577,038)	-	(3,577,038)
TOTAL NET POSITION	$ (3,459,394)	$ 615,759	$ (2,843,635)

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

RICARDO FLORES MAGON ACADEMY

STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

			PROGRAM REVENUES	
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT				
Governmental Activities				
Instruction	$ 1,679,245	$ 28,925	$ 305,771	$ 17,000
Supporting Services	1,718,060	7,327	225,579	-
Total Governmental Activities	3,397,305	36,252	531,350	17,000
Business-Type Activities				
Building Corporation	155,357	-	-	-
TOTAL PRIMARY GOVERNMENT	$ 3,552,662	$ 36,252	$ 531,350	$ 17,000

GENERAL REVENUES
Per Pupil Revenue
At-Risk Supplemental Aid
Additional At-Risk Funding
Grants and Contributions not Restricted to
Specific Programs
Capital Construction
Insurance Proceeds
Investment Income
Miscellaneous
TRANSFERS

TOTAL GENERAL REVENUES AND TRANSFERS

CHANGE IN NET POSITION

NET POSITION, Beginning

NET POSITION, Ending

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

NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION		
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
$ (1,327,549)	$ -	$ (1,327,549)
(1,485,154)	-	(1,485,154)
(2,812,703)	-	(2,812,703)
-	(155,357)	(155,357)
(2,812,703)	(155,357)	(2,968,060)
2,547,218	-	2,547,218
3,818	-	3,818
3,765		3,765
26,175	-	26,175
86,388	-	86,388
26,516	-	26,516
354	-	354
29	-	29
(124,652)	124,652	-
2,569,611	124,652	2,694,263
(243,092)	(30,705)	(273,797)
(3,216,302)	646,464	(2,569,838)
$ (3,459,394)	$ 615,759	$ (2,843,635)

RICARDO FLORES MAGON ACADEMY

BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2016

		GENERAL
ASSETS		
Cash	$	577,579
Accounts Receivable		36,549
Grants Receivable		52,202
TOTAL ASSETS	$	666,330
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts Payable	$	16,695
Accrued Liabilities		43,984
Accrued Salaries and Benefits		132,185
TOTAL LIABILITIES		192,864
FUND BALANCE		
Restricted for Emergencies		91,000
Unrestricted, Unassigned		382,466
TOTAL FUND BALANCE		473,466
TOTAL LIABILITIES AND FUND BALANCE	$	666,330

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

Total Fund Balance of the Governmental Fund	$	473,466
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.		26,644
Long-term liabilities and related items, including net pension liability ($4,899,358), pension-related deferred outflows of resources $1,009,276, and pension-related deferred inflows of resources ($69,422), are not due and payable in the current year and, therefore, are not reported in governmental funds.		(3,959,504)
Total Net Position of Governmental Activities	$	(3,459,394)

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

RICARDO FLORES MAGON ACADEMY

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

		GENERAL
REVENUES		
Local Sources	$	2,633,778
State Sources		251,082
Federal Sources		367,489
TOTAL REVENUES		3,252,349
EXPENDITURES		
Current		
Instruction		1,422,982
Supporting Services		1,711,900
Debt Service		
Principal		30,000
TOTAL EXPENDITURES		3,164,882
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES		87,467
OTHER FINANCING SOURCES		
Insurance Proceeds		26,516
NET CHANGE IN FUND BALANCE		113,983
FUND BALANCE, Beginning		359,483
FUND BALANCE, Ending	$	473,466

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

Net Change in Fund Balance of the Governmental Fund	$	113,983
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.		(13,323)
Repayments of debt principal are expenditures in the governmental funds, but they reduce long-term liabilities in the statement of net position and do not affect the statement of activities.		30,000
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 ($953,703), pension-related deferred outflows of resources $649,078, and pension-related deferred inflows of resources ($69,127) in the current year.		(373,752)
Change in Net Position of Governmental Activities	$	(243,092)

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

RICARDO FLORES MAGON ACADEMY

STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2016

		BUILDING CORPORATION
NONCURRENT ASSETS		
Capital Assets, Not Being Depreciated	$	66,000
Capital Assets, Net of Accumulated Depreciation		1,973,829
TOTAL ASSETS		2,039,829
LIABILITIES		
CURRENT LIABILITIES		
Accrued Interest Payable		6,497
Loan Payable, Current Portion		47,882
TOTAL CURRENT LIABILITIES		54,379
NONCURRENT LIABILITIES		
Loan Payable		1,369,691
TOTAL LIABILITIES		1,424,070
NET POSITION		
Net Investment in Capital Assets		615,759
TOTAL NET POSITION	$	615,759

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

RICARDO FLORES MAGON ACADEMY

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUND
Year Ended June 30, 2016

	BUILDING CORPORATION
OPERATING REVENUES	
Rental Income	$ 124,652
OPERATING EXPENSES	
Depreciation	74,945
Debt Service	
Interest and Fiscal Charges	80,412
TOTAL OPERATING EXPENSES	155,357
NET OPERATING INCOME (LOSS)	(30,705)
NET POSITION, Beginning	646,464
NET POSITION, Ending	$ 615,759

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

RICARDO FLORES MAGON ACADEMY

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Increase (Decrease) in Cash
Year Ended June 30, 2016

	BUILDING CORPORATION
CASH FLOWS FROM OPERATING ACTIVITIES	
Rental Payments Received	$ 124,652
Loan Principal Paid	(44,038)
Loan Interest and Fiscal Charges Paid	(80,614)
Net Cash Provided (Used) by Operating Activities	-
NET CHANGE IN CASH	-
CASH, Beginning	-
CASH, Ending	$ -
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Net Operating Income (Loss)	$ (30,705)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation	74,945
Changes in Assets and Liabilities	
Accrued Interest Payable	(202)
Loan Payable	(44,038)
Net Cash Provided (Used) by Operating Activities	$ -

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Ricardo Flores Magon Academy (the "School") was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school. On January 20, 2007, the School entered into a contract with the Colorado Charter School Institute (the "Institute") to authorize the School pursuant to the Colorado Charter School Institute Act, for an initial term of five years. The School began operations in August, 2007. The current contract expires on June 30, 2017.

The financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School's accounting policies are described below.

Reporting Entity

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

The School includes the BG Building Corporation (the "Corporation") within its reporting entity. The Corporation is a non-profit entity organized for the exclusive purpose of holding title to property. The Corporation is blended into the School's financial statements as an enterprise fund, and does not issue separate financial statements.

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

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

Separate financial statements are provided for the governmental fund and the proprietary fund. Major individual funds are reported as separate columns in the fund financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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, not to exceed 60 days. Intergovernmental revenues, grants, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the School. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

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

The School reports the following major governmental fund:

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

The School reports the following major proprietary fund:

Building Corporation - This fund is used to account for the financial activities of the Corporation, primarily related to capital assets and the related debt service.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Assets - Capital assets, which include land, buildings and equipment, are reported in the government-wide financial statements and the proprietary fund in the fund financial statements. Capital assets are defined as assets with an initial, individual cost of $5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the acquisition value on the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives.

Buildings	30 years
Building Improvements	15 - 30 years
Equipment	3 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 the school year of approximately nine months. The accrued salaries and benefits earned, but unpaid, are reported as a liability of the General Fund.

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

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

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

Net Position/Fund Balance - In the government-wide and fund financial statements, net position and fund balance are restricted when constraints placed on the use of resources are externally imposed. The Board of Trustees 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Risk Management

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

NOTE 2: CASH AND INVESTMENTS

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The 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 $244,985 collateralized with securities held by the financial institutions' agents but not in the School's name.

Investments

The School is required to comply with State statutes which specify investment instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest, which include the following. State statutes generally limit the maturity of investment securities to five years from the date of purchase, unless the governing board authorizes an 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 asset activity for the year ended June 30, 2016, is summarized below.

	Balances 6/30/15	Additions	Deletions	Balances 6/30/16
Governmental Activities				
Capital Assets, Being Depreciated				
Equipment	$ 76,318	$ -	$ -	$ 76,318
Less Accumulated Depreciation				
Equipment	(36,351)	(13,323)	-	(49,674)
Governmental Activities Capital Assets, Net	**$ 39,967**	**$ (13,323)**	**$ -**	**$ 26,644**
Business-Type Activities				
Capital Assets, Not Being Depreciated				
Land	$ 66,000	$ -	$ -	$ 66,000
Total Capital Assets, Not Being Depreciated	66,000	-	-	66,000
Capital Assets, Being Depreciated				
Buildings	617,100	-	-	617,100
Building Improvements	1,630,617	-	-	1,630,617
Total Capital Assets, Being Depreciated	2,247,717	-	-	2,247,717
Less Accumulated Depreciation				
Buildings	(82,280)	(20,570)	-	(102,850)
Building Improvements	(116,663)	(54,375)	-	(171,038)
Total Accumulated Depreciation	(198,943)	(74,945)	-	(273,888)
Total Capital Assets, Being Depreciated, Net	2,048,774	(74,945)	-	1,973,829
Business-Type Activities Capital Assets, Net	**$ 2,114,774**	**$ (74,945)**	**$ -**	**$ 2,039,829**

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

NOTE 4: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended June 30, 2016.

	Balances 6/30/15	Additions	Payments	Balances 6/30/16	Due Within One Year
Governmental Activities					
2014 Loan	**$ 30,000**	**$ -**	**$ 30,000**	**$ -**	**$ -**
Business-Type Activities					
2013 Loan	**$ 1,461,611**	**$ -**	**$ 44,038**	**$ 1,417,573**	**$ 47,882**

NOTE 4: LONG-TERM DEBT (Continued)

In April, 2014, the School entered into a loan agreement with the Colorado Charter School Institute in the amount of $50,000. Loan proceeds were held as emergency reserves to comply with the Tabor Amendment (See Note 7). The loan was non-interest bearing. The loan was payable in twenty equal installments of $2,500 beginning November 1, 2014, through June 1, 2016. During the year ended June 30, 2016, the loan was paid in full.

On July 5, 2013, the Corporation obtained a $1,500,000 loan from Solera National Bank. Loan proceeds were used to finance building improvements and to refinance outstanding debt. Under the loan agreement, monthly interest payments are required beginning August 5, 2013, with interest accruing at the Wall Street Journal Prime Rate plus 1%, except that the rate will not be less than 4.25% per annum, resulting in an initial rate of 4.25%. Beginning August 5, 2014, monthly principal and interest payments of $10,388 are required, including interest accruing at 5.5% per annum. A balloon payment is due at maturity on July 5, 2019. Annual debt service requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
2017	$ 47,882	$ 76,769	$ 124,651
2018	50,581	74,070	124,651
2019	53,433	71,218	124,651
2020	1,265,677	5,801	1,271,478
Total	**$ 1,417,573**	**$ 227,858**	**$ 1,645,431**

NOTE 5: DEFINED BENEFIT PENSION PLAN

General Information

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

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

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

General Information (Continued)

Retirees who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs) as established by State statutes. Retirees who began employment before January 1, 2007, receive an annual increase of 2%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% or the average consumer price index for the prior calendar year. Retirees that began employment after January 1, 2007, receive an annual increase of the lesser of 2% or the average consumer price index for the prior calendar year, with certain limitations.

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

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

Contributions - The School and eligible employees are required to contribute to the SDTF at rates established by Title 24, Article 51, Part 4 of the CRS. These contribution requirements are established and may be amended by the State Legislature. The contribution rate for employees is 8% of covered salaries. The School's contribution rate for calendar years 2015 and 2016 was 18.35% and 19.15% of covered salaries, respectively. However, a portion of the School's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 6). The School's contributions to the SDFT for the year ended June 30, 2016, were $283,591, equal to the required contributions.

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

At June 30, 2016, the School reported a net pension liability of $4,899,358, representing its proportionate share of the net pension liability of the SDTF. 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. Changes in assumptions and other inputs since the prior measurement date did not significantly affect the total pension liability. 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 SDTF 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 0.0320338943%, which was an increase of 0.0029218881% from its proportion measured at December 31, 2014.

For the year ended June 30, 2016, the School recognized pension expense of $644,781. At June 30, 2016, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 5: **DEFINED BENEFIT PENSION PLAN** (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 64,697	$ 186
Changes of assumptions and other inputs	-	69,236
Net difference between projected and actual earnings on plan investments	409,753	-
Changes in proportion	373,834	-
Contributions subsequent to the measurement date	160,992	-
Total	**$ 1,009,276**	**$ 69,422**

School contributions subsequent to the measurement date of $160,992 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	$ 266,026
2018	250,771
2019	176,640
2020	85,425
Total	**$ 778,862**

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:	
Hired prior to 1/1/07	2%
Hired after 12/31/06	ad hoc

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

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

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

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 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:

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%, the employer contribution rate will decrease 0.5% each year, to a minimum of 10.15%. Based on those assumptions, the SDTF'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.

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

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

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	$ 6,351,000	$ 4,899,358	$ 3,691,863

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

NOTE 6: POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description - The School contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by the PERA (See Note 5). The HCTF provides a health care premium subsidy to PERA benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained by contacting PERA as described previously.

Funding Policy - The School is required to contribute at a rate of 1.02% of covered salaries for all PERA participants. No employee contributions are required. The 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 $15,417, $13,227 and $11,947, respectively, equal to the required amounts for each year.

NOTE 7: COMMITMENTS AND CONTINGENCIES

Claims and Judgments

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

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 interpretation, but the School believes it is in substantial compliance with the requirements of the Amendment. In accordance with the Amendment, the School has established 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 $91,000.

Operating Lease

On August 1, 2007, the School entered into an agreement to lease a building. Monthly payments ranging from $8,333 to $21,932 are required under the agreement, through June 30, 2017. During the year ended June 30, 2011, the School abandoned the building and initiated litigation against the landlord seeking to cancel the lease agreement. This litigation was unsuccessful and the School continues to pay the required lease payments. During the year ended June 30, 2016, the School paid $253,064 under this agreement. The remaining lease payments of $263,186 are due during the year ended June 30, 2017.

REQUIRED SUPPLEMENTARY INFORMATION

RICARDO FLORES MAGON ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AND CONTRIBUTIONS
PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO SCHOOL DIVISION TRUST FUND
June 30, 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	0.0320338943%	0.0291120062%	0.0276340164%
School's Proportionate Share of the Net Pension Liability	$ 4,899,358	$ 3,945,655	$ 3,524,711
School's Covered-Employee Payroll	$ 1,396,030	$ 1,219,586	$ 1,114,016
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	351%	324%	316%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	59%	63%	64%

	6/30/16	6/30/15	6/30/14
SCHOOL CONTRIBUTIONS			
Statutorily Required Contribution	$ 268,174	$ 219,031	$ 187,183
Contributions in Relation to the Statutorily Required Contribution	(268,174)	(219,031)	(187,183)
Contribution Deficiency (Excess)	$ -	$ -	$ -
School's Covered-Employee Payroll	$ 1,511,471	$ 1,296,758	$ 1,171,297
Contributions as a Percentage of Covered-Employee Payroll	17.74%	16.89%	15.98%

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

See the accompanying Independent Auditors' Report.

RICARDO FLORES MAGON ACADEMY

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Per Pupil Revenue	$ 2,684,383	$ 2,580,102	$ 2,547,218	$ (32,884)
Student Fees and Activities	36,758	32,282	28,925	(3,357)
Food Service Fees	10,413	9,774	7,327	(2,447)
Grants	55,000	55,000	23,950	(31,050)
Contributions and Donations	6,450	6,450	25,975	19,525
Investment Income	-	-	354	354
Miscellaneous	-	19,000	29	(18,971)
State Sources				
Instruction Grants	84,122	152,022	155,093	3,071
Food Service Grants	5,866	5,554	2,018	(3,536)
At-Risk Supplemental Aid	-	-	3,818	3,818
Additional At-Risk Funding	-	-	3,765	3,765
Capital Construction	79,650	90,397	86,388	(4,009)
Federal Sources				
Instruction Grants	158,298	168,347	198,357	30,010
Food Service Grants	204,581	193,715	169,132	(24,583)
TOTAL REVENUES	3,325,521	3,312,643	3,252,349	(60,294)
EXPENDITURES				
Salaries	1,504,943	1,561,191	1,489,937	71,254
Employee Benefits	482,461	515,773	437,717	78,056
Purchased Professional Services	225,422	238,483	275,723	(37,240)
Purchased Property Services	435,220	444,220	445,672	(1,452)
Other Purchased Services	452,137	414,334	327,458	86,876
Supplies and Materials	81,270	107,872	128,023	(20,151)
Property	24,563	29,448	23,521	5,927
Other	77,794	28,190	6,831	21,359
Debt Service				
Principal	30,000	30,000	30,000	-
TOTAL EXPENDITURES	3,313,810	3,369,511	3,164,882	204,629
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	11,711	(56,868)	87,467	144,335
OTHER FINANCING SOURCES				
Insurance Proceeds	-	-	26,516	26,516
NET CHANGE IN FUND BALANCE	11,711	(56,868)	113,983	170,851
FUND BALANCE, Beginning	211,515	359,483	359,483	-
FUND BALANCE, Ending	$ 223,226	$ 302,615	$ 473,466	$ 170,851

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

Changes in Assumptions and Other Inputs

For the year ended June 30, 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

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

Management submits to the Board of Trustees 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 Trustees.

All appropriations lapse at fiscal year end.