RICARDO FLORES MAGÓN ACADEMY

FINANCIAL STATEMENTS

June 30, 2017

RICARDO FLORES MAGON ACADEMY

TABLE OF CONTENTS

S&C 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, 2017, 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, 2017, 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.

October 6, 2017

Ricardo Flores Magon Academy
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2017

As management of Ricardo Flores Magon Academy (RFMA or the School), we offer readers of Ricardo Flores Magon Academy's basic financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2017. 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, 2017 is the tenth year of operations for RFMA. As of June 30, 2017, net position decreased by $(2,237,759) to $(5,081,394). Ricardo Flores Magon Academy's governmental fund reported an ending fund balance of $374,219, a decrease of $(99,247) from the prior year.

The operations of the School are funded primarily by tax revenue received under the Colorado School Finance Act in Per Pupil Revenue (PPR). Tax revenue for the year from PPR was $2,337,131.

Overview of Financial Statements

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the School'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 is improving or deteriorating.

The statement of activities presents information showing how 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 the School supported primarily by Per Pupil Revenue or other revenues passed through from the School's authorizer (Colorado Charter School Institute). The governmental activities of RFMA 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. The School keeps track of these monies to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

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

The School maintains one governmental fund, and adopts an annually appropriated budget for the fund. A budgetary comparison statement is included to demonstrate that spending did not exceed the budget.

Proprietary Funds

The School also maintains one proprietary fund to record the activity of the BG Building Corporation (the "Corporation").The Corporation is a non-profit entity organized for the exclusive purpose of holding title to property.

Notes to the Financial Statements

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

Government-Wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of the School's financial position. For the fiscal year ended June 30, 2017, RFMA's combined net position was $(5,081,394). This position includes a net pension liability in the amount of $10,500,721, representing the School's proportionate share of the School Division Trust Fund pension liability, administered by the Public Employee's Retirement Association of Colorado (PERA). The School reports this net pension liability, and associated deferred inflows and outflows of resources, as required by GASB (Governmental Accounting Standards Board) 68. More information regarding the net pension liability may be found in the notes to the financial statements.

Of the School's total net position, $512,671 is invested in capital assets net of related debt, and $85,000 is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment.

Ricardo Flores Magon Academy's Net Position

	2016-2017	2015-2016
ASSETS		
Cash	$ 513,012	$ 577,579
Accounts Receivable	28,455	36,549
Grants Receivable	65,407	52,202
Prepaid Expenses	750	-
Capital Assets, Not Being Depreciated	66,000	66,000
Capital Assets, Net of Accumulated Depreciation	1,912,204	2,000,473
TOTAL ASSETS	2,585,828	2,732,803
DEFERRED OUTFLOWS OF RESOURCES		
Pensions, Net of Accumulated Amortization	4,575,524	1,009,276
LIABILITIES		
Accounts Payable	28,697	16,695
Accrued Liabilities	170,014	43,984
Accrued Salaries and Benefits	134,141	132,185
Unearned Revenues	553	-
Accrued Interest Payable	5,385	6,497
Noncurrent Liabilities		
Due Within One Year	16,981	47,882
Due in More Than One Year	1,343,167	1,369,691
Net Pension Liability	10,500,721	4,899,358
TOTAL LIABILITIES	12,199,659	6,516,292
DEFERRED INFLOWS OF RESOURCES		
Pensions, Net of Accumulated Amortization	43,087	69,422
NET POSITION		
Net Investment in Capital Assets	512,671	642,403
Restricted for Emergencies	85,000	91,000
Unrestricted	(5,679,065)	(3,577,038)
TOTAL NET POSITION	$ (5,081,394)	$ (2,843,635)

Ricardo Flores Magon Academy's Change in Net Position

	2016-2017	2015-2016
REVENUES		
Per Pupil Revenue	$ 2,337,131	$ 2,547,218
Supplemental and Additional At-Risk Funding	3,538	7,583
Contributions Not Restricted to Specific Programs	78,320	26,175
Capital Construction	84,520	86,388
Insurance Proceeds	-	26,516
Charges for Services	21,903	36,252
Operating Grants and Contributions	502,593	531,350
Capital Grants and Contributions	-	17,000
Investment Income	354	354
Other	122,277	29
TOTAL REVENUE	3,150,636	3,278,865
EXPENSES		
Instruction	2,773,444	1,679,245
Support Services	2,363,503	1,718,060
Building Corporation	251,448	155,357
TOTAL EXPENSES	5,388,395	3,552,662
CHANGE IN NET POSITION	(2,237,759)	(273,797)
NET POSITION, Beginning	(2,843,635)	(2,569,838)
NET POSITION, Ending	$ (5,081,394)	$ (2,843,635)

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the School's General Fund reported an ending fund balance of $374,219, a decrease of $(99,247) from prior year. At the end of FY16 RFMA rolled out a leadership pathway, designed to keep effective teachers in the classroom while allowing them to engage in other leadership functions. This plan required additional revenue to launch. Despite the loss of some students at the beginning of the year, the School's board decided to support that launch and approved the use of fund balance to make sure the program was effectively funded. RFMA had a significant drop in kindergarten students; the area in which they are located is being gentrified and many of RFMA's families could not afford to stay in the neighboring areas. Also, the 2008 rescission has resulted in fewer children being born, with schools statewide feeling that pinch.

General Fund Budgetary Highlights

RFMA recognized $68,082 more revenue than expected and spent $196,334 less than planned, when compared to the final budget. The additional revenue was in part from insurance proceeds from a hail storm, from a payout for changing copier contracts, and from more federal revenue than initially planned.

Capital Assets & Long-Term Debt

The School has invested in capital assets for equipment in support of the School's educational program, the School's educational facility, and improvements to the School's educational facility. More information regarding capital assets may be found in Note 3 to the financial statements.

The School has long-term debt in the form a 2013 loan from Solera National Bank, obtained to finance building improvements and refinance outstanding debt. More information regarding long-term debt obligations may be found in Note 4 to the finanical statements.

Economic Factors and Next Year's Budget

The primary factor driving the budget for Ricardo Flores Magon Academy is student enrollment. Enrollment for the 2016-2017 school year was 304.50 funded students. Enrollment projected for 2017-2018 is 314.00 funded students. This factor was considered when preparing RFMA's budget for 2017-2018.

Requests for Information

This financial report is designed to provide a general overview of Ricardo Flores Magon Academy'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:

Ricardo Flores Magon Academy
5301 Lowell Blvd
Westminster, CO 80221

BASIC FINANCIAL STATEMENTS

RICARDO FLORES MAGON ACADEMY

STATEMENT OF NET POSITION
June 30, 2017

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash	$ 513,012	$ -	$ 513,012
Accounts Receivable	28,455	-	28,455
Grants Receivable	65,407	-	65,407
Prepaid Expenses	750	-	750
Capital Assets, Not Being Depreciated	-	66,000	66,000
Capital Assets, Net of Accumulated Depreciation	13,321	1,898,883	1,912,204
TOTAL ASSETS	620,945	1,964,883	2,585,828
DEFERRED OUTFLOWS OF RESOURCES			
Pensions, Net of Accumulated Amortization	4,575,524	-	4,575,524
LIABILITIES			
Accounts Payable	28,697	-	28,697
Accrued Liabilities	70,014	100,000	170,014
Accrued Salaries and Benefits	134,141	-	134,141
Unearned Revenues	553	-	553
Accrued Interest Payable	-	5,385	5,385
Noncurrent Liabilities			
Due Within One Year	-	16,981	16,981
Due in More Than One Year	-	1,343,167	1,343,167
Net Pension Liability	10,500,721	-	10,500,721
TOTAL LIABILITIES	10,734,126	1,465,533	12,199,659
DEFERRED INFLOWS OF RESOURCES			
Pensions, Net of Accumulated Amortization	43,087	-	43,087
NET POSITION			
Net Investment in Capital Assets	13,321	499,350	512,671
Restricted for Emergencies	85,000	-	85,000
Unrestricted	(5,679,065)	-	(5,679,065)
TOTAL NET POSITION	$ (5,580,744)	$ 499,350	$ (5,081,394)

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

RICARDO FLORES MAGON ACADEMY

STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES CHARGES FOR SERVICES	PROGRAM REVENUES OPERATING GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT			
Governmental Activities			
Instruction	$ 2,773,444	$ 16,644	$ 306,484
Supporting Services	2,363,503	5,259	196,109
Total Governmental Activities	5,136,947	21,903	502,593
Business-Type Activities			
Building Corporation	251,448	-	-
TOTAL PRIMARY GOVERNMENT	$ 5,388,395	$ 21,903	$ 502,593

GENERAL REVENUES
Per Pupil Revenue
Additional At-Risk Funding
Grants and Contributions not Restricted to Specific Programs
Capital Construction
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
$ (2,450,316)	$ -	$ (2,450,316)
(2,162,135)	-	(2,162,135)
(4,612,451)	-	(4,612,451)
-	(251,448)	(251,448)
(4,612,451)	(251,448)	(4,863,899)
2,337,131	-	2,337,131
3,538	-	3,538
78,320	-	78,320
84,520	-	84,520
354	-	354
122,277	-	122,277
(135,039)	135,039	-
2,491,101	135,039	2,626,140
(2,121,350)	(116,409)	(2,237,759)
(3,459,394)	615,759	(2,843,635)
$ (5,580,744)	$ 499,350	$ (5,081,394)

RICARDO FLORES MAGON ACADEMY

BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2017

		GENERAL
ASSETS		
Cash	$	513,012
Accounts Receivable		28,455
Grants Receivable		65,407
Prepaid Expenditures		750
TOTAL ASSETS	$	607,624
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts Payable	$	28,697
Accrued Liabilities		70,014
Accrued Salaries and Benefits		134,141
Unearned Revenues		553
TOTAL LIABILITIES		233,405
FUND BALANCE		
Nonspendable Prepaid Expenditures		750
Restricted for Emergencies		85,000
Unrestricted, Unassigned		288,469
TOTAL FUND BALANCE		374,219
TOTAL LIABILITIES AND FUND BALANCE	$	607,624

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

Total Fund Balance of the Governmental Fund	$	374,219
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.		13,321
Long-term liabilities and related items, including net pension liability ($10,500,721), pension-related deferred outflows of resources $4,575,524, and pension-related deferred inflows of resources ($43,087), are not due and payable in the current year and, therefore, are not reported in governmental funds.		(5,968,284)
Total Net Position of Governmental Activities	$	(5,580,744)

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, 2017

		GENERAL
REVENUES		
Local Sources	$	2,559,985
State Sources		245,768
Federal Sources		344,883
TOTAL REVENUES		3,150,636
EXPENDITURES		
Current		
Instruction		1,514,677
Supporting Services		1,735,206
TOTAL EXPENDITURES		3,249,883
NET CHANGE IN FUND BALANCE		(99,247)
FUND BALANCE, Beginning		473,466
FUND BALANCE, Ending	$	374,219

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

Net Change in Fund Balance of the Governmental Fund	$	(99,247)
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)
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 ($5,601,363), pension-related deferred outflows of resources $3,566,248, and pension-related deferred inflows of resources $26,335 in the current year.		(2,008,780)
Change in Net Position of Governmental Activities	$	(2,121,350)

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

RICARDO FLORES MAGON ACADEMY

STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2017

	BUILDING CORPORATION
NONCURRENT ASSETS	
Capital Assets, Not Being Depreciated	$ 66,000
Capital Assets, Net of Accumulated Depreciation	1,898,883
TOTAL ASSETS	1,964,883
LIABILITIES	
CURRENT LIABILITIES	
Accrued Liabilities	100,000
Accrued Interest Payable	5,385
Loan Payable, Current Portion	16,981
TOTAL CURRENT LIABILITIES	122,366
NONCURRENT LIABILITIES	
Loan Payable	1,343,167
TOTAL LIABILITIES	1,465,533
NET POSITION	
Net Investment in Capital Assets	499,350
TOTAL NET POSITION	$ 499,350

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, 2017

	BUILDING CORPORATION
OPERATING REVENUES	
Rental Income	$ 135,039
OPERATING EXPENSES	
Depreciation	74,946
Debt Service	
Interest and Fiscal Charges	76,502
TOTAL OPERATING EXPENSES	151,448
NET OPERATING INCOME (LOSS)	(16,409)
NONOPERATING REVENUES (EXPENSES)	
Lease Settlement	(100,000)
CHANGE IN NET POSITION	(116,409)
NET POSITION, Beginning	615,759
NET POSITION, Ending	$ 499,350

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, 2017

	BUILDING CORPORATION
CASH FLOWS FROM OPERATING ACTIVITIES	
Rental Payments Received	$ 135,039
Loan Principal Paid	(57,425)
Loan Interest and Fiscal Charges Paid	(77,614)
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)	$ (16,409)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation	74,946
Changes in Assets and Liabilities	
Accrued Interest Payable	(1,112)
Loan Payable	(57,425)
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, 2018.

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

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 fiscal years and are reported as prepaid expenses.

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.

Unearned Revenues - Unearned revenues include grants received before eligibility requirements established by the provider have been met.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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.

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 market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2017, the School had bank deposits of $165,293 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.

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

- 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, 2017.

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, is summarized below.

	Balances 6/30/16	Additions	Deletions	Balances 6/30/17
Governmental Activities				
Capital Assets, Being Depreciated				
Equipment	$ 76,318	$ -	$ -	$ 76,318
Less Accumulated Depreciation				
Equipment	(49,674)	(13,323)	-	(62,997)
Governmental Activities Capital Assets, Net	**$ 26,644**	**$ (13,323)**	**$ -**	**$ 13,321**
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	(102,850)	(20,571)	-	(123,421)
Building Improvements	(171,038)	(54,375)	-	(225,413)
Total Accumulated Depreciation	(273,888)	(74,946)	-	(348,834)
Total Capital Assets, Being Depreciated, Net	1,973,829	(74,946)	-	1,898,883
Business-Type Activities Capital Assets, Net	**$ 2,039,829**	**$ (74,946)**	**$ -**	**$ 1,964,883**

NOTE 3: CAPITAL ASSETS (Continued)

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, 2017.

	Balances 6/30/16	Additions	Payments	Balances 6/30/17	Due Within One Year
Business-Type Activities					
2013 Loan	$ 1,417,573	$ -	$ 57,425	$ 1,360,148	$ 16,981

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 were required beginning August 5, 2013, with interest accruing at the Wall Street Journal Prime Rate plus 1%, except that the rate would 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 were required, including interest accruing at 5.5% per annum. A balloon payment was due at maturity on July 9, 2019.

On June 5, 2017, the loan maturity was extended to June 5, 2027, including an option to draw an additional $150,000. Interest accrues on the outstanding balance of the loan at 5.5% per annum. Beginning July 5, 2017, monthly interest-only payments are due. Beginning on January 5, 2018, monthly principal and interest payments of $9,434 are required. A balloon payment of $1,157,826 is due at maturity on June 5, 2027.

Annual debt service requirements, including the additional draw of $150,000, are as follows:

Year Ended June 30,	Principal	Interest	Total
2018	$ 16,981	$ 89,938	$ 106,919
2019	30,721	82,492	113,213
2020	32,252	80,961	113,213
2021	34,324	78,889	113,213
2022	36,288	76,925	113,213
2023 - 2027	1,359,582	347,008	1,706,590
Total	$ 1,510,148	$ 756,213	$ 2,266,361

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.

Retirees may elect to withdraw their contributions upon termination of employment, and may be eligible to receive a matching amount if five years of service credit is earned and certain other criteria is met. 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 2016 and 2017 was 19.15% and 19.65% 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, 2017, were $300,050, equal to the required contributions.

NOTE 5: 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, 2017, the School reported a net pension liability of $10,500,721, representing its proportionate share of the net pension liability of the SDTF. The net pension liability was measured at December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016.

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, 2016, relative to the contributions of all participating employers. At December 31, 2016, the School's proportion was 0.0352682461%, which was an increase of 0.0032343518% from its proportion measured at December 31, 2015.

For the year ended June 30, 2017, the School recognized pension expense of $2,293,953. At June 30, 2017, 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	$ 127,217	$ 76
Changes of assumptions and other inputs	3,407,265	43,011
Net difference between projected and actual earnings on plan investments	315,654	-
Changes in proportion	566,204	-
Contributions subsequent to the measurement date	159,184	-
Total	**$ 4,575,524**	**$ 43,087**

School contributions subsequent to the measurement date of $159,184 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,	
2018	$ 1,811,525
2019	1,737,389
2020	820,835
2021	3,504
Total	**$ 4,373,253**

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)

Actuarial Assumptions - The actuarial valuation as of December 31, 2015, determined the total pension liability using the following actuarial assumptions and other inputs. On November 18, 2016, PERA's governing board adopted revised economic and demographic assumptions, which were effective on December 31, 2016, and which were reflected in the roll-forward calculation of the total pension liability from December 31, 2015, to December 31, 2016, as follows:

	Assumptions	Revised Assumptions
Price inflation	2.8%	2.4%
Real wage growth	1.1%	1.1%
Wage inflation	3.9%	3.5%
Salary increases, including wage inflation	3.9% - 10.1%	3.5% - 9.7%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.5%	7.25%
Discount rate	7.5%	5.26%
Future post-retirement benefit increases:		
Hired prior to 1/1/07	2%	2%
Hired after 12/31/06	ad hoc	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. Active member mortality was adjusted to 55 percent of the base rate for males and 40 percent for females. For disabled retirees, the RP-2000 Disabled Retiree Mortality Table was used, set back two years.

The actuarial assumptions used in the December 31, 2015, 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 study adopted by PERA's governing board on November 15, 2013, and January 17, 2014.

As a result of a 2016 experience analysis, revised economic and demographic actuarial assumptions were adopted by PERA's governing board on November 18, 2016, to more closely reflect PERA's actual experience. The revised assumptions reflected in the roll-forward of the total pension liability included healthy mortality assumptions for active members using the RP-2014 White Collar Employee Mortality Table. The mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates. For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

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.

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 most recent analysis of the long-term expected rate of return was adopted by PERA's governing board on November 18, 2016, 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	30 Year Expected Geometric Real Rate of Return
U.S. Equity - Large Cap	21.20%	4.30%
U.S. Equity - Small Cap	7.42%	4.80%
Non U.S. Equity - Developed	18.55%	5.20%
Non U.S. Equity - Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income - Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	**100.00%**	

Discount Rate - The discount rate used to measure the total pension liability was 5.26%. 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 the assumptions described previously, the SDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate, defined as the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index, was used in the determination of the discount rate. The long-term expected rate of return of 7.25% on plan investments was applied to all periods through 2041, and the municipal bond index rate was applied to periods after 2041 to develop the discount rate. On the measurement date of December 31, 2016, the municipal bond index rate was 3.86%, resulting in a discount rate of 5.26%. The discount rate at the prior measurement date was 7.5%.

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 5.26%, as well as the School's proportionate share of the net pension liability if it were calculated using a discount rate that is one percentage point lower (4.26%) or one percentage point higher (6.26%) than the current rate, as follows:

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)

	1% Decrease (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
Proportionate share of the net pension liability	$ 13,204,319	$ 10,500,721	$ 8,298,738

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 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, 2017, 2016 and 2015 was $15,784, $15,417 and $13,227, 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, 2017, 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, 2017, the reserve was reported as restricted fund balance in the General Fund, in the amount of $85,000.

Operating Lease

Effective August 1, 2007, the School entered into an agreement to lease a building. The agreement was assigned to the Corporation. Monthly payments ranging from $8,333 to $21,932 were 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 continued to pay the required lease payments. During the year ended June 30, 2017, the School paid $263,186 under this agreement. In addition, on June 19, 2017, the School approved a settlement agreement with the landlord, which required a final payment of $100,000 due in July, 2017. The settlement payment is reported as a liability of the Corporation at 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, 2017

	12/31/16	12/31/15	12/31/14	12/31/13
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY				
School's Proportion of the Net Pension Liability	0.0352682461%	0.0320338943%	0.0291120062%	0.0276340164%
School's Proportionate Share of the Net Pension Liability	$ 10,500,721	$ 4,899,358	$ 3,945,655	$ 3,524,711
School's Covered Payroll	$ 1,582,902	$ 1,396,030	$ 1,219,586	$ 1,114,016
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	663%	351%	324%	316%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	43%	59%	63%	64%

	6/30/17	6/30/16	6/30/15	6/30/14
SCHOOL CONTRIBUTIONS				
Statutorily Required Contribution	$ 284,266	$ 268,174	$ 219,031	$ 187,183
Contributions in Relation to the Statutorily Required Contribution	(284,266)	(268,174)	(219,031)	(187,183)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
School's Covered Payroll	$ 1,547,411	$ 1,511,471	$ 1,296,758	$ 1,171,297
Contributions as a Percentage of Covered Payroll	18.37%	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.

RICARDO FLORES MAGON ACADEMY

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Per Pupil Revenue	$ 2,678,694	$ 2,342,755	$ 2,337,131	$ (5,624)
Student Fees and Activities	33,298	34,576	16,644	(17,932)
Food Service Fees	10,191	8,858	5,259	(3,599)
Grants	55,000	55,000	46,931	(8,069)
Contributions and Donations	6,450	6,450	31,389	24,939
Investment Income	-	-	354	354
Miscellaneous	19,000	19,000	122,277	103,277
State Sources				
Instruction Grants	153,893	153,202	155,715	2,513
Food Service Grants	2,427	2,138	1,995	(143)
Additional At-Risk Funding	3,376	9,763	3,538	(6,225)
Capital Construction	87,550	77,125	84,520	7,395
Federal Sources				
Instruction Grants	168,987	195,401	201,713	6,312
Food Service Grants	202,384	178,286	143,170	(35,116)
TOTAL REVENUES	3,421,250	3,082,554	3,150,636	68,082
EXPENDITURES				
Salaries	1,670,995	1,574,427	1,618,709	(44,282)
Employee Benefits	645,136	508,083	476,167	31,916
Purchased Professional Services	159,593	233,714	215,365	18,349
Purchased Property Services	473,342	473,342	477,034	(3,692)
Other Purchased Services	435,724	393,044	303,368	89,676
Supplies and Materials	108,653	132,810	134,099	(1,289)
Property	29,598	24,418	17,275	7,143
Other	33,963	25,113	7,866	17,247
Contingency	91,496	81,266	-	81,266
TOTAL EXPENDITURES	3,648,500	3,446,217	3,249,883	196,334
NET CHANGE IN FUND BALANCE	(227,250)	(363,663)	(99,247)	264,416
FUND BALANCE, Beginning	391,131	473,466	473,466	-
FUND BALANCE, Ending	$ 163,881	$ 109,803	$ 374,219	$ 264,416

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, 2017, the total pension liability was determined by an actuarial valuation as of December 31, 2015. In addition, the following revised economic and demographic assumptions were effective as of December 31, 2016, and were reflected in the roll-forward procedures to determine the total pension liability at December 31, 2016.

- Investment rate of return assumption decreased from 7.5% per year, compounded annually, net of investment expenses, to 7.25%.
- Price inflation assumption decreased from 2.8% per year to 2.4%.
- Real rate of investment return assumption increased from 4.7% per year, net of investment expenses, to 4.85%.
- Wage inflation assumption decreased from 3.9% per year to 3.5%.
- Healthy and disabled mortality assumptions are based on the RP-2014 Mortality Tables, updated from the RP-2000 Mortality Tables.

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.