

HORIZONS K-8 SCHOOL

FINANCIAL STATEMENTS

June 30, 2015

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Horizons K-8 School
Boulder, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the major fund of Horizons K-8 School, a component unit of Boulder Valley School District, as of and for the year ended June 30, 2015, which collectively comprise Horizon K-8 School's basic financial statements 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Horizon K-8 School as of June 30, 2015, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matters

Adoption of New Accounting Standard

As described in Note 7 to the financial statements, Horizon K-8 School adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, an amendment of GASB Statement No. 68. As a result of the implementation of GASB Statement No. 68 as described in Note 7 to the financial statements, Horizon K-8 School reported a restatement for the change in accounting principle. Our opinions were not modified with respect to the restatement.

Separate Charter School

Horizon K-8 School has a separate charter school contract with Boulder Valley School District. The Colorado Department of Education requires each School to provide separate audited financial statements. As described in Note 1, the majority of the School's funding is provided by the District. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iii – vii, the budgetary comparison information on page 17 and the pension schedules on pages 18 and 19 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.



CliftonLarsonAllen LLP

Broomfield, Colorado
November 13, 2015

HORIZONS K-8 SCHOOL

Management's Discussion and Analysis

Fiscal Year Ended June 30, 2015

As management of Horizons K-8 School ("the School"), we offer readers of our financial statements this narrative overview and analysis of the financial activities of the School for the year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information provided in the financial statements.

The School was founded as the second charter school in the Boulder Valley School District RE-2 ("the District"), in July 1997.

Financial Highlights

- The liabilities and deferred inflows of resources of the School exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$4,314,072 (net position deficit).
- Total net position increased \$118,674 during the current year.
- At the close of the current fiscal year, the School's governmental fund reported fund balance of \$999,786, an increase of \$283,927 from the prior year. Approximately 88.7% of this amount (\$886,794) is available for spending at the School's discretion (unrestricted, unassigned fund balance). This amount represents 25.1% of total general fund expenditures.

Overview of Financial Statements

The discussion and analysis are intended to serve as an introduction to The School'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 basic 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, deferred outflows of resources, liabilities and deferred inflows of resources. The difference between assets plus deferred outflows of resources and liabilities plus deferred inflows of resources is reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

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

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

Fund Financial Statements. Fund financial statements are designed to demonstrate compliance with finance-related legal requirements. 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. 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.

The governmental fund financial statements can be found on pages 3-4.

Notes to Basic Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 5-16.

Government-Wide Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the School, liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year.

A portion of net position (\$177,367) reflects its investment in capital assets (e.g., equipment). The School uses these capital assets to provide a variety of services to its students. Accordingly, these assets are not available for future spending. It should be noted that the facility that houses the School is owned by the District and is used by the School as provided in its charter school contract with the District.

An additional portion of net position (\$112,342) represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position is a deficit of \$4,603,781, which represents the portion that is unrestricted and would otherwise be used to meet the School's ongoing obligations.

**Horizons K-8 School
Comparative Summary of Net Position**

	Governmental Activities	
	<u>2015</u>	<u>2014 (*)</u>
Assets		
Current and other assets	\$ 1,180,272	\$ 981,549
Capital assets	<u>177,367</u>	<u>76,144</u>
Total assets	<u>1,357,639</u>	<u>1,057,693</u>
Deferred Outflows of Resources	<u>409,876</u>	<u>-</u>
Liabilities		
Current liabilities	180,486	234,371
Net pension liability	<u>5,900,660</u>	<u>-</u>
Total Liabilities	<u>6,081,146</u>	<u>234,371</u>
Deferred Outflows of Resources	<u>441</u>	<u>-</u>
Net Position		
Net investment in capital assets	177,367	76,144
Restricted	112,342	97,769
Unrestricted	<u>(4,603,781)</u>	<u>649,409</u>
Total Net Position (*)	<u>\$ (4,314,072)</u>	<u>\$ 823,322</u>

(*) 2014 balances have not been restated for the implementation of GASB Nos. 68 and 71.

Net position is \$5,137,394 less than the amount reported in the prior year, which is due primarily to a \$5,256,069 restatement (reduction) of net position as of June 30, 2014 related to the implementation of GASB Nos. 68 and 71. As a result, the School reported a net pension liability of \$5,900,660, deferred outflows of resources of \$409,876 and deferred inflows of resources of \$441 in the current year. Such balances were not required to be reported in the prior year.

Total assets increased by \$299,946 during 2015. Current and other assets increased by \$198,723, due primarily to an increase in cash from fundraising activities, while capital assets increased by \$101,223, related primarily to completion of a new school playground project.

Current liabilities decreased by \$53,885 due primarily to a reduction in prior year payables related to the playground construction project.

After considering the restatement described above, net position increased \$118,674 during 2015, the reasons for which are discussed below.

**Horizons K-8 School
Comparative Summary of Changes in Net Position**

	Governmental Activities	
	<u>2015</u>	<u>2014 (*)</u>
Revenues:		
Program revenues		
Charges for services	\$ 217,037	\$ 197,459
Operating grants and contributions	97,442	62,891
Capital grants and contributions	102,181	103,166
General revenues		
Per pupil revenues	2,314,893	2,196,410
District mill levy	764,767	739,870
Capital construction	28,119	30,062
Grants and contributions not restricted	261,058	271,386
Other	4,176	13,246
Total Revenues	3,789,673	3,614,490
Expenses:		
Instruction	2,568,554	2,298,082
Supporting services	1,102,445	1,046,268
Other	-	-
Total Expenses	3,670,999	3,344,350
Change in Net Position	118,674	270,140
Net Position, Beginning, as Restated	(4,432,746)	553,182
Net Position, Ending	\$ (4,314,072)	\$ 823,322

(*) 2014 balances have not been restated for the implementation of GASB Nos. 68 and 71.

Total revenues increased by \$175,183 from the prior year. The School's primary source of revenue, per pupil revenues and mill levy overrides flow from the District based upon The School's enrollment. 2015 per pupil revenue increased by \$118,483 (5.4%), based upon additional funded students. The School shares in the District's mill levy override revenues on a per pupil basis and received an additional \$24,897 in 2015.

Total expenditures increased \$326,649 (9.8%), due primarily to an increase in pension and related costs (GASB Nos. 68 and 71 were not effective in the prior year).

Financial Analysis of the General Fund

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

The focus of the School's general fund 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, an unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as it represents the portion of fund balance that has not yet been limited to use for a particular purpose by either an external party, the school itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes.

At the end of the current fiscal year, unassigned fund balance of the general fund was \$886,794 while the total fund balance increased by \$283,927 to \$999,786. As a measure of the general fund's liquidity, it may be useful to compare both the unassigned fund balance and the total fund balance to total general fund expenditures. The unassigned fund balance represents approximately 25.1% of total general fund expenditures, while the total fund balance represents approximately 28.3% of the same amount.

General Fund Budgetary Highlights

A General Fund Budgetary Schedule is located on page 17 of the financial statements.

Actual revenues exceeded budgeted revenues in total by \$206,327. Related to construction of its playground, the School did not budget for \$133,500 of grant revenue. In addition, fundraising came in slightly higher than budget.

Actual expenditures exceeded budgeted expenditures by \$37,231, due primarily to approximately \$102,000 of unbudgeted capital expenditures related to the playground construction project.

Capital Assets and Debt Administration

Capital Assets. The School's investment in capital assets (net of depreciation) increased from \$76,144 at June 30, 2014 to \$177,367 at June 30, 2015. The increase is due primarily to completion of the School's playground construction project in the current year.

As noted earlier, the School's contract with the District allows the School to use buildings owned by the District.

Additional information on capital assets can be found in Note 3 of the financial statements.

Long-Term Debt. The School has no long-term debt as of June 30, 2015.

Economic Factors and Next Year's Budget

The primary factor driving the budget for The School is student enrollment. Enrollment for the 2014-15 school year was 348 students. The enrollment projected for the 2015-16 school year is 348 students which is the maximum enrollment allowed by the School's contract with the District. The School's contract with the District provides funding of \$7,243 per student in 2015-16 and \$6,925 in 2014-15. Additionally, the School receives override and categorical revenues from the District on a per pupil basis.

While these revenue sources realized small increases, for the sixth consecutive year the Colorado State Legislature continued to lower the statewide total funding by applying a negative factor to reduce total program funding received. The School may need to seek other local sources to balance its budget.

Requests for Information

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

Horizons K-8 School
John McCluskey, Principal
4545 Sioux Drive
Boulder, CO 80303

BASIC FINANCIAL STATEMENTS

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Horizons K-8 School
STATEMENT OF NET POSITION
June 30, 2015

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Investments	\$ 1,179,622
Inventory	650
Capital Assets, Net of Accumulated Depreciation	177,367
TOTAL ASSETS	1,357,639
DEFERRED OUTFLOWS OF RESOURCES	
Change in Investment Earnings	135,696
Change in Proportionate Share	109,959
Contributions Subsequent to the Measurement Date	164,221
TOTAL DEFERRED OUTFLOWS OF RESOURCES	409,876
LIABILITIES	
Accounts Payable	31,642
Accrued Compensation and Benefits	148,844
Net Pension Liability	5,900,660
TOTAL LIABILITIES	6,081,146
DEFERRED INFLOWS OF RESOURCES	
Change in Experience	441
NET POSITION	
Net Investment in Capital Assets	177,367
Restricted for Capital Renewal	10,000
Restricted for Emergencies	102,342
Unrestricted	(4,603,781)
TOTAL NET POSITION	\$ (4,314,072)

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

Horizons K-8 School
STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES
PRIMARY GOVERNMENT					
Governmental Activities					
Instruction	\$ 2,568,554	\$ 217,037	\$ 65,548	\$ -	\$ (2,285,969)
Supporting Services	1,102,445	-	31,894	102,181	(968,370)
Total Governmental Activities	<u>\$ 3,670,999</u>	<u>\$ 217,037</u>	<u>\$ 97,442</u>	<u>\$ 102,181</u>	<u>(3,254,339)</u>
GENERAL REVENUES					
					2,314,893
Per Pupil Revenue					764,767
District Mill Levy					28,119
Capital Construction					
Grants and Contributions not Restricted to Specific Programs					261,058
Other					4,176
					<u>3,373,013</u>
					118,674
					<u>(4,432,746)</u>
					<u>\$ (4,314,072)</u>

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

Horizons K-8 School
BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2015

	GENERAL
ASSETS	
Cash and Investments	\$ 1,179,622
Inventory	650
TOTAL ASSETS	\$ 1,180,272
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ 31,642
Accrued Compensation and Benefits	148,844
TOTAL LIABILITIES	180,486
FUND BALANCE	
Nonspendable for Inventory	650
Restricted for Capital Renewal	10,000
Restricted for Emergencies	102,342
Unrestricted, Unassigned	886,794
TOTAL FUND BALANCE	999,786
TOTAL LIABILITIES AND FUND BALANCE	\$ 1,180,272

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

Total Fund Balance of the Governmental Fund	\$ 999,786
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.	177,367
Net pension liability is not due and payable in the current period and, therefore, is not reported in the governmental fund.	(5,900,660)
Deferred outflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.	
Change in investment earnings	135,696
Change in proportionate share	109,959
Contributions subsequent to the measurement date	164,221
Deferred inflows of resources used in governmental activities are not due and payable in the current year and, therefore, are not reported in the governmental fund.	
Change in experience	(441)
Total Net Position of Governmental Activities	\$ (4,314,072)

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

Horizons K-8 School
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
Year Ended June 30, 2015

	GENERAL
REVENUES	
Local Sources	\$ 3,727,325
State Sources	93,667
	3,820,992
EXPENDITURES	
Instruction	2,375,607
Supporting Services	1,161,458
	3,537,065
TOTAL REVENUES	3,820,992
TOTAL EXPENDITURES	3,537,065
NET CHANGE IN FUND BALANCE	283,927
FUND BALANCE, Beginning	715,859
FUND BALANCE, Ending	\$ 999,786
Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Net Change in Fund Balance of the Governmental Fund	\$ 283,927
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 depreciation expense in the statement of activities. This is the amount by which capital outlay \$109,109 exceeded depreciation expense (\$7,886) in the current year.	101,223
Revenues that do not provide current financial resources are deferred in the governmental fund financial statements but are recognized in the government-wide financial statements.	(31,319)
Some items reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. The (increases) decreases in these activities consist of:	
Change in contributions subsequent to the measurement date	17,903
Pension expense	(511,995)
Pension expense (first year amortization)	(40,726)
Employer contribution expense	299,661
	118,674
Change in Net Position of Governmental Activities	\$ 118,674

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

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Horizons K-8 School (the "School") was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Boulder Valley School District RE-2 (the "District"). The School began operations in the fall of 1997.

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

Reporting Entity

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

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

Government-Wide and Fund Financial Statements

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

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

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

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

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*. Revenues are recorded when earned and expenses are recorded when the 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.

When both restricted and unrestricted resources are available for a specific use, it is the School's policy to use restricted resources first, then 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 currently accounts for all financial activities of the School.

Assets, Liabilities and Fund Equity

Cash and Investments - Investments are reported at fair value.

Inventory - Grocery scrip card inventory is stated at average cost. Inventory is recorded as an asset when individual items are purchased and as an expenditure when sold.

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

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

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Equity (Continued)

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

Equipment	20 years
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Deferred Outflows of Resources - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School reports certain items in this category related to its defined benefit pension plan (see Note 4).

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

Net Pension Liability - The School reports a net pension liability for its proportionate share of PERA's unfunded pension liability. See Note 4 for additional information.

Deferred Inflows of Resources - In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School reports one item in this category related to its defined benefit contributions (see Note 4).

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, such as a grantor, donor or higher level government. Nonspendable fund balances represent amounts that are not in a spendable form, such as inventory and prepaid items. The Horizons K-8 Board is authorized to establish a fund balance commitment through passage of a resolution, and may assign fund balance to a specific purpose through an informal action. Unassigned fund balance represents the residual amount reported when the balances do not meet any of the above criterion. 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 participates in the District's risk management programs for these risks of loss. Settled claims have not exceeded coverage limits in the last three years.

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 2: CASH AND INVESTMENTS

Cash and investments at June 30, 2015, consisted of the following:

Deposits	\$	342,738
Cash Held by the District		<u>836,884</u>
Total	\$	<u><u>1,179,622</u></u>

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.

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 generally 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, 2015.

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, is summarized below.

	Balances 6/30/14	Additions	Deletions	Balances 6/30/15
Governmental Activities				
Capital Assets, Being Depreciated				
Equipment	\$ 88,953	\$ 109,109	\$ -	\$ 198,062
Less Accumulated Depreciation	(12,809)	(7,886)	-	(20,695)
Governmental Activities Capital Assets, Net	<u>\$ 76,144</u>	<u>\$ 101,223</u>	<u>\$ -</u>	<u>\$ 177,367</u>

Depreciation expense was charged to the supporting services program of the School.

NOTE 4: DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

Plan Description - Eligible employees of the School are provided with pensions through the SCHDTF. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided - PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 4: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

The lifetime retirement benefit for all eligible retiring employees under the PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

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

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 4: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

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

	For the Year Ended	
	12/31/2014	12/31/2015
Employer Contribution Rate ¹	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) ¹	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF ¹	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	3.80%	4.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	3.50%	4.00%
Total Employer Contribution Rate to the SCHDTF ¹	16.43%	17.33%

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the School were \$295,146 for the year ended June 30, 2015.

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

At June 30, 2015, the School reported a liability of \$5,900,660 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. Standard update procedures were used to roll forward the total pension liability to December 31, 2014. The School's proportion of the net pension liability was based on the School's contributions to the SCHDTF for the calendar year 2014 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2014, the School's proportion was 0.0435365 percent, which was an increase of 0.0006614 from its proportion measured as of December 31, 2013.

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 4: DEFINED BENEFIT PENSION PLAN (Continued)

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

For the year ended June 30, 2015, the School recognized pension expense of \$552,721. At June 30, 2015, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ -	\$ 441
Net difference between projected and actual earnings on pension plan investments	135,696	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	109,959	-
Contributions subsequent to the measurement date	164,221	-
Total	\$ 409,876	\$ 441

\$164,221 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,

2016	\$ 74,487
2017	74,487
2018	62,317
2019	33,923
2020	-
Thereafter	-

Actuarial assumptions. The total pension liability in the December 31, 2013 actuarial valuation

Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.10 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 4: DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

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

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

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

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

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 4: DEFINED BENEFIT PENSION PLAN (Continued)

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

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Based on those assumptions, the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

Sensitivity of the School's proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	7,780,559	5,900,660	4,327,152

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

NOTE 5: OTHER POST-EMPLOYMENT BENEFITS

Health Care Trust Fund

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

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 5: OTHER POST-EMPLOYMENT BENEFITS (Continued)

Funding Policy - The School is required to contribute at a rate of 1.02% of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the School are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2015, 2014, and 2013, the School's contribution to the HCTF were \$18,618, \$18,752, and \$17,946, respectively, equal to their required contributions for each year.

NOTE 6: 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, 2015, 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.

Tabor Amendment

In November 1992, Colorado voters passed Article X, Section 20 (the "Amendment") to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The School believes it is in compliance with the Amendment. The Amendment requires all governments to establish a reserve for emergencies, representing 3% of fiscal year spending. At June 30, 2015, the emergency reserve of \$102,342 was reported as restricted fund balance and net position.

NOTE 7: RESTATEMENT OF NET POSITION

For the year ended June 30, 2015, the School adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions (GASB No. 68)*, and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, an amendment of GASB Statement No. 68, which are effective for financial statements for periods beginning after June 15, 2014. GASB No. 68 revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. GASB No. 68 requires cost-sharing employers participating in the PERA program to record their proportionate share, as defined in GASB No. 68, of PERA's unfunded pension liability.

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2015

NOTE 7: RESTATEMENT OF NET POSITION (Continued)

For the School, the effect of implementing this standard was to change how it accounts and reports the net pension liability. Implementation of the standard resulted in a restatement of the prior period net position as shown below.

	Governmental Activities
Net Position, June 30, 2014, as Originally Stated	\$ 823,322
Cumulative Effect of Application of GASB No. 68, Net Pension Liability	(5,402,386)
Cumulative Effect of Application of GASB No. 71, Deferred Outflow of Resources for contributions made to the plan during fiscal year June 30, 2014	146,318
Net Position, June 30, 2014, as Restated	\$ (4,432,746)

REQUIRED SUPPLEMENTARY INFORMATION

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Horizons K-8 School
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2015

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Per Pupil Revenue	\$ 2,304,668	\$ 2,314,893	\$ 2,314,893	\$ -
District Mill Levy	762,788	764,767	764,767	-
Outdoor Education Fees	65,100	56,000	56,468	468
Student Activities	149,350	159,904	160,569	665
Contributions	55,300	55,300	83,602	28,302
Fundraising	164,000	164,000	209,350	45,350
Grants	-	-	133,500	133,500
Other	1,100	6,456	4,176	(2,280)
State Sources				
Capital Construction	28,297	27,797	28,119	322
Grants	62,271	65,548	65,548	-
TOTAL REVENUES	3,592,874	3,614,665	3,820,992	206,327
EXPENDITURES				
Instruction	2,091,806	1,995,923	1,887,441	108,482
Special Instruction	324,205	437,538	425,243	12,295
Cocurricular Ed/Athletics	26,370	26,370	62,923	(36,553)
Student Support Services	14,000	14,000	16,594	(2,594)
Instructional Staff Support Services	-	1,500	153	1,347
General Administration	62,988	64,982	54,328	10,654
School Administration	305,065	259,049	264,816	(5,767)
Business Services	155,117	168,167	168,498	(331)
Operations and Maintenance	302,022	317,596	312,406	5,190
Central Services	141,252	146,191	146,191	-
Enterprise Operations	-	-	7,500	(7,500)
Community Services	53,524	68,518	81,863	(13,345)
Capital Outlay	-	-	109,109	(109,109)
TOTAL EXPENDITURES	3,476,349	3,499,834	3,537,065	(37,231)
NET CHANGE IN FUND BALANCE	116,525	114,831	283,927	169,096
FUND BALANCE, Beginning	694,717	743,928	715,859	(28,069)
FUND BALANCE, Ending	\$ 811,242	\$ 858,759	\$ 999,786	\$ 141,027

Horizons K-8 School
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
Last 10 Fiscal Years*

	<u>2014</u>	<u>2013</u>
School's proportion (percentage) of the collective net pension liability (asset)	0.04353652%	0.04287508%
School's proportionate share of the collective pension liability (asset)	5,900,660	5,402,386
Covered-employee payroll	1,823,866	1,707,470
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	323.52%	316.40%
Plan fiduciary net pension as a percentage of the total pension liability	62.80%	64.06%

* The amounts presented for each fiscal year were determined as of December 31 based on the measurement date of the Plan. Information earlier than 2013 was not available.

Horizons K-8 School
SCHEDULE OF THE CONTRIBUTIONS AND RELATED RATIOS
Last 10 Fiscal Years*

As of June 30,	<u>2015</u>	<u>2014</u>
Statutorily required contributions	\$ 295,146	\$ 280,563
Contributions in relation to the statutorily required contribution	<u>295,146</u>	<u>280,563</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	1,825,284	1,838,470
Contribution as a percentage of covered-employee payroll	16.17%	15.26%

* The amounts presented for each fiscal year were determined as of June 30.
Information earlier than 2014 was not available.

Horizons K-8 School
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2015

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

The budget is legally adopted on a basis consistent with generally accepted accounting principles ("GAAP").

The School adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- By June 30, management submits to the Horizons K-8 Board a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
- Prior to June 30, the budget is adopted by the Horizons K-8 Board.
- Expenditures may not legally exceed budget appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Horizons K-8 Board.
- All appropriations lapse at fiscal year end.

Legal Compliance

For the year ended June 30, 2015, General Fund expenditures exceeded the amounts budgeted by \$37,231. This may be a violation of State statutes.