

VENTURE PREP HIGH SCHOOL
BASIC FINANCIAL STATEMENTS

June 30, 2015

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FINANCIAL SECTION



JOHN CUTLER & ASSOCIATES

Board of Directors
Venture Prep High School
Denver, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Venture Prep High School, component unit of the Denver Public School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the 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.

Auditor's 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 auditor's 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 each major fund of Venture Prep High School, as of and for the year ended June 30, 2015, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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 on page 24 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.

John Luttrell & Associates, LLC

September 9, 2015

Management's Discussion and Analysis

As management of Venture Prep High School (VPHS), we offer readers of Venture Prep High School's financial statements our narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2015.

Financial Highlights

The year ended June 30, 2015 is the eighth year of operations for Venture Prep. The Middle School and High School separated as individual programs at the start of 2012 based on a Memo of Understanding between Venture Prep and Denver Public Schools as part of the Middle School wind-down. These 2014-15 financials are independent from the Middle School.

As of June 30, 2015, net position decreased to (\$183,326) based on the implementation of new regulations under the Governmental Accounting Standards Board Statement (GASB) Number 68. Based on the timing of implementing the regulation in 2014, the Beginning Net Position of the Government Type Activities was restated. Further information about GASB 68 is provided in Notes 5, 7 and 8 of the financial statements.

At the close of the fiscal year, VPHS's governmental funds reported a combined ending fund balance of \$667,529, a decrease of \$24,962 all of which was in General Fund. The fund balance decrease was primarily due to planned reserve investments made by the Board of Directors to support the school operations.

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to Venture Prep High 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 Venture Prep High School's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of Venture Prep High School's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of Venture Prep High 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 in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected grant expenses and earned but unpaid salary and benefits).

The government-wide statement of activities distinguishes functions/programs of Venture Prep High School supported primarily by Per Pupil Operating Revenue or other revenues passed through from the District (Denver Public Schools). The governmental activities of Venture Prep High School include instruction and supporting services.

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

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. Venture Prep High School, like other governmental units or schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Venture Prep High School are governmental funds.

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. Such information may be useful in evaluating the School's near-term financing requirements.

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 balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Venture Prep High School maintains two individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the capital reserve fund, because both are considered to be major funds.

Venture Prep High School adopts an annual appropriated budget for its funds. Budgetary comparison statements have been provided for the funds to demonstrate compliance with the budget.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This information is provided in pages 6-23.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the School’s financial position. In the case of Venture Prep High School, liabilities exceeded assets by \$217,605 in FY 2014/2015. Again, the change in Net Position is attributed to the implementation of GASB 68 as it relates to pension liabilities.

Venture Prep High School’s Net Position			
Governmental			
Activities			
	<u>June 30, 2015</u>	<u>June 30, 2014</u>	
ASSETS			
Cash and investments	\$ 554,240	\$ 623,710	
Cash Held by the District	54,409	50,924	
Accounts Receivable	47,265	48,576	
Prepaid Expenses	12,400	2,143	
Inventory	3,145	2,561	
Capital Assets, Net of Accum Depreciation	51,518	60,007	
Total Assets	722,977	787,921	
DEFERRED OUTFLOWS OF RESOURCES			
Related to Pensions	564,047	-	
LIABILITIES			
Accounts Payable	3,375	1,255	
Accrued Salaries & Benefits	555	34,168	
Noncurrent Liabilities-Pension Liability	1,466,158	-	
Total Liabilities	1,470,088	35,423	
DEFERRED INFLOWS OF RESOURCES			
<i>Related to Pensions</i>	262	-	
NET POSITION			
Investment in Capital Assets	51,518	60,007	
Restricted for Emergencies	65,000	63,000	
Unrestricted	(299,844)	629,491	
Total Net Position	\$ (183,326)	\$ 752,498	

The largest portion of Venture Prep’s assets is in cash and investments @ 77% in 2015.

Venture Prep High School's Statement of Activities
Governmental
Activities

	<u>June 30, 2015</u>	<u>June 30, 2014</u>
Program Revenue:		
Charges for Services	\$ 16,197	\$ 9,975
Operating Grants and Contributions	172,774	125,306
Capital Grants and Contributions	23,955	11,068
Total Program Revenue	212,926	146,349
General Revenue:		
Per Pupil Revenue	2,118,212	1,774,215
Mill Levy Revenue	246,314	252,964
Investment Earnings	780	868
Miscellaneous	43,016	45,641
Total General Revenue	2,408,322	2,073,688
Total Revenue	2,621,248	2,220,037
Expenses:		
Current:		
Instruction	1,570,981	1,303,609
Supporting Services	1,121,818	1,061,278
Total Expenses	2,692,799	2,364,887
Increase/(Decrease) in Net Position	(71,551)	(144,850)
Net Position, Beginning, RESTATED	\$ (111,775)	\$ 897,348
Net Position, Ending	\$ (183,326)	\$ 752,498

The largest portion of Venture Prep High School's revenues came from per pupil revenue – 81% in 2015.

Financial Analysis of the Government's Funds

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

Governmental Funds.

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

As of the end of the current fiscal year, the School's General Fund reported an ending fund balance of \$667,529, a decrease of \$24,962 from FY14. This decrease is primarily due to investments made by the Board of Directors from reserves to strengthen the operations of both schools.

General Fund Budgetary Highlights

The School approves a final budget in May based on enrollment projections for the school year. In October, after enrollment stabilizes, adjustments are made to the budget. At year-end, the school had some variances between its budgeted and actual activities. On the revenue side, the school recognized approximately \$108,288 in additional revenues from the initial budget due to additional funds received through fees and State grants. Additionally, expenses remained \$54,727 under the final budget in an effort to remain compliant with Statute. There was one budget amendment approved during FY15.

Capital assets & Long-Term Debt

Venture Prep High School has investments in equipment and the addition of a bus purchased during 2013-14, but does not have long-term debt obligations. Capital Asset information is provided in Note 4 of the financial statements.

Economic Factors and Next Year's Budget

For each school, the primary factor driving the budget for Venture Prep High School is student enrollment. Enrollment for the 2014-2015 school year was 284 funded students and the projected enrollment for the 2015-2016 school year is conservatively budgeted for 272 students.

Requests for Information

This financial report is designed to provide a general overview of Venture Prep High School'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:

Venture Prep
2540 Holly Street
Denver, CO 80207

BASIC FINANCIAL STATEMENTS

VENTURE PREP HIGH SCHOOL

STATEMENT OF NET POSITION

As of June 30, 2015

	Governmental Activities	
	2015	2014
ASSETS		
Cash	\$ 554,240	\$ 623,710
Cash Held by the District	54,409	50,924
Account Receivable	47,265	48,576
Inventory	3,145	2,561
Prepaid Expenses	12,400	2,143
Capital Assets, Net of Accumulated Depreciation	51,518	60,007
TOTAL ASSETS	722,977	787,921
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	564,047	-
LIABILITIES		
Accounts Payable	3,375	1,255
Accrued Salaries and Benefits	555	34,168
Noncurrent Liabilities		
Pension Liability	1,466,158	
TOTAL LIABILITIES	1,470,088	35,423
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	262	-
NET POSITION		
Investment in Capital Assets	51,518	60,007
Restricted for Emergencies	65,000	63,000
Unrestricted	(299,844)	629,491
TOTAL NET POSITION	\$ (183,326)	\$ 752,498

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

VENTURE PREP HIGH 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					2015	2014
Governmental Activities						
Instructional	\$ 1,570,981	\$ 16,197	\$ 161,340	\$ -	\$ (1,393,444)	\$ (1,182,651)
Supporting Services	1,121,818	-	11,434	23,955	(1,086,429)	(1,049,824)
Total Governmental Activities	<u>\$ 2,692,799</u>	<u>\$ 16,197</u>	<u>\$ 172,774</u>	<u>\$ 23,955</u>	(2,479,873)	(2,232,475)
		GENERAL REVENUES				
					2,118,212	1,774,215
					246,314	252,964
					780	868
					43,016	59,578
					<u>2,408,322</u>	<u>2,087,625</u>
					CHANGE IN NET POSITION	(71,551) (144,850)
					NET POSITION, Beginning, As Restated	(111,775) 897,348
					NET POSITION, Ending	<u>\$ (183,326)</u> <u>\$ 752,498</u>

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

VENTURE PREP HIGH SCHOOL

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2014

	GENERAL FUND	
	2015	2014
ASSETS		
Cash	\$ 554,240	\$ 623,710
Cash Held by District	54,409	50,924
Accounts Receivable	47,265	48,576
Inventory	3,145	2,561
Prepaid Expenses	12,400	2,143
TOTAL ASSETS	\$ 671,459	\$ 727,914
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	\$ 3,375	\$ 1,255
Accrued Salaries and Benefits	555	34,168
TOTAL LIABILITIES	3,930	35,423
FUND BALANCES		
Nonspendable	15,545	4,704
Restricted for Emergencies	65,000	63,000
Assigned	154,000	-
Unassigned	432,984	624,787
TOTAL FUND BALANCES	667,529	692,491
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.	51,518	60,007
Long-term liabilities and related assets are not due and payable in the current period and therefore, are not reported in the funds. This liability includes net pension liability (\$1,466,158), deferred outflows related to pensions \$564,047, and deferred inflows related to pensions (\$262).	(902,373)	-
Net position of governmental activities	\$ (183,326)	\$ 752,498

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

VENTURE PREP HIGH SCHOOL

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	GENERAL FUND	
	2015	2014
REVENUES		
Local Sources	\$ 2,435,953	\$ 2,097,986
State and Federal Sources	185,295	122,051
TOTAL REVENUES	<u>2,621,248</u>	<u>2,220,037</u>
EXPENDITURES		
Current		
Instruction	1,541,679	1,303,609
Supporting Services	1,104,531	1,099,404
TOTAL EXPENDITURES	<u>2,646,210</u>	<u>2,403,013</u>
NET CHANGE IN FUND BALANCES	(24,962)	(182,976)
FUND BALANCES, Beginning	<u>692,491</u>	<u>875,467</u>
FUND BALANCES, Ending	<u>\$ 667,529</u>	<u>\$ 692,491</u>

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

VENTURE PREP HIGH SCHOOL

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ (24,962)
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This amount of depreciation expense for the current period.	(8,489)
Deferred Charges related to pensions are not recognized in the governmental funds. However, in the government-wide statements these amounts are capitalized and amortized.	<u>(38,100)</u>
Change in net position of governmental activities	<u><u>\$ (71,551)</u></u>

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

VENTURE PREP HIGH SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Venture Prep High School (the School) came into being on July 1, 2011, when the former Envision Leadership Prep changed its name to Venture Prep. Envision Leadership Prep was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Denver Public School District (the “District”) in the State of Colorado.

The accounting policies of the School conform to generally accepted accounting principles as applicable to governmental units. Following is a summary of the more significant policies.

Reporting Entity

The financial reporting entity consists of the School and organizations for which the School is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the School. In addition, any 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 these criteria, no additional organizations are includable in the School’s reporting entity. However, the School is a component unit of the Denver Public School 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 of the activities of the School. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by 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 intergovernmental revenues not properly included among program revenues are reported instead as general revenues.

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

VENTURE PREP HIGH SCHOOL
NOTES TO THE 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 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 period or soon enough thereafter to pay liabilities of the current period, not to exceed 60 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Intergovernmental revenues, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the School.

Internally dedicated resources are reported as general revenues rather than as program revenues.

When both restricted and unrestricted resources are available for 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 used to account for all financial resources except those required to be accounted for in another fund.

VENTURE PREP HIGH SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position and balance sheets will sometimes report a separate section for deferred outflows or resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position and fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position and balance sheets will sometimes report a separate section for deferred inflows or resources. This separate financial statement element, deferred inflow of resources, represents an acquisition of net position and fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Assets, Liabilities and Fund Balance/Net Position

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

Inventory – Merchandise consisting of school sweatshirts and shirts that are purchased for resale to the students and remain unsold at year end are recorded as inventory.

Prepaid Expenses – Payments made to vendors for services that will benefit future periods are recorded as prepaid expense. An expenditure is reported in the year in which the services are consumed.

Capital Assets – Capital assets, which include leasehold improvements, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$5,000 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.

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net position in the government-wide financial statements. Depreciation has been provided over the following estimated useful lives of the capital assets using the straight-line method.

VENTURE PREP HIGH SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Net Position— The government-wide and business-type fund financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted.

- Investment in Capital Assets is intended to reflect the portion of net position which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.
- Restricted Net Position are liquid assets, which have third party limitations on their use.
- Unrestricted Net Position represent assets that do not have any third party limitation on their use. While School management may have categorized and segmented portion for various purposes, the Board of Directors has the unrestricted School to revisit or alter these managerial decisions.

Fund Balance Classification — The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the School is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable — amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact. The School has classified its prepaid expenses and inventories as nonspendable as of June 30, 2015.
- Restricted — This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The School has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies.
- Committed — This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed.

VENTURE PREP HIGH SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The School did not have any committed resources as of June 30, 2015.
- Assigned – This classification includes amounts the government intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. The School has classified portions of the fund balances of the General Fund as assigned because their use has been designated for future expenditures.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The School would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned.

Compensated Absences

The School's policy allows employees to accumulate sick and vacation leave. However, any amounts accrued are not payable upon termination. Therefore, no liability for accumulated sick leave or vacation is reported in the financial statements.

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 coverage for these risks of loss. The School has not had any claims that exceeded the insured amounts for the last three years.

Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the School's financial position and operations. However, comparative data has not been presented in all statements because such inclusion would make certain statements unduly complex and difficult to understand. Also, certain amounts presented in the prior year data have been reclassified to be consistent with current year's presentation.

VENTURE PREP HIGH SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

School management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1. The budget is adopted by the Board of Directors by June 1. Expenditures may not legally exceed appropriations at the fund level. Revisions must be approved by the Board of Directors. The budget includes proposed expenditures and the means of financing them. All appropriations lapse at fiscal year-end.

NOTE 3: CASH AND INVESTMENTS

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At June 30, 2015, State regulatory commissioners have indicated that all financial institutions holding deposits for the School are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held.

The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The School has no policy regarding custodial credit risk for deposits.

At June 30, 2015, the School had deposits with financial institutions with a carrying amount of \$554,240. The bank balances with the financial institutions were \$574,480. Of these balances, \$250,000 was covered by federal depository insurance and \$324,480 was covered by collateral held by authorized escrow agents in the financial institution's name (PDPA).

VENTURE PREP HIGH SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

NOTE 3: CASH AND INVESTMENTS (Continued)

Pooled Cash with the District

Cash deposits are pooled with the District cash and investments which were held by several banking institutions. Pooled investments represent investments in local government investment pools or in money market funds. At June 30, 2015 the School's balance in equity in pooled cash of the District totaled \$54,409.

Investments

Interest Rate Risk

The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Colorado statutes specify in which instruments units of local government may invest, which include:

- Obligations of the United States and certain U.S. Government Agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Local government investment pools
- Certain money market funds
- Guaranteed investment contracts

The School had no investments at June 30, 2015.

The School has no policy for managing credit risk.

Restricted Cash and Investments

Cash in the amount of \$54,409 is restricted in the General Fund as an emergency reserve related to the TABOR amendment.

VENTURE PREP HIGH SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

NOTE 4: CAPITAL ASSETS

Capital Assets activity for the year ended June 30, 2015 is summarized below:

	Balance <u>June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2015</u>
Governmental Activities				
Capital Assets, Depreciated Equipment	\$ 71,300	\$ -	\$ -	\$ 71,300
Accumulated Depreciation Equipment	11,293	8,489	-	19,782
Net Capital Assets	<u>\$ 60,007</u>	<u>\$ (8,489)</u>	<u>\$ -</u>	<u>\$ 51,518</u>

Depreciation has been charged to supporting services program of the School.

NOTE 5: PENSION PLAN

Summary of Significant Accounting Policies

Pensions. The School participates in the Denver Public Schools Division Trust Fund (DPS Division), a single-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 DPS Division 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.

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

VENTURE PREP HIGH SCHOOL

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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

General Information about the Pension Plan (Continued)

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

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

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

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.

VENTURE PREP HIGH SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

NOTE 5: *PENSION PLAN* (Continued)

General Information about the Pension Plan (Continued)

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

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

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.

VENTURE PREP HIGH SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

NOTE 5: PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

Contributions. Eligible employees and the School are required to contribute to the DPS Division 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 December 31, 2014	For the Year Ended December 31, 2015
Employer Contribution Rate	13.75%	10.15%
Amount of Employer Contribution apportioned to the DPS HCTF as specified in C.R.S. § 24-51-208(1)(f)	(1.02%)	(1.02%)
PCOP Offset as specified in C.R.S. § 24-51-412	(16.89%)	(15.97%)
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	3.80%	4.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	3.50%	4.00%
Total Employer Contribution Rate to the DPS Division	3.14%	1.36%

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

Employer contributions are recognized by the DPS Division in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the DPS Division. Employer contributions recognized by the DPS Division from School were \$42,674 for the year ended June 30, 2015.

VENTURE PREP HIGH SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

NOTE 5: PENSION PLAN (Continued)

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 \$1,466,158 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 School's contributions to the DPS Division for the calendar year 2014 relative to the total contributions of participating employers to the DPS Division.

At December 31, 2014, the School's proportion was 0.23474%, which was an increase of 0.064708% from its proportion measured as of December 31, 2013.

For the year ended June 30, 2015 the School recognized pension expense of \$80,774. At June 30, 2015, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	N/A	\$262
Net difference between projected and actual earnings on pension plan investments	\$83,277	N/A
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$465,426	N/A
Contributions subsequent to the measurement date	\$15,344	N/A
Total	\$564,047	\$262

VENTURE PREP HIGH SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

NOTE 5: PENSION PLAN (Continued)

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

\$15,344 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, 2015	
2016	\$137,110
2017	\$137,110
2018	\$137,110
2019	\$137,110

Actuarial assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions and other inputs:

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

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.

VENTURE PREP HIGH SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

NOTE 5: PENSION PLAN (Continued)

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

The actuarial assumptions used in the December 31, 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 DPS Division'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	100.00%	

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

VENTURE PREP HIGH SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

NOTE 5: 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 DPS Division’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	\$2,497,683	\$1,466,158	\$601,421

Pension plan fiduciary net position. Detailed information about the DPS Division’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.

VENTURE PREP HIGH SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 5: PENSION PLAN (Continued)

Other Post-Employment Benefits

Denver Public Schools Health Care Trust Fund

Plan Description – The School contributes to the Denver Public Schools Health Care Trust Fund ("DPS HCTF"), a cost-sharing multiple-employer healthcare trust administered by PERA. The DPS 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 DPS 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 DPS HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy – The School is required to contribute at a rate of 1.02 percent 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 DPS HCTF is established under Title 24, Article 51, Section 208(1)(f.5) of the C.R.S., as amended. For the years ending June 30, 2015 and 2014 the School's contributions to the DPS HCTF were \$14,188 and \$9,709, respectively, equal to their required contributions for each year.

Taxable Pension Certificates of Participation (PCOPs)

The District issued Taxable Pension Certificates of Participation (PCOPs) on July 17, 1997 to fully fund the unfunded actuarial accrued liability (UAAL) of the Plan. Full funding of the UAAL reduced the employer contribution rate from the full funding rate of 15.75% to the normal cost rate of 4.98%. This rate is based upon actuarially determined contribution requirements, the approval and recommendation of the Plan's Board and approval of the District's Board of Education. The School contributed 9.84%, 10.80%, and 11.36%, of covered payroll for the fiscal years ended June 30, 2015, 2014, and 2013, to the District to cover its obligation relating to the PCOPs.

During the fiscal year ended June 30, 2015, 2014, and 2013, the School made contributions totaling \$136,870, \$130,390, and \$205,564 to the District towards its PCOPs obligation.

VENTURE PREP HIGH SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 6: COMMITMENTS AND CONTINGENCIES

Facility Use Agreement

The School has entered into a facility use agreement with the District. Under the terms of the agreement, the School is required to pay an annual use fee of \$710 per student. The facility use fee is payable in three installments, 25% in July and October and 50% in January of each fiscal year. As long as the School is not in default under the terms of the agreement it will remain in force concurrent with the School's charter contract.

For the year ended June 30, 2015, the School paid \$210,646 to the Districts under the terms of the agreement.

Memorandum of Understanding with Denver Public School District

In April 2013, the School entered into a Memorandum of Understanding (MOU) with the District. This document agrees to a two year phase-out period for the middle school program of the School and covers fiscal years 2013-14 and 2014-15.

During this phase-out period the School and the District agreed to have separate, mutually agreed to budgets for both the middle and high school programs, in addition they will prepare separate financial statements and have separate audits. The District will waive the facility use fee for the middle school and will contribute up to \$75,000 towards operating cost of the middle school on an as needed basis. At the end of the phase-out period, but no later than October 1, 2015, the School will return any remaining middle school fund balance to the District. The middle ceased operations as of June 30, 2015 and a separate audit report was issued for the middle school for that year.

Claims and Judgments

The School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the School may be required to reimburse the grantor government. As of June 30, 2015, significant amounts of grant expenditures have not been audited, but the School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

VENTURE PREP HIGH SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 6: **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 tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The School believes it has complied with the Amendment.

As required by the Amendment, the School has established a reserve for emergencies. At June 30, 2015, the reserve of \$65,000 was recorded as a reservation of fund balance in the General Fund. The District also holds \$54,409 in pooled cash on behalf of the School for this reserve.

NOTE 7: **RESTATEMENT OF NET POSITION**

The beginning net position of the governmental activities was decreased by \$864,273 to (\$111,775) as the School implemented Governmental Accounting Standards Board (GASB) Statement 68.

NOTE 8: **DEFICIT NET POSITION**

The net position of the governmental activities is in a deficit position of \$183,326 due to the School including its Net Pension Liability per the requirements of GASB Statement No. 68.

REQUIRED SUPPLEMENTARY INFORMATION

VENTURE PREP HIGH SCHOOL

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended June 30, 2015

	2015			VARIANCE Positive (Negative)	2014 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Local Sources					
Per Pupil Revenue	\$ 2,111,480	\$ 2,118,212	\$ 2,118,212	\$ -	\$ 1,774,215
Mill Levy Override	224,363	246,314	246,314	-	252,964
Tuition and Fees	8,000	14,000	16,197	2,197	9,975
Grants and Donations	-	-	11,434	11,434	386
Interest	800	800	780	(20)	868
Other	57,247	48,903	43,016	(5,887)	59,578
State and Federal Sources					
Grants and Donations	111,070	183,684	185,295	1,611	122,051
TOTAL REVENUES	2,512,960	2,611,913	2,621,248	9,335	2,220,037
EXPENDITURES					
Salaries	1,382,915	1,496,643	1,457,731	38,912	1,235,423
Employee Benefits	320,227	332,821	294,317	38,504	299,172
Purchased Services	621,885	678,727	678,298	429	588,597
Supplies and Materials	84,790	105,721	116,936	(11,215)	139,088
Property	41,108	22,048	20,324	1,724	63,620
Other	74,000	64,977	78,604	(13,627)	77,113
TOTAL EXPENDITURES	2,524,925	2,700,937	2,646,210	54,727	2,403,013
CHANGE IN FUND BALANCES	(11,965)	(89,024)	(24,962)	64,062	(182,976)
FUND BALANCE, Beginning	669,835	692,491	692,491	-	875,467
FUND BALANCE, Ending	\$ 657,870	\$ 603,467	\$ 667,529	\$ 64,062	\$ 692,491

See the accompanying independent auditors' report.