

GIRLS ATHLETIC LEADERSHIP SCHOOLS

BASIC FINANCIAL STATEMENTS

June 30, 2017

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FINANCIAL SECTION



JOHN CUTLER & ASSOCIATES

Board of Directors
Girls Athletic Leadership Schools
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 the Girls Athletic Leadership Schools, component unit of the Denver Public School District as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Network'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 expression an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluation 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.

Opinion

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 the Girls Athletic Leadership Schools, as of June 30, 2017, 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, the budgetary comparison information, schedule of the Schools' proportionate share, and schedule of the Schools' contributions on pages 26-28 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's financial statements. The supplementary information listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

John Luttrell & Associates, LLC

October 30, 2017

Management’s Discussion and Analysis – Girls Athletic Leadership Schools of Denver

As management of Girls Athletic Leadership Schools of Denver (GALS), we offer readers of Girls Athletic Leadership School of Denver’s financial statements, our narrative overview and analysis of the financial activities of GALS MS, HS and The Boys School of Denver for the fiscal year ended June 30, 2017. This is the seventh year of operations as a school serving grades 6th-8th, the 3rd year of operations for the HS and “Year 0” or the planning year for The Boys School of Denver.

Financial Highlights

As of June 30, 2017, net position decreased to (\$1,164,708) based on the implementation of the GASB Statement 68. This change represents accounting presentation of these pension-related items only. Without the pension related liability, GALS net position would be \$845,439.

At the close of the fiscal year, GALS governmental fund reported an ending fund balance of \$777,439, an increase of \$283,237 over the 2016 ending fund balance of \$494,202. The net change for the Middle School fund was \$88,525 and the net change for the High School fund was \$194,712.

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to Girls Athletic Leadership School of Denver’s basic financial statements. GALS’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 GALS’s finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of GALS’s assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Girls Athletic Leadership Schools of Denver 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 GALS supported primarily by Per Pupil Operating Revenue or other revenues passed through from the District (Denver Public Schools). The governmental activities of GALS 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. Girls Athletic Leadership Schools of Denver, like other governmental units or schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of GALS 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.

Girls Athletic Leadership Schools of Denver maintains two 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.

Girls Athletic Leadership Schools of Denver 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 6-25.

Government-wide Financial Analysis

In the case of Girls Athletic Leadership Schools of Denver, liabilities exceeded assets resulting in a Net Position of (\$1,164,708) in FY2017. Again, this is directly related to the pension liability reporting requirement under GASB 68. Without the pension related liability, GALs's net position would be \$524,638.

Girls Athletic Leadership School of Denver's Net Position, Governmental

Activities

	<u>June 30, 2017</u>	<u>June 30, 2016</u>
ASSETS		
Cash and investments	\$822,649	\$492,886
Cash Held by the District	-	-
Accounts Receivable	101,966	163,418
Prepaid Expenses	24,760	24,722
Inventory		
Capital Assets, Depreciated, Net of Accumulated Depreciation	35,889	30,436
Total Assets	985,264	711,462
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions*	1,899,809	922,859
LIABILITIES		
Accounts Payable	29,150	108,411
Accrued Salaries & Benefits	113,557	55,118
Unearned Revenue	29,229	23,295
Noncurrent Liabilities		
Pension Liability*	3,642,222	2,067,958
Total Liabilities	3,814,158	2,254,782
DEFERRED INFLOW OF RESOURCES		
Related to Pensions	234,903	231,746
NET POSITION		
Net Investment in Capital Assets	35,889	30,436
Restricted for Emergencies	110,000	86,500
Unrestricted, Unreserved*	(1,310,957)	(969,143)
<i>Total Net Position without PERA liability</i>	<i>\$845,439</i>	<i>\$524,638</i>
Total Net Position	(\$1,164,708)	(\$852,207)

* See Notes to the Financial Statements (#6) for further information on GASB 68. Additionally, the CO PERA fact sheet states, "...the Net Pension Liability is unlike any of the other liabilities reported on an employer's balance sheet in that it is not immediately due, nor can it be paid off under any accelerated schedule."

The largest portion of Girls Athletic Leadership Schools of Denver’s assets is in cash and receivables @ 94% in 2017.

**Girls Athletic Leadership School of Denver’s Change in Net Position
Governmental Activities**

	<u>Middle School</u>	<u>High School</u>	<u>Total Combined Funds</u>	
	<u>2017</u>	<u>2017</u>	<u>2017</u>	<u>2016</u>
Local Revenue				
Per Pupil Revenue	\$2,070,004	\$959,126	\$3,029,130	\$2,511,316
Mill Levy Revenue	\$330,897	\$201,630	\$532,527	\$287,804
Charges for Services	\$53,478	\$22,236	\$75,714	\$32,579
Grants and Donations	\$107,293	\$398,791	\$506,084	\$547,832
Interest	\$1,050	\$228	\$1,278	\$1,139
Other				\$35,158
State and Federal Sources	<u>\$128,111</u>	<u>\$98,427</u>	<u>\$226,538</u>	<u>\$280,375</u>
Total Revenue	\$2,690,833	\$1,680,438	\$4,371,271	\$3,696,203
Expenses:				
Instruction	\$1,643,502	\$880,675	\$2,524,177	\$2,074,841
Supporting Services	<u>\$1,338,300</u>	<u>\$821,295</u>	<u>\$2,159,595</u>	<u>\$1,913,273</u>
Total Expenses	\$2,981,802	\$1,701,970	\$4,683,772	\$3,988,114
Net Change in Fund Balance	(\$290,969)	(\$21,532)	(\$312,501)	(\$291,911)
Fund Balance Beginning	(\$542,487)	(\$309,720)	(\$852,207)	(\$560,296)
Fund Balance Ending	(\$833,456)	(\$331,252)	(\$1,164,708)	(\$852,207)

The largest portion of Girls Athletic Leadership School of Denver’s revenues came from per pupil revenue and district mill levy revenue @ 81% in FY17.

Financial Analysis of the Government’s Funds

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

Governmental Funds. The focus of Girls Athletic Leadership Schools of Denver’s governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing GALS’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 \$777,439, an increase of \$283,237 from FY16.

General Fund Budgetary Highlights

The School approves a preliminary 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 final budgeted and actual activities. Three budget amendments were made during the 16-17 school year.

For the Middle School fund, on the revenue side, the school recognized a decrease of \$120,845 in donation revenues, and on the positive side, recognized \$66,436 in additional State and Federal sources. On the expense side, expenses remained \$35,641 under budget in an effort to remain compliant with Statute and to continue building the reserve for expansion.

For the High School fund, on the revenue side, the school recognized an increase in revenues of \$79,097 in donation revenue. On the expense side, the largest variance was in employee benefits, (35,237), due to savings in employee health care. The HS did not budget nor use prior year surplus to cover expense in FY2017.

Capital assets & Long-Term Debt

Girls Athletic Leadership Schools of Denver capital assets include one vehicle, copier equipment, and a computer server. Net Capital Assets are \$35,889.

Economic Factors and Next Year's Budget

The primary factor driving the budget for Girls Athletic Leadership Schools of Denver is student enrollment. Enrollment for the 2016-2017 school year was 406 funded students; 278 in the MS and 128 in the HS. This information was analyzed as part of the 2017-2018 budget which is projecting a 570 funded student count, which includes 89 students at The Boys School of Denver. The FY18 budget also includes the budget for the first operating year for The Boys School of Denver which was authorized by DPS in June of 2016 to open in August of 2017.

Requests for Information

This financial report is designed to provide a general overview of Girls Athletic Leadership Schools of Denver'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:

Carol Bowar, Executive Director
Girls Athletic Leadership Schools of Denver
750 Galapago Street
Denver, CO 80204

BASIC FINANCIAL STATEMENTS

GIRLS ATHLETIC LEADERSHIP SCHOOLS

STATEMENT OF NET POSITION

As of June 30, 2017

	<u>Governmental Activities</u>	
	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 822,649	\$ 492,886
Accounts Receivable	101,966	163,418
Prepaid Items	24,760	24,722
Capital Assets, Depreciated, Net of Accumulated Depreciation	<u>35,889</u>	<u>30,436</u>
TOTAL ASSETS	<u>985,264</u>	<u>711,462</u>
DEFERRED OUTFLOW OF RESOURCES		
Related to Pensions	<u>1,899,089</u>	<u>922,859</u>
LIABILITIES		
Accounts Payable	29,150	108,411
Accrued Salaries and Benefits	113,557	55,118
Unearned Revenues	29,229	23,295
Noncurrent Liabilities		
Pension Liability	<u>3,642,222</u>	<u>2,067,958</u>
TOTAL LIABILITIES	<u>3,814,158</u>	<u>2,254,782</u>
DEFERRED INFLOW OF RESOURCES		
Related to Pensions	<u>234,903</u>	<u>231,746</u>
NET POSITION		
Net Investment in Capital Assets	35,889	30,436
Restricted for Emergencies	110,000	86,500
Unrestricted, Unreserved	<u>(1,310,597)</u>	<u>(969,143)</u>
TOTAL NET POSITION	<u>\$ (1,164,708)</u>	<u>\$ (852,207)</u>

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

GIRLS ATHLETIC LEADERSHIP SCHOOLS

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

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					2017	2016
Governmental Activities						
Instructional	\$ 2,524,177	\$ 75,714	\$ -	\$ -	\$ (2,448,463)	\$ (2,042,262)
Supporting Services	2,159,595	-	678,490	54,132	(1,426,973)	(1,085,066)
Total Governmental Activities	<u>\$ 4,683,772</u>	<u>\$ 75,714</u>	<u>\$ 678,490</u>	<u>\$ 54,132</u>	(3,875,436)	(3,127,328)
GENERAL REVENUES						
					3,029,130	2,511,316
Per Pupil Revenue					532,527	287,804
Mill Levy Override					1,278	1,139
Interest					-	35,158
Miscellaneous						
TOTAL GENERAL REVENUES					<u>3,562,935</u>	<u>2,835,417</u>
CHANGE IN NET POSITION					(312,501)	(291,911)
NET POSITION, Beginning					<u>(852,207)</u>	<u>(560,296)</u>
NET POSTION, Ending					<u>\$ (1,164,708)</u>	<u>\$ (852,207)</u>

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

GIRLS ATHLETIC LEADERSHIP SCHOOLS

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	<u>GENERAL FUND</u>	
	<u>2017</u>	<u>2016</u>
ASSETS		
Cash	\$ 822,649	\$ 492,886
Accounts Receivable	101,966	163,418
Due from Other Funds	37,474	-
Prepaid	<u>24,760</u>	<u>24,722</u>
TOTAL ASSETS	<u>\$ 986,849</u>	<u>\$ 681,026</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	\$ 29,150	\$ 108,411
Due to Other Funds	37,474	-
Accrued Salaries and Benefits	113,557	55,118
Unearned Revenues	<u>29,229</u>	<u>23,295</u>
TOTAL LIABILITIES	<u>209,410</u>	<u>186,824</u>
FUND BALANCES		
Nonspendable	24,760	24,722
Restricted for Emergencies	110,000	86,500
Unassigned	<u>642,679</u>	<u>382,980</u>
TOTAL FUND BALANCES	<u>777,439</u>	<u>494,202</u>
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.	35,889	30,436
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 (\$3,642,222), deferred outflows related to pensions \$1,899,089, and deferred inflows related to pensions (\$234,903).	<u>(1,978,036)</u>	<u>(1,376,845)</u>
Net position of governmental activities	<u>\$ (1,164,708)</u>	<u>\$ (852,207)</u>

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

GIRLS ATHLETIC LEADERSHIP SCHOOLS

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2017

	<u>GENERAL FUND</u>	
	<u>2017</u>	<u>2016</u>
REVENUES		
Local Sources	\$ 4,144,733	\$ 3,415,828
State and Federal Sources	<u>226,538</u>	<u>280,375</u>
TOTAL REVENUES	<u>4,371,271</u>	<u>3,696,203</u>
EXPENDITURES		
Current		
Instruction	2,198,276	1,873,262
Supporting Services	<u>1,889,758</u>	<u>1,793,721</u>
TOTAL EXPENDITURES	<u>4,088,034</u>	<u>3,666,983</u>
NET CHANGE IN FUND BALANCES	283,237	29,220
FUND BALANCES, Beginning	<u>494,202</u>	<u>464,982</u>
FUND BALANCES, Ending	<u><u>\$ 777,439</u></u>	<u><u>\$ 494,202</u></u>

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

GIRLS ATHLETIC LEADERSHIP SCHOOLS

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

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

Net change in fund balances - total governmental funds	\$ 283,237
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 by which capital outlay \$8,928 exceeded depreciation expense (\$3,475) in the current period.	5,453
Deferred Charges related to pensions are not recognized in the governmental funds. However, for the government-wide funds that amounts are capitalized and amortized.	<u>(601,191)</u>
Change in net position of governmental activities	<u>\$ (312,501)</u>

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

GIRLS ATHLETIC LEADERSHIP SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Girls Athletic Leadership Schools (the “Network”) was organized pursuant to the Colorado Charter Schools Act to form and operate a network of charter schools within the Denver Public School District (the “District”) in the State of Colorado. The Middle School began classes in the 2010-2011 school year and the High School began classes in the 2014-2015 school year. The Boys School will begin classes in the 2017-2018 school year.

The accounting policies of the Network 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 Network and organizations for which the Network is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the Network. In addition, any legally separate organizations for which the Network is financially accountable are considered part of the reporting entity. Financial accountability exists if the Network 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 Network.

Based on the application of these criteria, the Network does not include additional organizations within its reporting entity. However, the Network 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 Network. 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.

GIRLS ATHLETIC LEADERSHIP SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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 Network.

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 Network's policy to use restricted resources first and the unrestricted resources as they are needed.

The Network reports the following major governmental fund:

General Fund – This fund is the general operating fund of the Network. It is used to account for all financial resources and activities of the Network.

GIRLS ATHLETIC LEADERSHIP SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

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 of resources. This separate financial statement element, deferred outflows 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 the liabilities, the statement of financial position and balance sheets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position and fund balance that applies to a futures 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 – Receivables are reported at their gross value, and, where appropriate, are reduced by the estimated portion that is expected to be uncollectable.

Prepaid – Payments made to vendors for items that will be used in future periods are recorded as prepaid. An expenditure is reported in the year in which the goods are consumed.

Inventory – Payments made to vendors for school uniforms that will be used in future periods are recorded as inventory. An expenditure is reported in the year in which the goods are consumed.

Capital Assets – Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Network 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. Equipment of the Network is depreciated using the straightline method over the equipment’s useful life of 10 years.

Unearned Revenues – Deferred revenues include grant funds that have been collected but the corresponding expense has not been incurred.

GIRLS ATHLETIC LEADERSHIP SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Long-Term Debt – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are recognized in the current period. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period.

The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures. The Network has no long-term debt as of June 30, 2017.

Net Position

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

Net Investment in Capital Assets includes the Network's capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position includes assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. The Network typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.

Unrestricted Net Position typically includes unrestricted liquid assets. The Board has the authority to revisit or alter this designation.

GIRLS ATHLETIC LEADERSHIP SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 Network 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 – This classification includes amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. These are prepaid expenses and inventory.
- 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 Network 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. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Network did not have any committed resources as of June 30, 2017.
- 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 Network 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

GIRLS ATHLETIC LEADERSHIP SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risk Management

The Network 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 Network carries commercial coverage for these risks of loss. The Network has not had claims that exceeded the insured amounts in the last three years.

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.

Network 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 prior to June 30. 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 yearend.

NOTE 3: CASH AND INVESTMENTS

Cash and Investments at June 30, 2017 consisted of the following:

Cash	<u>\$ 822,649</u>
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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, 2017, State regulatory commissioners have indicated that all financial institutions holding deposits for the Network 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.

GIRLS ATHLETIC LEADERSHIP SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 3: CASH AND INVESTMENTS (Continued)

Deposits (Continued)

The market value of the collateral must be at least equal to 102% of the uninsured deposits. The Network has no policy regarding custodial credit risk for deposits.

At June 30, 2017, the Network had deposits with financial institutions with a carrying amount of \$822,649. The bank balances with the financial institutions were \$901,756. Of these balances, \$250,000 was covered by federal depository insurance and \$651,756 was covered by collateral held by authorized escrow agents in the financial institution's name (PDPA).

Investments

Interest Rate Risk

The Network 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
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

The Network has no policy for managing credit risk or interest rate risk.

The Network had no investments as of June 30, 2017.

GIRLS ATHLETIC LEADERSHIP SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2017

NOTE 4: CAPITAL ASSETS

Capital Assets activity for the year ended June 30, 2017 is summarized below:

	Balance <u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2017</u>
Governmental Activities				
Capital Assets, Depreciated				
Vehicles and Equipment	\$ 34,749	\$ 8,928	\$ -	\$ 43,677
Accumulated Depreciation				
Vehicles and Equipment	4,313	3,475	-	7,788
Net Capital Assets	<u>\$ 30,436</u>	<u>\$ 5,453</u>	<u>\$ -</u>	<u>\$ 35,889</u>

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

NOTE 5: ACCRUED SALARIES AND BENEFITS

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from August to July, but are earned during a school year of nine months. The salaries and benefits earned, but unpaid, as of June 30, 2017, were \$113,557 in the General Fund.

NOTE 6: DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

Pensions. The Network 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.

GIRLS ATHLETIC LEADERSHIP SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 6: DEFINED BENEFIT PENSION PLAN(Continued)

General Information about the Pension Plan

Plan description. Eligible employees of the Network 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.

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.

GIRLS ATHLETIC LEADERSHIP SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 6: DEFINED BENEFIT 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, 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 (AIR) 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.

Contributions. Eligible employees and the Network 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:

GIRLS ATHLETIC LEADERSHIP SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

	For the Year Ended December 31, 2016	For the Year Ended December 31, 2017
Employer contribution rate	10.15%	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	(15.54%)	(14.56%)
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	4.50%	5.00%
Total employer contribution rate to the DPS Division	2.59%	4.07%

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 Network is statutorily committed to pay the contributions to the DPS Division. Employer contributions recognized by the DPS Division from Network were \$108,446 for the year ended June 30, 2017.

At June 30, 2017, the Network reported a liability of \$3,642,222 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The Network's proportion of the net pension liability was based on the Network contributions to the DPS Division for the calendar year 2016 relative to the total contributions of participating employers to the DPS Division.

At December 31, 2016, the Network's proportion was 0.3325 percent, which was an increase of 0.07829 percent from its proportion measured as of December 31, 2015.

GIRLS ATHLETIC LEADERSHIP SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 6: 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, 2017, the Network recognized pension expense of \$709,637. At June 30, 2017, the Network 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	\$91,422	\$7,640
Changes of assumptions or other inputs	\$536,054	\$227,263
Net difference between projected and actual earnings on pension plan investments	\$467,556	N/A
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$739,514	N/A
Contributions subsequent to the measurement date	\$64,543	N/A
Total	\$1,899,089	\$234,903

\$64,543 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 June 30, 2018. 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,:	
2018	\$492,002
2019	\$496,845
2020	\$386,074
2021	\$233,451
2022	\$1,271

GIRLS ATHLETIC LEADERSHIP SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 6: DEFINED BENEFIT PENSION PLAN(Continued)

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

Actuarial assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
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
Discount rate	7.50 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)	2.00 percent
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Based on the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA’s Board on November 18, 2016 and effective as of December 31, 2016. These revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.70 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	2.00 percent
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

GIRLS ATHLETIC LEADERSHIP SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 6: **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 used in the December 31, 2015 valuation 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. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

As a result of the 2016 experience analysis and the October 28, 2016, actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rates were adopted by PERA's Board on November 18, 2016 to more closely reflect PERA's actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability roll-forward procedures.

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

GIRLS ATHLETIC LEADERSHIP SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 6: **DEFINED BENEFIT PENSION PLAN** (Continued)

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

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.
- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.
- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

Several factors were considered in evaluating the long-term rate of return assumption for the DPS Division, including long-term historical data, estimates inherent in current market data, and 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 by the investment consultant 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.

GIRLS ATHLETIC LEADERSHIP SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 6: DEFINED BENEFIT PENSION PLAN(Continued)

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

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

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 7.25%.

Discount rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated economic and demographic actuarial assumptions adopted by PERA’s Board on November 18, 2016.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.

GIRLS ATHLETIC LEADERSHIP SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 6: DEFINED BENEFIT PENSION PLAN(Continued)

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

- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, 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 of 7.25 percent 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, and therefore, the discount rate is 7.25 percent.

GIRLS ATHLETIC LEADERSHIP SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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

As of the prior measurement date, the long-term expected rate of return of 7.50 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use the municipal bond index rate, and therefore, the discount rate was 7.50 percent, 0.25 percent higher compared to the current measurement date.

Sensitivity of the Network’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 7.25 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 (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$5,327,017	\$3,642,222	\$2,250,705

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.

Other Post-Employment Benefits

Denver Public Schools Health Care Trust Fund

Plan Description – The Network 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.

GIRLS ATHLETIC LEADERSHIP SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

Other Post-Employment Benefits (Continued)

Funding Policy – The Network 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 Network 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, 2017, 2016 and 2015, the Network contributions to the DPS HCTF were \$25,339, \$18,689 and \$14,672, 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 Network contributed 10.02%, 9.84%, and 10.80%, of covered payroll for the fiscal years ended June 30, 2017, 2016, and 2015, to the District to cover its obligation relating to the PCOPs. During the fiscal years ended June 30, 2017, 2016, and 2015, the Network made contributions totaling \$245,703, \$182,544, and \$141,544, to the District towards its PCOPs obligation.

NOTE 7: COMMITMENTS AND CONTINGENCIES

Facilities Use Agreement

Beginning on July 1, 2013, the Network entered into a facility use agreement with the District for use of a District school buildings. The District will charge the Network approximately \$783 per pupil to cover these costs. The cost per student will be recalculated by the District each year. For the year ended June 30, 2017, the Network paid \$317,720 under the terms of the facilities use agreement.

GIRLS ATHLETIC LEADERSHIP SCHOOLS

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2017

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

Claims and Judgments

The Network 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 Network may be required to reimburse the grantor government. As of June 30, 2017, significant amounts of grant expenditures have not been audited, but the Network believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Network.

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 Network believes it has complied with the Amendment.

As required by the Amendment, the Network has established a reserve for emergencies. At June 30, 2017, reserves of \$110,000 were recorded as a restriction of fund balance.

NOTE 8: **DEFICIT NET POSITION**

The net position of the governmental activities is in a deficit position of \$1,164,708 due to the Network including its Net Pension Liability per the requirements of GASB Statement No. 68.

REQUIRED SUPPLEMENTARY INFORMATION

GIRLS ATHLETIC LEADERSHIP SCHOOLS

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2017

	2017			VARIANCE Positive (Negative)	2016 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Local Sources					
Per Pupil Revenue	\$ 3,200,699	\$ 3,035,396	\$ 3,029,130	\$ (6,266)	\$ 2,511,316
Mill Levy Override	361,453	535,507	532,527	(2,980)	287,804
Tuition and Fees	30,450	59,600	75,714	16,114	32,579
Grants and Donations	372,022	420,395	506,084	85,689	547,832
Interest	-	-	1,278	1,278	36,297
State and Federal Sources					
Grants and Donations	231,002	221,343	226,538	5,195	280,375
TOTAL REVENUES	<u>4,195,626</u>	<u>4,272,241</u>	<u>4,371,271</u>	<u>99,030</u>	<u>3,696,203</u>
EXPENDITURES					
Salaries	2,280,421	2,407,489	2,332,096	75,393	1,905,171
Employee Benefits	574,856	609,836	558,267	51,569	409,939
Purchased Services	1,008,876	929,121	927,884	1,237	949,145
Supplies and Materials	140,684	140,460	146,481	(6,021)	140,018
Property	57,541	39,597	37,092	2,505	162,215
Other	129,857	109,898	86,214	23,684	100,495
TOTAL EXPENDITURES	<u>4,192,235</u>	<u>4,236,401</u>	<u>4,088,034</u>	<u>148,367</u>	<u>3,666,983</u>
CHANGE IN FUND BALANCES	3,391	35,840	283,237	247,397	29,220
FUND BALANCE, Beginning	<u>-</u>	<u>-</u>	<u>494,202</u>	<u>494,202</u>	<u>464,982</u>
FUND BALANCE, Ending	<u>\$ 3,391</u>	<u>\$ 35,840</u>	<u>\$ 777,439</u>	<u>\$ 741,599</u>	<u>\$ 494,202</u>

See the accompanying independent auditors' report.

GIRLS ATHLETIC LEADERSHIP SCHOOLS

SCHEDULE OF THE SCHOOLS' PROPORTIONATE SHARE
DENVER PUBLIC SCHOOLS DIVISION TRUST FUND

Years Ended December 31,
(School Division Trust Fund Measurement Date)

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Schools' proportionate share of the Net Pension Liability	0.1637%	0.2311%	0.2542%	0.3325%
Schools' proportionate share of the Net Pension Liability	\$ 851,382	\$ 1,443,531	\$ 2,067,958	\$ 3,642,222
Schools' covered-employee payroll	\$ 892,566	\$ 1,438,476	\$ 1,832,262	\$ 2,196,978
Schools' proportionate share of the Net Pension Liability as a percentage of its covered-employee payroll	95.4%	100.4%	112.9%	165.8%
Plan fiduciary net position as a percentage of the total pension liability	86.3%	83.9%	79.3%	74.1%

See the accompanying independent auditors' report.

GIRLS ATHLETIC LEADERSHIP SCHOOLS

SCHEDULE OF THE SCHOOLS' CONTRIBUTIONS
DENVER PUBLIC SCHOOLS DIVISION TRUST FUND

Years Ended June 30,

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
Statutorily required contributions	\$ 47,804	\$ 46,679	\$ 55,672	\$ 108,446
Contributions in relation to the Statutorily required contributions	<u>47,804</u>	<u>46,679</u>	<u>55,672</u>	<u>108,446</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Schools' covered-employee payroll	\$ 984,459	\$ 1,438,476	\$ 1,832,262	\$ 2,484,198
Contributions as a percentage of covered-employee payroll	4.86%	3.25%	3.04%	4.37%

See the accompanying independent auditors' report.

SUPPLEMENTARY INFORMATION

GIRLS ATHLETIC LEADERSHIP SCHOOLS

COMBINING BALANCE SHEET

June 30, 2017

	MIDDLE SCHOOL	HIGH SCHOOL	TOTAL	
			2017	2016
ASSETS				
Cash	\$ 406,111	\$ 416,538	\$ 822,649	\$ 492,886
Accounts Receivable	96,603	5,363	101,966	163,418
Due from Other Schools	37,474	-	37,474	-
Prepaid	24,760	-	24,760	24,722
	<u>24,760</u>	<u>-</u>	<u>24,760</u>	<u>24,722</u>
TOTAL ASSETS	<u>\$ 564,948</u>	<u>\$ 421,901</u>	<u>\$ 986,849</u>	<u>\$ 681,026</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 144	\$ 29,006	\$ 29,150	\$ 108,411
Due to Other Schools	-	37,474	37,474	-
Accrued Salaries and Benefits	60,243	53,314	113,557	55,118
Unearned Revenues	17,405	11,824	29,229	23,295
	<u>17,405</u>	<u>11,824</u>	<u>29,229</u>	<u>23,295</u>
TOTAL LIABILITIES	<u>77,792</u>	<u>131,618</u>	<u>209,410</u>	<u>186,824</u>
FUND BALANCES				
Nonspendable	24,760	-	24,760	24,722
Restricted for Emergencies	74,500	35,500	110,000	86,500
Unassigned	387,896	254,783	642,679	382,980
	<u>387,896</u>	<u>254,783</u>	<u>642,679</u>	<u>382,980</u>
TOTAL FUND BALANCES	<u>487,156</u>	<u>290,283</u>	<u>777,439</u>	<u>494,202</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 564,948</u>	<u>\$ 421,901</u>	<u>\$ 986,849</u>	<u>\$ 681,026</u>

See the accompanying independent auditors' report.

GIRLS ATHLETIC LEADERSHIP SCHOOLS

COMBINING SCHEDULE OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
Year Ended June 30, 2017

	MIDDLE SCHOOL	HIGH SCHOOL	TOTAL	
			2017	2016
REVENUES				
Local Sources	\$ 2,562,722	\$ 1,582,011	\$ 4,144,733	\$ 3,415,828
State and Federal Sources	128,111	98,427	226,538	280,375
TOTAL REVENUES	<u>2,690,833</u>	<u>1,680,438</u>	<u>4,371,271</u>	<u>3,696,203</u>
EXPENDITURES				
Current				
Instruction	1,431,307	766,969	2,198,276	1,873,262
Supporting Services	<u>1,171,001</u>	<u>718,757</u>	<u>1,889,758</u>	<u>1,793,721</u>
TOTAL EXPENDITURES	<u>2,602,308</u>	<u>1,485,726</u>	<u>4,088,034</u>	<u>3,666,983</u>
NET CHANGE IN FUND BALANCES	88,525	194,712	283,237	29,220
FUND BALANCES, Beginning	<u>398,631</u>	<u>95,571</u>	<u>494,202</u>	<u>464,982</u>
FUND BALANCES, Ending	<u>\$ 487,156</u>	<u>\$ 290,283</u>	<u>\$ 777,439</u>	<u>\$ 494,202</u>

See the accompanying independent auditors' report.

GIRLS ATHLETIC LEADERSHIP SCHOOLS

MIDDLE SCHOOL
 BUDGETARY COMPARISON SCHEDULE
 Year Ended June 30, 2017

	2017			VARIANCE	2016 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Positive (Negative)	
REVENUES					
Local Sources					
Per Pupil Revenue	\$ 2,144,751	\$ 2,076,465	\$ 2,070,004	\$ (6,461)	\$ 1,820,566
Mill Levy Override	236,264	335,470	330,897	(4,573)	202,584
Tuition and Fees	23,350	41,000	53,478	12,478	28,793
Grants and Donations	9,500	85,290	107,293	22,003	228,138
Interest	-	-	1,050	1,050	1,139
State and Federal Sources					
Grants and Donations	107,972	125,412	128,111	2,699	61,675
TOTAL REVENUES	2,521,837	2,663,637	2,690,833	27,196	2,342,895
EXPENDITURES					
Salaries	1,349,669	1,484,821	1,478,973	5,848	1,256,700
Employee Benefits	332,265	376,825	341,588	35,237	268,886
Purchased Services	629,963	586,420	605,526	(19,106)	600,836
Supplies and Materials	82,207	93,306	95,335	(2,029)	85,080
Property	37,576	27,171	25,699	1,472	33,113
Other	88,167	69,406	55,187	14,219	29,747
TOTAL EXPENDITURES	2,519,847	2,637,949	2,602,308	35,641	2,274,362
CHANGE IN FUND BALANCES	1,990	25,688	88,525	62,837	68,533
FUND BALANCE, Beginning	-	-	398,631	398,631	330,098
FUND BALANCE, Ending	<u>\$ 1,990</u>	<u>\$ 25,688</u>	<u>\$ 487,156</u>	<u>\$ 461,468</u>	<u>\$ 398,631</u>

See the accompanying independent auditors' report.

GIRLS ATHLETIC LEADERSHIP SCHOOLS

HIGH SCHOOL
 BUDGETARY COMPARISON SCHEDULE
 Year Ended June 30, 2017

	2017			VARIANCE Positive (Negative)	2016 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Local Sources					
Per Pupil Revenue	\$ 1,055,948	\$ 958,931	\$ 959,126	\$ 195	\$ 690,750
Mill Levy Override	125,189	200,037	201,630	1,593	85,220
Tuition and Fees	7,100	18,600	22,236	3,636	3,786
Grants and Donations	362,522	335,105	398,791	63,686	319,694
Interest	-	-	228	228	35,158
State and Federal Sources					
Grants and Donations	123,030	95,931	98,427	2,496	218,700
TOTAL REVENUES	1,673,789	1,608,604	1,680,438	71,834	1,353,308
EXPENDITURES					
Salaries	930,752	922,668	853,123	69,545	648,471
Employee Benefits	242,591	233,011	216,679	16,332	141,053
Purchased Services	378,913	342,701	322,358	20,343	348,309
Supplies and Materials	58,477	47,154	51,146	(3,992)	54,938
Property	19,965	12,426	11,393	1,033	129,102
Other	41,690	40,492	31,027	9,465	70,748
TOTAL EXPENDITURES	1,672,388	1,598,452	1,485,726	112,726	1,392,621
CHANGE IN FUND BALANCES	1,401	10,152	194,712	184,560	(39,313)
FUND BALANCE, Beginning	-	-	95,571	95,571	134,884
FUND BALANCE, Ending	<u>\$ 1,401</u>	<u>\$ 10,152</u>	<u>\$ 290,283</u>	<u>\$ 280,131</u>	<u>\$ 95,571</u>

See the accompanying independent auditors' report.