

PROSPECT RIDGE ACADEMY

FINANCIAL STATEMENTS

June 30, 2016

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Logan and Associates, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Prospect Ridge Academy
Broomfield, Colorado

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the Prospect Ridge Academy, a component unit of Adams County School District No. 12, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Prospect Ridge Academy.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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 an opinion 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 of 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 Academy'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 Academy'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 reasonable basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of the Prospect Ridge Academy as of June 30, 2016, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion on pages i – vi, and budgetary comparison schedule, schedule of proportionate share of the net pension liability, the schedule of Academy contributions and notes to required supplementary information on pages 29 – 32, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Prospect Ridge Academy's basic financial statements. The accompanying budgetary comparison schedule for the grants fund is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary comparison schedule of the grants fund is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to 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 budgetary comparison schedule of the grants fund is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Logan and Associates, LLC

Aurora, Colorado
September 29, 2016

Management's Discussion and Analysis

As management of Prospect Ridge Academy Charter School (PRA), we offer readers of PRA Charter School's financial statements our narrative overview and analysis of the financial activities of PRA for the fiscal year ended June 30, 2016, the fifth year of operations as a school.

Financial Highlights

At the close of the fourth fiscal year FY2014-15 PRA Charter School's governmental activities reported an ending net position of \$(6,636,957).

At the close of the fifth fiscal year FY2015-16 PRA Charter School's governmental activities reported an ending net position of \$(9,330,135).

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to PRA Charter School's basic financial statements. PRA Charter 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 PRA Charter School's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of PRA Charter School'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 PRA Charter School is improving or declining.

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 PRA Charter School supported primarily by Per Pupil Operating Revenue or other revenues passed through from the District (Adams 12 Five Star Schools). The governmental activities of PRA Charter 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. PRA Charter School, like other governmental units or schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

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

PRA Charter School maintains two individual governmental funds and one internal service fund. 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 grants fund, the schools major and non-major funds, respectively.

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

The PRA Building Corporation is considered a component unit of PRA and is reported as an internal service fund. Information is presented in the statement of net position, statement of revenues, expenses and changes in net position and the statement of cash flows.

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.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the School's financial position. PRA Charter School liabilities exceeded assets by \$9,330,135 at the end of FY2015-16. This was due to the Academy's proportionate share of the PERA net pension liability increased approximately by \$2.5 million. GASB 68 requires PRA to report the net pension liability of the school's proportionate share in the PERA pension plan.

PRA Charter School's Net Position
Governmental
Activities

| ASSETS | <u>June 30, 2015</u> | <u>June 30, 2016</u> |
|---|------------------------------|------------------------------|
| Cash and investment | \$ 2,848,962 | \$ 3,582,215 |
| Restricted Cash & Investments | 1,418,844 | 6,625,614 |
| Accounts Receivable | 937 | 28 |
| Prepaid Expenses | 26,525 | 139,160 |
| Capital Assets, Not Depreciated | 1,665,387 | 3,967,251 |
| Capital Assets, Net of Acc Depre | 8,634,119 | 8,347,917 |
| | ----- | ----- |
| Total Assets | <u>14,594,774</u> | <u>22,662,185</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Def. Outflows of Res related to Pensions | <u>3,563,981</u> | <u>4,281,004</u> |
| LIABILITIES | | |
| Accounts Payable | 15,860 | 500,209 |
| Accrued Liabilities | - | 2,616 |
| Accrued Salaries and Benefits | 263,487 | 373,421 |
| Deferred Revenue | 155,349 | 43,525 |
| Accrued Interest Payable | 288,731 | 223,410 |
| Noncurrent Liabilities | | |
| Due Within One Year | 30,000 | 34,050 |
| Due in More than one Year | 13,275,000 | 21,630,000 |
| Net Pension Liability | 10,766,501 | 13,277,946 |
| | ----- | ----- |
| Total Liabilities | <u>24,794,908</u> | <u>36,085,177</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Def. Inflows of Res related to Pensions | <u>804</u> | <u>188,147</u> |
| NET Position | | |
| Net Investment in Capital Assets | (1,556,650) | (4,894,508) |
| Restricted For | | |
| Emergencies | 229,915 | 257,285 |
| Special Education | 200,005 | 200,005 |
| Debt Service | 1,130,113 | 1,532,776 |
| Unrestricted | (6,640,340) | (6,425,693) |
| | ----- | ----- |
| TOTAL NET POSITION | <u>\$ (6,636,957)</u> | <u>\$ (9,330,135)</u> |
| | ===== | ===== |

PRA Charter School's Statement of Activities
 Governmental
 Activities

Year Ended:

June 30, 2015

June 30, 2016

REVENUES

| | | |
|--|--------------|--------------|
| General Revenues | | |
| Per Pupil Revenue | \$ 6,783,004 | \$ 7,976,059 |
| Other | 21,142 | 92,654 |
| Donations & Fundraising not restricted to Specific programs | 401,095 | 359,084 |
| Program Revenues | | |
| Tuition & Fees | 501,143 | 549,979 |
| Operating Grants and Cont. | 339,463 | 284,337 |
| Capital Grants & Cont. | 167,430 | 369,060 |
| | ----- | ----- |
| Total Revenues | 8,213,277 | 9,631,173 |

EXPENSES

| | | |
|-----------------------------|------------------------|------------------------|
| Instructional | 5,617,923 | 6,596,463 |
| Supporting Services | 3,886,923 | 4,967,708 |
| Interest & Fiscal Charges | 769,937 | 760,180 |
| | ----- | ----- |
| Total Expenses | 10,274,783 | 12,324,351 |
| Change in Net Position | (2,061,506) | (2,693,178) |
| Net Position, Beginning | <u>(4,575,451)</u> | <u>(6,636,957)</u> |
| Net Position, Ending | <u>\$ (6,636,957)</u> | <u>\$ (9,330,135)</u> |

Financial Analysis of the Government's Funds

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

Governmental Funds

The focus of PRA Charter School's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing PRA Charter School's financing requirements. In particular, Net Change fund balance may serve as a useful measure of the School's net resources available for spending at the end of the fiscal year. At the end of the 2015-16 fiscal year the School's Fund reported a net change in fund balances of \$808,988.

Grant Funds

PRA was awarded a Federal Expansion grant, which spans over three fiscal years. The first two years of PRAs Federal Expansion grant (FY2013-14 and FY2014-15) the school fully utilized the \$196,500. In the third year (FY2015-16) PRA expensed \$196,246 of the awarded \$196,500.

The Internal service fund and refunding- In 2015-2016 the PRA Building Corporation, issued \$21,630,000 in charter school revenue and refunding bonds thru, the Colorado Educational and Cultural Facilities Authority, CECFA in an effort to fund the land purchase and building expansion of the High School Facility along with the related bond issuance costs and reserve requirement. It also included the refunding of the 2013 Bond of \$13,275,000. The fund expenses this year consisted of payment of interest in the amount of \$760,180.

General Fund Budgetary Highlights

The School approved a final budget in May based on enrollment projections for the following 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. On the revenue side, the school recognized more than \$171,987 in additional revenues due primarily driven by exceeding fund raising and donation goals. Additionally, expenses exceeded the budgeted amount by \$68,932 due to Instructional expenses being under budgeted.

Capital assets & Long-Term Debt

PRA's investment in Capital assets increased this year by \$2,015,662 related to leasehold improvements plus construction in service and \$577,707 of land related to the expansion of the high school facility. Depreciation on the leasehold improvements and equipment was \$302,972. The detail of capital assets is in Note 4 to the financial statements.

In March 2015, the Colorado Educational and Cultural Facilities Authority (CECFA) issued the \$21,630,000 Charter School Revenue Bonds, Series 2016 to refund the 2013 bonds and purchase land and construct the expansion of the high school facility and the related bond issuance costs and reserve requirements. The bonds are set to mature in March 15, 2023. The School is required to make monthly lease payments to the Building Corporation for the use of the building. The Building Corporation is responsible for making the required loan payments to the Bond Trustee for payment of the bond interest and principal obligations that are due semi-

annually. Interest on the bonds is 4.85% per annum. The details of long-term debt are in Note 5 to the financial statements.

Economic Factors and Next Year's Budget

The primary factor driving the budget for PRA Charter School is student enrollment as a function of lateral expansion of the number of classes. Enrollment for the FY2015-2016 enrollment was 1109 funded students. Student enrollment projections for the FY2016-17 school year are 1250. This growth is attributable to the addition of a 11th grade class. PRA's plan is to continue this growth model by adding one grade each of the following years until a full K-12 program.

Requests for Information

This financial report is designed to provide a general overview of PRA Charter 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's Business Manager, Cameron Mascoll.

Todd Stockard
Board of Directors - Treasurer
Prospect Ridge Academy Charter School
2555 Preble Creek Parkway
Broomfield, CO 80023

BASIC FINANCIAL STATEMENTS

PROSPECT RIDGE ACADEMY

STATEMENT OF NET POSITION

June 30, 2016

| | <u>GOVERNMENTAL ACTIVITIES</u> |
|--|------------------------------------|
| ASSETS | |
| Cash and Investments | \$ 3,582,215 |
| Restricted Cash and Investments | 6,625,614 |
| Accounts Receivable | 28 |
| Prepaid Expenses | 139,160 |
| Capital Assets, Not Depreciated | 3,967,251 |
| Capital Assets, Net of Accumulated Depreciation | <u>8,347,917</u> |
| TOTAL ASSETS | <u>22,662,185</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Deferred Outflows of Resources Related to Pensions | <u>4,281,004</u> |
| LIABILITIES | |
| Accounts Payable | 500,209 |
| Accrued Liabilities | 2,616 |
| Accrued Salaries and Benefits | 373,421 |
| Unearned Revenue | 43,525 |
| Accrued Interest Payable | 223,410 |
| Noncurrent Liabilities | |
| Due Within One Year | 34,050 |
| Due in More Than One Year | 21,630,000 |
| Net Pension Liability | <u>13,277,946</u> |
| TOTAL LIABILITIES | <u>36,085,177</u> |
| DEFERRED INFLOWS OF RESOURCES | |
| Deferred Inflows of Resources Related to Pensions | <u>188,147</u> |
| NET POSITION | |
| Net Investment in Capital Assets | (4,894,508) |
| Restricted for | |
| Emergencies | 257,285 |
| Special Education | 200,005 |
| Debt Service | 1,532,776 |
| Unrestricted | <u>(6,425,693)</u> |
| TOTAL NET POSITION | <u>\$ (9,330,135)</u> |

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

PROSPECT RIDGE ACADEMY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

| FUNCTIONS/PROGRAMS | EXPENSES | PROGRAM REVENUES | | | NET (EXPENSE) |
|--------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|------------------------------------|
| | | CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRIBUTIONS | CAPITAL GRANTS AND CONTRIBUTIONS | REVENUE AND CHANGE IN NET POSITION |
| PRIMARY GOVERNMENT | | | | | |
| Governmental Activities | | | | | |
| Instruction | \$ 6,596,463 | \$ 549,979 | \$ 284,337 | \$ - | \$ (5,762,147) |
| Supporting Services | 4,967,708 | - | - | 369,060 | (4,598,648) |
| Interest on Long-Term Debt | 760,180 | - | - | - | (760,180) |
| Total Governmental Activities | <u>\$ 12,324,351</u> | <u>\$ 549,979</u> | <u>\$ 284,337</u> | <u>\$ 369,060</u> | <u>(11,120,975)</u> |
| | | GENERAL REVENUES | | | |
| | | | | | 7,976,059 |
| | | | | | Per Pupil Revenue |
| | | | | | Donations and Fundraising not |
| | | | | | Restricted to Specific Programs |
| | | | | | 359,084 |
| | | | | | Investment Income |
| | | | | | 6,661 |
| | | | | | Other |
| | | | | | 85,993 |
| | | | | | <u>TOTAL GENERAL REVENUES</u> |
| | | | | | <u>8,427,797</u> |
| | | | | | CHANGE IN NET POSITION |
| | | | | | (2,693,178) |
| | | | | | NET POSITION, Beginning |
| | | | | | <u>(6,636,957)</u> |
| | | | | | NET POSITION, Ending |
| | | | | | <u>\$ (9,330,135)</u> |

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

PROSPECT RIDGE ACADEMY

BALANCE SHEET
GOVERNMENTAL FUNDS
 June 30, 2016

| | GENERAL FUND | NON-MAJOR GRANTS FUND | TOTALS |
|--|---------------------|-----------------------------|---------------------|
| ASSETS | | | |
| Cash and Investments | \$ 3,582,215 | \$ - | \$ 3,582,215 |
| Accounts Receivable | 28 | - | 28 |
| Prepaid Expenses | 139,160 | - | 139,160 |
| TOTAL ASSETS | \$ 3,721,403 | \$ - | \$ 3,721,403 |
| LIABILITIES AND FUND BALANCES | | | |
| LIABILITIES | | | |
| Accounts Payable | \$ 51,105 | \$ - | \$ 51,105 |
| Accrued Liabilities | 2,616 | - | 2,616 |
| Accrued Salaries and Benefits | 373,421 | - | 373,421 |
| Unearned Revenue | 43,525 | - | 43,525 |
| TOTAL LIABILITIES | 470,667 | - | 470,667 |
| FUND BALANCES | | | |
| Nonspendable | 139,160 | - | 139,160 |
| Restricted for: | | | |
| Emergencies | 257,285 | - | 257,285 |
| Special Education | 200,005 | - | 200,005 |
| Committed for: | | | |
| Capital Purchases | 1,500,000 | - | 1,500,000 |
| Working Capital Reserve | 428,809 | - | 428,809 |
| Unassigned | 725,477 | - | 725,477 |
| TOTAL FUND BALANCES | 3,250,736 | - | 3,250,736 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 3,721,403 | \$ - | \$ 3,721,403 |

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

PROSPECT RIDGE ACADEMY

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2016

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

| | |
|---|-----------------------|
| Total Fund Balances of Governmental Funds | \$ 3,250,736 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund. | 99,800 |
| Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds: | |
| Deferred outflows of resources - difference in projected vs actual investment earnings | 1,111,749 |
| Deferred outflows of resources - difference in expected vs actual experience | 175,337 |
| Deferred outflows of resources - change in proportionate share of net pension liability | 2,608,016 |
| Deferred outflows of resources - pension contributions from the measurement date | 385,902 |
| Deferred inflows of resources - difference in expected vs actual experience | (506) |
| Deferred inflows of resources - change in assumptions or other inputs | (187,641) |
| Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in the funds. This is the amount of accrued compensated absences (\$34,050) and net pension liability of (\$13,277,946). | (13,311,996) |
| An internal service fund is used by management to charge the lease costs to governmental funds. These assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position. | <u>(3,461,532)</u> |
| Total Net Position of Governmental Activities | <u>\$ (9,330,135)</u> |

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

PROSPECT RIDGE ACADEMY

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

| | GENERAL FUND | NON-MAJOR GRANTS FUND | TOTALS |
|-----------------------------|---------------------------|-----------------------------|---------------------------|
| REVENUES | | | |
| Local Sources | \$ 9,139,790 | \$ - | \$ 9,139,790 |
| State Sources | 288,476 | - | 288,476 |
| Federal Sources | - | 196,246 | 196,246 |
| | <hr/> | <hr/> | <hr/> |
| TOTAL REVENUES | 9,428,266 | 196,246 | 9,624,512 |
| EXPENDITURES | | | |
| Current | | | |
| Instruction | 4,812,715 | 115,662 | 4,928,377 |
| Supporting Services | 3,806,563 | 80,584 | 3,887,147 |
| | <hr/> | <hr/> | <hr/> |
| TOTAL EXPENDITURES | 8,619,278 | 196,246 | 8,815,524 |
| NET CHANGE IN FUND BALANCES | 808,988 | - | 808,988 |
| FUND BALANCES, Beginning | <hr/> 2,441,748 | <hr/> - | <hr/> 2,441,748 |
| FUND BALANCES, Ending | <hr/> <u>\$ 3,250,736</u> | <hr/> <u>\$ -</u> | <hr/> <u>\$ 3,250,736</u> |

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

PROSPECT RIDGE ACADEMY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

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

| | |
|--|------------------------------|
| Net Change in Fund Balances of Governmental Funds | \$ 808,988 |
| Capital outlays to purchase or build capital assets are reported in the governmental fund as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount of capital outlay \$10,182 exceeded depreciation expense (\$8,632) in the current year. | 1,550 |
| In the statement of activities, certain operating expenses, pension expense, are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used or due (the amounts actually paid). This amount represent the net effect of pension related amounts, including amortization of deferred outflows and deferred inflows of resources related to pensions, in the statement of activities. | (1,981,765) |
| Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This includes the increase in accrued compensated absences in the current year. | (4,050) |
| The internal service fund is used by management to charge the cost of lease payments to the governmental fund. The net revenue (expense) of the internal service fund is reported with the governmental activities | <u>(1,517,901)</u> |
| Change in Net Position of Governmental Activities | <u><u>\$ (2,693,178)</u></u> |

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

PROSPECT RIDGE ACADEMY

STATEMENT OF NET POSITION
PROPRIETARY FUND TYPE
BUILDING CORPORATION
 June 30, 2016

| | <u>Governmental Activities Internal Service Fund</u> |
|---|--|
| ASSETS | |
| Current Assets | |
| Restricted Cash and Investments | \$ 6,625,614 |
| Total Current Assets | <u>6,625,614</u> |
| Noncurrent Assets | |
| Capital Assets, Not Being Depreciated | 3,967,251 |
| Capital Assets, Net of Accumulated Depreciation | <u>8,248,117</u> |
| Total Noncurrent Assets | <u>12,215,368</u> |
| TOTAL ASSETS | <u>18,840,982</u> |
| LIABILITIES | |
| Current Liabilities | |
| Accounts and Retainage Payable | 449,104 |
| Accrued Interest Payable | <u>223,410</u> |
| Total Current Liabilities | <u>672,514</u> |
| Noncurrent Liabilities | |
| Building Lease Payable | <u>21,630,000</u> |
| TOTAL LIABILITIES | <u>22,302,514</u> |
| NET POSITION | |
| Net Investment in Capital Assets | (4,994,308) |
| Restricted for Debt Service | <u>1,532,776</u> |
| TOTAL NET POSITION | <u>\$ (3,461,532)</u> |

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

PROSPECT RIDGE ACADEMY

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION

PROPRIETARY FUND TYPE
BUILDING CORPORATION
Year Ended June 30, 2016

| | Governmental Activities <u>Internal Service Fund</u> |
|-------------------------------------|--|
| OPERATING REVENUES | |
| Investment Income | \$ 6,661 |
| OPERATING EXPENSES | |
| Depreciation | <u>294,340</u> |
| OPERATING INCOME (LOSS) | (287,679) |
| NON-OPERATING EXPENSES | |
| Bond Issue Costs | (470,042) |
| Interest Expense and Fiscal Charges | <u>(760,180)</u> |
| CHANGE IN NET POSITION | (1,517,901) |
| NET POSITION, Beginning | <u>(1,943,631)</u> |
| NET POSITION, Ending | <u><u>\$ (3,461,532)</u></u> |

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

PROSPECT RIDGE ACADEMY

STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
BUILDING CORPORATION

Increase (Decrease) in Cash and Cash Investments
 Year Ended June 30, 2016

| | Governmental Activities |
|---|----------------------------------|
| | <u>Internal Service Fund</u> |
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Investment Income | \$ 6,661 |
| Net Cash Provided by Operating Activities | <u>6,661</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Purchases of Capital Assets | (1,859,348) |
| Lease Proceeds | 21,630,000 |
| Lease Payoff | (13,275,000) |
| Lease Issue Costs | (470,042) |
| Interest Paid on Lease | <u>(825,501)</u> |
| Net Cash Provided by Capital and Related Financing Activities | <u>5,200,109</u> |
| Increase in Cash and Cash Investments | 5,206,770 |
| CASH AND CASH INVESTMENTS, Beginning | <u>1,418,844</u> |
| CASH AND CASH INVESTMENTS, Ending | <u>\$ 6,625,614</u> |
| RECONCILIATION OF OPERATING INCOME(LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES | |
| Operating Income (Loss) | \$ (287,679) |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities | |
| Depreciation | <u>294,340</u> |
| Net Cash Provided by Operating Activities | <u>\$ 6,661</u> |

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

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Prospect Ridge Academy (the "Academy") was formed pursuant to the Colorado Charter Schools Act to form and operate a K-8 charter school within Adams County School District No. 12 (the "District"). The Academy is governed by a six-member Board of Directors.

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

Reporting Entity

The definition of the reporting entity is based primarily on financial accountability. The Academy is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if Academy officials appoint a voting majority of the organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the Academy. The Academy may also be financially accountable for organizations that are fiscally dependent upon it.

Based on the application of this criteria, the Academy will include the following organization in its reporting entity.

PRA Building Corporation

During May, 2013, the PRA Building Corporation (the "Building Corporation") was formed to provide a mechanism for financing and construction of a high school building and other facilities for use by the Academy in the future. The Building Corporation is considered to be financially accountable to the Academy and will be part of the Academy for financial reporting purposes because its resources are entirely for the direct benefit of the Academy. In addition, certain board members and an employee of the Academy are board members governing the Building Corporation. Separate financial statements are not available.

The Academy is a component unit of Adams County School District No. 12.

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the Academy. 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 net position reports all financial, capital and debt resources of the Academy. The difference between the assets plus deferred outflows of resources and liabilities and deferred inflows of resources of the Academy is reported as net position.

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 as 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 the liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the Academy considers revenues to be available if they are collected within 60 days of the end of the current year.

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

When both restricted and unrestricted resources are available for use, it is the Academy's practice to use restricted resources first, then unrestricted resources as they are needed.

In the fund financial statements, the Academy reports the following major governmental fund:

General Fund is the Academy's primary operating fund that accounts for all financial resources of the Academy, except those required to be accounted for in another fund.

Additionally, the Academy reports the following fund type:

Internal Service Fund is used to account for the activity of the Building Corporation.

Assets, Liabilities and Net Position/Fund Balances

Cash and Investments – Cash equivalents include investments with original maturities of three months or less. Investments are stated at fair value.

Accounts Receivable – Accounts receivable is reported at gross value, and where appropriate, is reduced by the estimated portion that is expected to be uncollectible.

Prepaid Expenses – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

Capital Assets - Capital assets, which include land, building and improvements, and equipment, are reported in the government-wide financial statements. Prior to July 1, 2014, capital assets are defined by the Academy as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. The limit was increased to \$10,000 after July 1, 2014. 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.

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Unearned Revenue – Unearned revenue include amounts received from parents to reserve full-day kindergarten slots, as well as activity fees for the upcoming school year.

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 approximately nine to ten months. The salaries and benefits earned, but unpaid, are reported as a liability in the General Fund.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement classification represents a consumption of net position that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditures) until then. The Academy has items related to pensions that is reported as deferred outflows of resources at June 30, 2016.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement classification represents an acquisition of net position that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until then. The Academy has an item related to pensions that is reported as deferred inflows of resources at June 30, 2016.

Net Position – In the government-wide financial statements, net position is restricted when constraints placed on the net position are externally imposed.

- Net Investment in Capital Assets – this classification is intended to report the portion of net position which is associated with non-liquid, capital assets less outstanding debt related to those capital assets.
- Restricted Net Position – this classification includes liquid assets which have third party limitations on their use.
- Unrestricted Net Position – this classification includes assets that do not have any third party limitation on their use.

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Net Position/Fund Balances (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 Academy 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 because they are either (a) not in spendable form (such as prepaid items) or (b) are legally or contractually required to be maintained intact. The Academy had nonspendable resources at June 30, 2016 in the form of prepaid expenses.
- 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 Academy has classified emergency reserves as being restricted because its use is restricted by State statute for declared emergencies. The Academy has also classified a special education reserve as restricted as required by the charter school agreement, and a debt service reserve as required by the building lease.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Academy's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors. The Academy had committed resources at June 30, 2016 for working capital reserve and future capital purchases.
- Assigned – This classification includes amounts that are constrained by the Academy's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or changed than those imposed on committed amounts. The Academy did not have any assigned fund balance at June 30, 2016.
- Unassigned – This classification includes the remaining residual fund balance for the General Fund at June 30, 2016. 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 Academy has not established a formal policy for its use of restricted and unrestricted fund balance. However, if both the restricted and unrestricted fund balances are available the Academy uses restricted fund balance first.

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Compensated Absences – The Academy’s policy allows employees to accumulate paid annual leave (PAL) up to a maximum of 20 days. Upon termination any unused days are paid out to the employees at the current substitute teachers’ daily rate. These compensated absences are recognized as current salary costs when paid in the governmental fund. A liability is reported in the government-wide financial statements for the accrued compensated absences.

Pensions

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

Risk Management

The Academy 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 Academy purchases commercial insurance for these risks of loss and for directors and officers liability.

Subsequent Events

The Academy has evaluated events subsequent to the year ended June 30, 2016 through September 29, 2016, the date these financial statements were issued, and has incorporated any required recognition into these financial statements.

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Accountability

The Governmental Activities and the Internal Service Fund - Building Corporation has deficit net position of \$9,330,135 and \$3,461,532, respectively, at June 30, 2016. The Governmental Activities deficit is primarily related to the net pension liability reported in the Academy's financial statements as required by the GASB. Management does not expect this deficit net position to decrease in the future because the GASB accounting standard does not require the Academy to fund the net pension liability. The Internal Service Fund - Building Corporation deficit is primarily from the debt issuance costs and accrued interest expense related to the lease agreement issued to purchase and improve land and building. Management expects this deficit balance to be eliminated as the debt is paid.

NOTE 3: CASH AND INVESTMENTS

At June 30, 2016, the Academy had the following cash and investments.

| | |
|---------------------------------|----------------------------|
| Cash and Investments | \$ 3,582,215 |
| Restricted Cash and Investments | <u>6,625,614</u> |
| Total | <u>\$10,207,829</u> |

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all local government entities deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of Federal Deposit Insurance Corporation (FDIC) levels must be collateralized by eligible collateral as determined by the PDPA. The FDIC insures depositors up to \$250,000 for each financial institution. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

At June 30, 2016, the Academy had bank deposits of \$3,716,417, of which \$250,000 was insured by the Federal Deposit Insurance Corporation (FDIC) and \$3,466,417 was collateralized with securities held by the financial institutions' agents but not in the Academy's name.

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 3: CASH AND INVESTMENTS (Continued)

Investments

The Academy is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk.

- Obligations of the United States and certain U.S. Agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Bankers' acceptances of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts
- Local government investment pools

Interest Rate Risk - State statutes generally limit investments to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years. The Academy does not have a policy for managing credit risk or interest rate risk.

Local Government Investment Pool - At June 30, 2016, the School had \$6,625,614 invested in the Colorado Local Government Liquid Asset Trust Plus (Colotrust Plus). Colotrust Plus is an investment vehicle established by State statutes for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating Colotrust Plus. Colotrust Plus operates in conformity with the Securities and Exchange Commission's Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Colotrust Plus+ is rated AAAM by Standard and Poor's. Investments of Colotrust Plus are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

Restricted Cash and Investments

Restricted cash and investments of \$6,625,614 are restricted for the building fund project costs, bond reserves, and bond principal and interest.

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, is summarized below:

| | Balances 6/30/2015 | Additions | Deletions | Balances 6/30/2016 |
|--|-----------------------------|----------------------------|--------------------|-----------------------------|
| Governmental Activities: | | | | |
| Capital Assets, not being depreciated | | | | |
| Land | \$ 1,665,387 | \$ 577,707 | \$ - | \$ 2,243,094 |
| Construction in Progress | - | 1,724,157 | - | 1,724,157 |
| Total Capital Assets, not being depreciated | <u>\$ 1,665,387</u> | <u>\$ 2,301,864</u> | <u>\$ -</u> | <u>\$ 3,967,251</u> |
| Capital Assets, being depreciated | | | | |
| Buildings | 8,830,209 | 6,588 | - | 8,836,797 |
| Buildings and Improvements | 98,901 | 10,182 | - | 109,083 |
| Equipment | 12,999 | - | - | 12,999 |
| Total Capital Assets, being depreciated | <u>8,942,109</u> | <u>16,770</u> | <u>-</u> | <u>8,958,879</u> |
| Less accumulated depreciation | | | | |
| Buildings | (294,340) | (294,340) | - | (588,680) |
| Buildings and Improvements | (8,450) | (6,032) | - | (14,482) |
| Furniture and Equipment | (5,200) | (2,600) | - | (7,800) |
| Total accumulated depreciation | <u>(307,990)</u> | <u>(302,972)</u> | <u>-</u> | <u>(610,962)</u> |
| Total Capital Assets, being depreciated, net | <u>8,634,119</u> | <u>(286,202)</u> | <u>-</u> | <u>8,347,917</u> |
| Governmental Activities Capital Assets, net | <u>\$ 10,299,506</u> | <u>\$ 2,015,662</u> | <u>\$ -</u> | <u>\$ 12,315,168</u> |

Depreciation expense will be charged to the Supporting Services program of the Academy.

NOTE 5: LONG-TERM DEBT

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

| | Balance 6/30/2015 | Additions | Deletions | Balance 6/30/2016 | Due Within One Year |
|--------------------------------|-----------------------------|-----------------------------|-----------------------------|-----------------------------|-------------------------|
| Governmental Activities | | | | | |
| Building Lease - 2013 | \$ 13,275,000 | \$ - | \$ 13,275,000 | \$ - | \$ - |
| Building Lease - 2016 | | 21,630,000 | | 21,630,000 | - |
| Compensated Absences | 30,000 | 34,050 | 30,000 | 34,050 | 34,050 |
| Total | <u>\$ 13,305,000</u> | <u>\$ 21,664,050</u> | <u>\$ 13,305,000</u> | <u>\$ 21,664,050</u> | <u>\$ 34,050</u> |

Compensated absences are expected to be liquidated with revenues of the General Fund.

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 5: LONG-TERM DEBT (Continued)

Building Lease

In May 2013, the Colorado Educational and Cultural Facilities Authority (CECFA) issued the \$13,275,000 Charter School Revenue Bonds, Series 2013 to purchase land and construct a building, fund the debt service reserve, fund the accrued interest account, and pay certain issuance costs. The bonds mature in August 2018.

On March 11, 2016, the Colorado Educational and Cultural Facilities Authority (CECFA) issued the \$21,630,000 Charter School Refunding and Improvement Revenue Bonds, Series 2016 (Prospect Ridge Academy Project). These bonds were issued to refund the Charter School Revenue Bonds, Series 2013, fund the debt service reserve and accrued interest account, pay certain issuance costs and fund the project account. The bonds mature March 15, 2023. Interest accrues at 4.85%, per annum. The bonds may be called on March 15, 2019 at par.

The Academy is obligated to make monthly lease payments to the Building Corporation for use of the building. The Building Corporation is required to make equal loan payments to the Trustee, for payment of the bonds.

Future Debt Service Requirements

Annual debt service requirements at June 30, 2016, were as follows.

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------|----------------------|---------------------|----------------------|
| 2017 | \$ - | \$ 1,060,711 | \$ 1,060,711 |
| 2018 | 300,000 | 1,049,055 | 1,349,055 |
| 2019 | 335,000 | 1,034,505 | 1,369,505 |
| 2020 | 370,000 | 1,018,258 | 1,388,258 |
| 2021 | 360,000 | 1,000,313 | 1,360,313 |
| Thereafter | 20,265,000 | 1,947,275 | 22,212,275 |
| | <u>\$ 21,630,000</u> | <u>\$ 7,110,117</u> | <u>\$ 28,740,117</u> |

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 6: DEFINED BENEFIT PENSION PLAN

Plan Description. Eligible employees of the Academy are provided with pensions through the School Division Trust Fund (SCHDTF)—a cost-sharing multiple-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 PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100% 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% of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50% or 100% 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%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% or the average of the Consumer Price Index for Urban Wage

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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% or the average CPI-W for the prior calendar year, not to exceed 10% of PERA's Annual Increase Reserve for the SCHDTF.

Disability benefits are available for eligible employees once they reach 5 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 Academy are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8% 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 |
|--|--|--|
| | (1) | (1) |
| Employer Contribution Rate | 10.15% | 10.15% |
| Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. 24-51-208(1)(f) | -1.02% | -1.02% |
| Amount Apportioned to the SCHDTF | 9.13% | 9.13% |
| Amortization Equalization Disbursement (AED) as specified in C.R.S. 24-51-1411 | 4.20% | 4.50% |
| Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. 24-51-1411 | 4.00% | 4.50% |
| Total Employer Contribution Rate to the SCHDTF | <u>17.33%</u> | <u>18.13%</u> |

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the Academy is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from Academy were \$733,517 for the year ended June 30, 2016.

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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

At June 30, 2016 the Academy reported a liability of \$13,277,946 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The Academy's proportion of the net pension liability was based on Academy contributions to the SCHDTF for the calendar year 2015 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2015, the Academy's proportion was .08682%, which was an increase of .00738% from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the Academy recognized pension expense of \$2,367,667. At June 30, 2016, the Academy 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 | \$ 175,337 | \$ (506) |
| Changes in assumptions or other inputs | - | (187,641) |
| Net difference between projected and actual earnings on pension plan investments | 1,111,749 | - |
| Changes in proportionate share of net pension liability | 2,608,016 | |
| Contributions subsequent to the measurement date | <u>385,902</u> | <u>-</u> |
| Total | <u>\$ 4,281,004</u> | <u>\$ (188,147)</u> |

\$385,902 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, 2017. 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,

| | |
|------|--------------|
| 2017 | \$ 1,670,669 |
| 2018 | 1,338,514 |
| 2019 | 466,259 |
| 2020 | 231,513 |

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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; | 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.

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

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuation are as follows:

- The following programming changes were made:
 - Valuation of the full survivor benefit without any reduction for possible remarriage.
 - Reflection of the employer match on separation benefits for all eligible years.
 - Reflection of one year of service eligibility for survivor annuity benefit.
 - Refinement of the 18 month annual increase timing.
 - Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

- The following methodology changes were made:
 - Recognition of merit salary increases in the first projection year.
 - Elimination of the assumption that 35% of future disabled members elect to receive a refund.
 - Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
 - Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

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

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>10 Year Expected Geometric Real Rate of Return</u> |
|---------------------------------|------------------------------|---|
| U.S. Equity - Large Cap | 26.76% | 5.00% |
| U.S. Equity - Small Cap | 4.40% | 5.19% |
| Non U.S. Equity - Developed | 22.06% | 5.29% |
| Non U.S. Equity - Emerging | 6.24% | 6.76% |
| Core Fixed Income | 24.05% | 0.98% |
| High Yield | 1.53% | 2.64% |
| Long Duration Government/Credit | 0.53% | 1.57% |
| Emerging Market Bonds | 0.43% | 3.04% |
| Real Estate | 7.00% | 5.09% |
| Private Equity | 7.00% | 7.15% |
| Total | 100.00% | |

* 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%.

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

Discount Rate. The discount rate used to measure the total pension liability was 7.50%. The projection of cash flows used to determine the discount rate, the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- 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 3.90%.
- Employee contributions were assumed to be made at the current 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, 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 contributions assuming an analogous future plan member growth rate.
- 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.

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above actuarial cost method and assumptions, the SCHDTF’s fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

Sensitivity of the Academy 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%, 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%) or 1-percentage-point higher (8.50%) than the current rate:

| | <u>1% Decrease (6.50%)</u> | <u>Current Discount Rate (7.50%)</u> | <u>1% Increase (8.50%)</u> |
|-----------------------|--------------------------------|--|--------------------------------|
| Net Pension Liability | <u>\$ 17,212,098</u> | <u>\$ 13,277,946</u> | <u>\$ 10,005,465</u> |

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

NOTE 7: POSTEMPLOYMENT HEALTHCARE BENEFITS

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

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 7: POSTEMPLOYMENT HEALTHCARE BENEFITS (Continued)

Funding Policy The Academy is required to contribute at a rate of 1.02% of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Academy are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208 of the C.R.S., as amended. For the years ending June 30, 2014, 2015 and 2016, the Academy's contributions to the HCTF were \$25,015, \$35,104 and \$42,171, respectively, equal to their required contributions for each year.

NOTE 8: COMMITMENTS AND CONTINGENCIES

Building Lease Commitment

In August 2011, the Academy entered into an operating sublease agreement for a building with Prospect Ridge Academy Project Development LLC. The Academy moved into the new building in February 2012. In May 2012, the sublease was amended to include the final building project costs from which the annual base rent payment is calculated. The sublease requires an annual base rent payment of \$1,122,618, payable in monthly installments through January 31, 2032. Starting on February 1, 2015, the annual base rent payment escalates by 3% of the previous year's annual base rent payment. After the initial sublease period ends, the Academy has the option to extend the lease for three consecutive five year periods (fifteen years).

Total rent payments for the year ended June 30, 2016 was \$1,136,653.

Future Sublease Commitments

Annual sublease requirements at June 30, 2016, were as follows.

| <u>Year Ended June 30,</u> | |
|----------------------------|-----------------------------|
| 2017 | \$ 1,207,698 |
| 2018 | 1,243,929 |
| 2019 | 1,281,247 |
| 2020 | 1,319,684 |
| 2021 | 1,359,275 |
| 2019-2023 | 7,433,071 |
| 2024-2028 | 8,616,967 |
| 2029-2032 | <u>1,085,228</u> |
| Total | <u>\$ 23,547,099</u> |

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2015

NOTE 8: COMMITMENTS AND CONTINGENCIES (Continued)

Building Lease Purchase Option

The Academy has the option to purchase the leased property beginning January 13, 2017 in the following amounts:

| | |
|-------------------------------------|---------------|
| January 13, 2017 | \$ 14,032,727 |
| January 13, 2019 | 13,471,418 |
| January 13, 2022 | 12,910,109 |
| January 13, 2027 | 12,348,800 |
| January 13, 2032 (Lease Expiration) | 11,787,491 |

In March, 2016, ten (10) months prior to the first purchase option date of January 13, 2017, the Academy approved to exercise the option to purchase the leased property, subject to the Academy obtaining financing.

Claims and Judgments

The Academy 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 Academy may be required to reimburse the grantor government. As of June 30, 2016, significant amounts of grant expenditures have not been audited, but the Academy believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Academy.

Tabor Amendment

In November, 1992, Colorado voters passed an amendment to the State Constitution, Article X, Section 20 (the "Tabor Amendment"), which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government.

Fiscal year 2012 provided 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 Tabor Amendment is complex and subject to judicial interpretation. The Academy believes it has complied with the Amendment.

The Academy has established an emergency reserve, representing 3% of qualifying expenditures, as required by the Amendment. At June 30, 2016, the emergency reserve of \$257,285 was reported as a restriction of net position and fund balance in the Governmental Activities and General Fund, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

PROSPECT RIDGE ACADEMY

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2016

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE Positive (Negative) |
|-----------------------------------|---------------------|---------------------|---------------------|------------------------------------|
| REVENUES | | | | |
| Local Sources | | | | |
| Per Pupil Revenue | \$ 8,015,692 | \$ 7,943,895 | \$ 7,976,059 | \$ 32,164 |
| Tuition and Fees | 516,855 | 519,595 | 549,979 | 30,384 |
| Grants | 117,400 | 117,400 | 168,675 | 51,275 |
| Donations | 49,140 | 25,319 | 2,487 | (22,832) |
| Fundraising | 298,000 | 303,484 | 356,597 | 53,113 |
| Other | - | 58,123 | 85,993 | 27,870 |
| Total Local Sources | <u>8,997,087</u> | <u>8,967,816</u> | <u>9,139,790</u> | <u>171,974</u> |
| State Sources | | | | |
| Capital Construction | <u>292,250</u> | <u>288,463</u> | <u>288,476</u> | <u>13</u> |
| TOTAL REVENUES | <u>9,289,337</u> | <u>9,256,279</u> | <u>9,428,266</u> | <u>171,987</u> |
| EXPENDITURES | | | | |
| Instruction | | | | |
| Salaries and Benefits | 4,343,609 | 3,959,968 | 3,955,064 | 4,904 |
| Purchased Services | 87,500 | 69,500 | 102,516 | (33,016) |
| Supplies and Materials | 499,314 | 544,361 | 592,149 | (47,788) |
| Property | 203,449 | 111,658 | 162,986 | (51,328) |
| Total Instruction | <u>5,133,872</u> | <u>4,685,487</u> | <u>4,812,715</u> | <u>(127,228)</u> |
| Supporting Services | | | | |
| School Administration | | | | |
| Salaries | 1,688,237 | 1,559,364 | 1,570,948 | (11,584) |
| Purchased Services | 2,013,147 | 1,973,038 | 1,933,397 | 39,641 |
| Supplies and Materials | 327,090 | 288,575 | 260,680 | 27,895 |
| Property | 35,000 | 179,218 | 5,108 | 174,110 |
| Other | 27,616 | (135,336) | 36,430 | (171,766) |
| Total Supporting Services | <u>4,091,090</u> | <u>3,864,859</u> | <u>3,806,563</u> | <u>58,296</u> |
| TOTAL EXPENDITURES | <u>9,224,962</u> | <u>8,550,346</u> | <u>8,619,278</u> | <u>(68,932)</u> |
| NET CHANGE IN FUND BALANCE | 64,375 | 705,933 | 808,988 | 103,055 |
| FUND BALANCE, Beginning | <u>2,441,748</u> | <u>2,441,748</u> | <u>2,441,748</u> | <u>-</u> |
| FUND BALANCE, Ending | <u>\$ 2,506,123</u> | <u>\$ 3,147,681</u> | <u>\$ 3,250,736</u> | <u>\$ 103,055</u> |

See the accompanying Independent Auditor's Report.

PROSPECT RIDGE ACADEMY

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
 PERA School Division Trust Fund Pension Plan
 Last Ten Years*

| | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|--|--------------------------|--------------------------|--------------------------|
| Proportion of the Net Pension Liability (Asset) | 0.08682% | 0.07944% | 0.04731% |
| Proportionate Share of the Net Pension Liability (Asset) | \$ 13,277,946 | \$ 10,766,501 | \$ 6,034,596 |
| Covered Employee Payroll | \$ 2,183,503 | \$ 2,890,172 | \$ 2,369,201 |
| Proportionate Share of Net Pension Liability as a Percentage of its Covered Employee Payroll | 608.10% | 372.52% | 254.71% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 59.16% | 62.84% | 64.07% |
| Total Pension Liability | \$ 37,447,062,000 | \$ 36,473,966,000 | \$ 35,494,976,000 |
| Plan Fiduciary Net Position | <u>22,152,768,000</u> | <u>22,920,607,000</u> | <u>22,740,003,000</u> |
| Net Pension Liability | <u>\$ 15,294,294,000</u> | <u>\$ 13,553,359,000</u> | <u>\$ 12,754,973,000</u> |

* - The amounts presented for each fiscal year were determined as of 12/31.

NOTE: Information for the prior seven years was not available to report.

See the accompanying Independent Auditor's Report.

PROSPECT RIDGE ACADEMY

SCHEDULE OF ACADEMY CONTRIBUTIONS
 PERA School Division Trust Fund Pension Plan
 Last Ten Fiscal Years

| | <u>2016</u> | <u>2015</u> | <u>2014</u> | <u>2013</u> |
|---|----------------|----------------|----------------|----------------|
| Contractually Required Contribution | \$ 733,517 | \$ 581,438 | \$ 391,905 | \$ 334,674 |
| Contributions in Relation to the Contractually Required Contribution | <u>733,517</u> | <u>581,438</u> | <u>391,905</u> | <u>334,674</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered employee payroll | \$ 4,137,152 | \$ 3,444,538 | \$ 2,452,469 | \$ 2,219,324 |
| Contributions as a Percentage of Covered Employee Payroll | 17.73% | 16.88% | 15.98% | 15.08% |

NOTE: Information for the prior six years was not available to report.

See the accompanying Independent Auditor's Report.

PROSPECT RIDGE ACADEMY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2016

NOTE 1: BUDGETARY INFORMATION

Budgets and Budgetary Accounting

A budget is legally adopted for the General Fund of the Academy on a basis consistent with generally accepted accounting principles (GAAP).

The Academy follows these procedures in establishing the budgetary data reflected in the financial statements:

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

Legal Compliance

The General Fund actual expenditures exceeded budgeted expenditures by \$68,932. This may be a violation of State statute.

SUPPLEMENTARY INFORMATION

PROSPECT RIDGE ACADEMY

GRANTS FUND
BUDGETARY COMPARISON SCHEDULE
 Year Ended June 30, 2016

| | <u>ORIGINAL BUDGET</u> | <u>FINAL BUDGET</u> | <u>ACTUAL</u> | <u>VARIANCE Positive (Negative)</u> |
|-----------------------------------|----------------------------|-------------------------|----------------|---|
| REVENUES | | | | |
| Federal Sources | | | | |
| Grants | \$ 196,246 | \$ 196,246 | \$ 196,246 | \$ - |
| TOTAL REVENUES | <u>196,246</u> | <u>196,246</u> | <u>196,246</u> | <u>-</u> |
| EXPENDITURES | | | | |
| Instruction | | | | |
| Salaries | - | 12,694 | 12,694 | - |
| Purchased Services | 50,763 | 3,313 | 3,313 | - |
| Supplies | 145,737 | 99,655 | 99,655 | - |
| Total Instruction | <u>196,500</u> | <u>115,662</u> | <u>115,662</u> | <u>-</u> |
| Supporting Services | | | | |
| School Administration | | | | |
| Property | - | 80,584 | 80,584 | - |
| Total Supporting Services | <u>-</u> | <u>80,584</u> | <u>80,584</u> | <u>-</u> |
| TOTAL EXPENDITURES | <u>196,500</u> | <u>196,246</u> | <u>196,246</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | (254) | - | - | - |
| FUND BALANCE, Beginning | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| FUND BALANCE, Ending | <u>\$ (254)</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |

See the accompanying Independent Auditor's Report.