

CROWN POINTE ACADEMY

FINANCIAL STATEMENTS

June 30, 2016



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Board of Directors
Crown Pointe Academy
Westminster, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Crown Pointe Academy, 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 Crown Pointe Academy, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

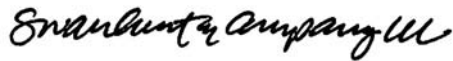
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Crown Pointe Academy as of June 30, 2016, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters (Required Supplementary Information)

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

Other Matters (Supplementary Information)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Crown Pointe Academy’s basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is 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 basic financial statements. The 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 the 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



October 3, 2016

Management's Discussion and Analysis

As management of the Crown Pointe Academy (the School), we offer readers of the Crown Pointe Academy's financial statements this narrative overview and analysis of the financial activities of the Crown Pointe Academy for the fiscal year ended June 30, 2016.

Financial Highlights

At the close of its 19th year of operations, the liabilities of the Crown Pointe Academy exceeded its assets by \$3,292,962 (a negative net position). The reason for the large negative balance is due to the implementation of the Governmental Accounting Standards Board Statement 68 (GASB), a new pension plan disclosure required to be reported beginning in 2015. The School participates in the state wide pension plan for schools called PERA or Public Employees Retirement Association.

At the close of the fiscal year Crown Pointe Academy's governmental fund (the General Fund) reported an ending fund balance of \$1,028,478, a decrease of \$156,624 or 13.2%.

Overview of Financial Statements

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

Government-wide Financial Statements

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

The statement of net position presents information on all the School's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference between the assets/deferred outflows of resources and liabilities/deferred inflows of resources being reported as net position. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial condition of the School is improving or deteriorating.

The statement of activities presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported 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 financial statement of activities distinguish functions/programs of the Crown Pointe Academy supported primarily by per pupil revenue (PPR) or property, income, and sales taxes passed through from the Charter School Institute (CSI) received from the County and State. The governmental activities of the Crown Pointe Academy include instruction and support expenditures.

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. The Crown Pointe Academy, like other governmental units or charter schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Crown Pointe Academy can be divided into three categories: governmental funds, proprietary funds and fiduciary 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.

Crown Pointe Academy maintains one governmental fund, the general fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the general fund.

Crown Pointe Academy adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget and is presented on page 23.

Proprietary Funds. The Crown Pointe Academy Building Corporation, considered a component unit of the School, has one fund, an enterprise fund. It is presented with a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. The fund ended the year with a net position of \$818,460, an increase of \$274,033 or 50.3%.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the School. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the School's own programs. Total assets and liabilities of the student activity agency fund were \$82,671 for the period ending June 30, 2016.

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 9-21.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial condition. Crown Pointe Academy's net position is a negative (\$3,292,962). The negative balance is due primarily to the adoption of GASB Statement No. 68, resulting in a net pension liability of \$6,130,663 which represents the School's proportionate share of PERA's net pension liability.

Crown Pointe Academy's Net Position Governmental and Business-Type Activities for the period ending June 30, 2016 and 2015 respectively:

	June 30, 2016	June 30, 2015
Cash and Investments	\$1,153,366	\$1,292,653
Restricted Cash and Investments	960,774	925,876
Other Assets	117,581	52,776
Capital Assets, Net	6,931,351	6,832,045
Total Assets	9,163,072	9,103,350
Deferred Outflows of Resources	1,087,673	406,721
Accrued Salaries, Benefits, and A/P	241,998	159,969
Accrued Interest	157,117	159,775
Noncurrent Liabilities	6,927,051	7,063,830
Net Pension Liability	6,130,663	5,120,721
Total Liabilities	13,456,829	12,504,295
Deferred Inflows of Resources	86,878	382
Net Position		
Net Investment in Capital Assets	523,107	284,637
Restricted for		
Emergencies Tabor	109,000	111,000
Debt Service	169,775	159,525

Repair & Replacement	125,578	100,265
Unrestricted	(4,220,422)	(3,650,033)
Total Net Position	<u>\$ (3,292,962)</u>	<u>\$ (2,994,606)</u>

The largest portion of the Crown Pointe Academy's Governmental and Business Type assets (75.6%) is in net capital assets. 23.1% percent of total assets represent cash and all investments. 1.3% represents accounts receivable and prepaid assets. The government-wide net position reflects a decrease of 9.96% or (\$298,356) over the prior year.

Crown Pointe Academy's Change in Net Position Governmental and Business-Type Activities for the period ending June 30, 2016 and 2015 respectively:

	June 30, 2016	June 30, 2015
Program Revenue:		
Charges for Services	\$ 80,560	\$ 85,716
Operating Grants and Contributions	381,001	249,693
Total Program Revenue	<u>461,561</u>	<u>335,409</u>
General Revenue:		
Per Pupil Operating Revenue	3,166,168	3,224,044
Capital Construction Revenue	115,339	75,115
At Risk Funding	107,198	-
Contributions - Unrestricted	7,483	7,498
Interest Income	37,602	41,023
Other	7,288	14,206
Total General Revenue	<u>3,441,078</u>	<u>3,361,886</u>
Total Revenue	<u>3,902,639</u>	<u>3,697,295</u>
Expenses:		
Current:		
Instruction	2,557,614	2,180,808
Supporting Services	1,028,139	1,031,445
Food Service	112,762	139,525
Interest, Fiscal Charges, Depreciation	502,480	499,332
Total Expenses	<u>4,200,995</u>	<u>3,851,110</u>
Increase (Decrease) in Net Position	(298,356)	(153,815)
Beginning Net Position, June 30	<u>(2,994,606)</u>	<u>(2,840,791)</u>
Ending Net Position, June 30	<u>\$ (3,292,962)</u>	<u>\$ (2,994,606)</u>

Financial Analysis of the Government's Funds

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

Governmental Funds. The focus of the Crown Pointe's governmental fund is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Crown Pointe's financing requirements. In particular, unrestricted, unassigned fund balance may serve as a useful measure of the School's net resources available for spending at the end of the fiscal year. Operationally Crown Pointe assumed the financial responsibility for the Food Service program. Prior to FY15 the District, Westminster 50, financed the program and retained the State and Federal subsidies. The program operated close to break-even but required internal support of approximately \$9,253 or 8.2% of total food service expenditures.

As of the end of the current fiscal year, June 30, 2016, the School's governmental fund reported an ending fund balance of \$1,028,478, a decrease of \$156,624. The decrease represents 13.2% of the beginning fund balance. Because of the School's substantial reserves, future budgets will focus on a break-even approach and possibly decrease if capital improvements are made.

General Fund Budgetary Highlights

The School approves a budget in June based on enrollment projections for the upcoming school year. In October, after enrollment is finalized, adjustments are made to the budget. The total budgeted general fund appropriation for FY16 was \$4,365,661 with actual expenditures and transfers out of \$4,056,037 resulting in a positive variance of \$309,624. Enrollment for FY16 remained relatively flat as the School is at capacity. Per Pupil Revenue (PPR) was based on 446.16 funded pupil count (FPC) or 468 students. PPR represented 83.6% of total General Fund revenue. We planned for a General Fund deficit in FY16 of approximately \$402,012. Because the building addition was not completed, the School experienced a positive expenditure variance of \$309,624 with an actual deficit of \$156,624. The School anticipates completion of the building addition in FY17 and is estimated to experience another General Fund deficit of approximately \$250,000.

Capital Asset and Debt Administration

Capital Assets. Crown Pointe Academy's net investment in capital assets was \$523,107. Total depreciation for FY16 was \$143,795. There was \$243,101 in new capital asset purchases during the year. Improvements included artificial turf and the initial costs of a building addition. Total net capital assets were \$6,931,351 at 6/30/16. Please refer to Note 3 for a breakdown on capital assets.

Long-Term Lease Agreement

Crown Pointe Academy entered into a lease agreement with the Crown Pointe Academy Building Corporation in 2009 for use of the new facility. Under the terms of the new agreement, Crown Pointe will make monthly lease payments ranging from \$35,075 to \$42,354, commencing October 15, 2009, through July 15, 2039.

The School has agreed to maintain a repair and replacement reserve of \$150,000, to be funded with annual payments of \$25,000 commencing July 1, 2012. The final payment will be made in FY17. The School has agreed to maintain a working capital reserve of 8% or approximately \$82,278 in addition to a revenue stabilization fund of \$210,000. The revenue stabilization fund is no longer required as the School's funded pupil count exceeded 400 for two consecutive years at 10/1/2013. Total lease payments will be \$503,834 for FY17 and includes the State Treasurer fees.

Economic Factors and Next Year's Budget

In November of 2000 voters in Colorado approved a provision to the Colorado constitution providing that K-12 funding would increase with pupil growth, plus inflation, plus 1% for 10 years and thereafter, growth plus inflation. This provision expired in FY 10/11 and continues without the 1% increase. We are cautiously optimistic K-12 funding will outpace inflation in the coming years as the Colorado economy continues to improve. The PPR increase for FY17 is approximately 1.7% over FY16.

Requests for Information

This financial report is designed to provide a general overview of the Crown Pointe Academy's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Crown Pointe Academy, Attn: Bart A. Skidmore, CPA, 2900 W. 86th Avenue, Westminster, CO 80031.

BASIC FINANCIAL STATEMENTS

CROWN POINTE ACADEMY

STATEMENT OF NET POSITION

June 30, 2016

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and Investments	\$ 1,153,366	\$ -	\$ 1,153,366
Restricted Cash and Investments	-	960,774	960,774
Accounts Receivable	48,611	471	49,082
Grants Receivable	66,506	-	66,506
Prepaid Expenses	1,993	-	1,993
Capital Assets, Not Being Depreciated	-	1,272,385	1,272,385
Capital Assets, Net of Accumulated Depreciation	-	5,658,966	5,658,966
	<u>1,270,476</u>	<u>7,892,596</u>	<u>9,163,072</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pensions, Net of Accumulated Amortization	<u>1,087,673</u>	<u>-</u>	<u>1,087,673</u>
LIABILITIES			
Accounts Payable	94,932	-	94,932
Accrued Salaries and Benefits	145,596	-	145,596
Unearned Revenues	1,470	-	1,470
Accrued Interest Payable	-	157,117	157,117
Noncurrent Liabilities			
Due Within One Year	10,032	155,000	165,032
Due in More Than One Year	-	6,762,019	6,762,019
Net Pension Liability	<u>6,130,663</u>	<u>-</u>	<u>6,130,663</u>
	<u>6,382,693</u>	<u>7,074,136</u>	<u>13,456,829</u>
DEFERRED INFLOWS OF RESOURCES			
Pensions, Net of Accumulated Amortization	<u>86,878</u>	<u>-</u>	<u>86,878</u>
NET POSITION			
Net Investment in Capital Assets	-	523,107	523,107
Restricted for Debt Service	-	169,775	169,775
Restricted for Repair and Replacement	-	125,578	125,578
Restricted for Emergencies	109,000	-	109,000
Unrestricted	<u>(4,220,422)</u>	<u>-</u>	<u>(4,220,422)</u>
	<u>\$ (4,111,422)</u>	<u>\$ 818,460</u>	<u>\$ (3,292,962)</u>

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

CROWN POINTE ACADEMY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT			
Governmental Activities			
Instruction	\$ 2,557,614	\$ 26,901	\$ 305,867
Supporting Services	1,028,139	25,285	-
Food Services	112,762	28,374	75,134
Total Governmental Activities	3,698,515	80,560	381,001
Business-Type Activities			
Building Corporation	502,480	-	-
TOTAL PRIMARY GOVERNMENT	\$ 4,200,995	\$ 80,560	\$ 381,001

GENERAL REVENUES

Per Pupil Revenue
 At-Risk Supplemental Aid
 Additional At-Risk Funding
 Capital Construction
 Contributions not Restricted to Specific Programs
 Investment Income
 Miscellaneous

TRANSFERS

TOTAL GENERAL REVENUES AND TRANSFERS

CHANGE IN NET POSITION

NET POSITION, Beginning

NET POSITION, Ending

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

NET (EXPENSE) REVENUE
AND CHANGE IN NET POSITION

GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
\$ (2,224,846)	\$ -	\$ (2,224,846)
(1,002,854)	-	(1,002,854)
<u>(9,254)</u>	<u>-</u>	<u>(9,254)</u>
<u>(3,236,954)</u>	<u>-</u>	<u>(3,236,954)</u>
<u>-</u>	<u>(502,480)</u>	<u>(502,480)</u>
<u>(3,236,954)</u>	<u>(502,480)</u>	<u>(3,739,434)</u>
3,166,168	-	3,166,168
104,796	-	104,796
2,402	-	2,402
115,339	-	115,339
7,483	-	7,483
27,355	10,247	37,602
7,288	-	7,288
<u>(766,266)</u>	<u>766,266</u>	<u>-</u>
<u>2,664,565</u>	<u>776,513</u>	<u>3,441,078</u>
(572,389)	274,033	(298,356)
<u>(3,539,033)</u>	<u>544,427</u>	<u>(2,994,606)</u>
<u>\$ (4,111,422)</u>	<u>\$ 818,460</u>	<u>\$ (3,292,962)</u>

CROWN POINTE ACADEMY

BALANCE SHEET
GOVERNMENTAL FUND

June 30, 2016

	<u>GENERAL</u>
ASSETS	
Cash and Investments	\$ 1,153,366
Accounts Receivable	48,611
Grants Receivable	66,506
Prepaid Expenditures	<u>1,993</u>
TOTAL ASSETS	\$ <u>1,270,476</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ 94,932
Accrued Salaries and Benefits	145,596
Unearned Revenues	<u>1,470</u>
TOTAL LIABILITIES	<u>241,998</u>
FUND BALANCE	
Nonspendable Prepaid Expenditures	1,993
Restricted for Emergencies	109,000
Unrestricted, Unassigned	<u>917,485</u>
TOTAL FUND BALANCE	<u>1,028,478</u>
TOTAL LIABILITIES AND FUND BALANCE	\$ <u>1,270,476</u>

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

Total Fund Balance of the Governmental Fund	\$ 1,028,478
Long-term liabilities and related items, including accrued compensated absences (\$10,032), net pension liability (\$6,130,663), pension-related deferred outflows of resources \$1,087,673, and pension-related deferred inflows of resources (\$86,878), are not due and payable in the current year and, therefore, are not reported in governmental funds.	<u>(5,139,900)</u>
Total Net Position of Governmental Activities	\$ <u>(4,111,422)</u>

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

CROWN POINTE ACADEMY

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

	<u>GENERAL</u>
REVENUES	
Local Sources	\$ 3,288,854
State Sources	348,684
Federal Sources	254,854
TOTAL REVENUES	3,892,392
EXPENDITURES	
Instruction	2,229,101
Supporting Services	1,689,174
Food Services	112,762
TOTAL EXPENDITURES	4,031,037
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(138,645)
OTHER FINANCING SOURCES (USES)	
Transfers In	7,021
Transfers Out	(25,000)
TOTAL OTHER FINANCING SOURCES (USES)	(17,979)
NET CHANGE IN FUND BALANCE	(156,624)
FUND BALANCE, Beginning	1,185,102
FUND BALANCE, Ending	\$ 1,028,478

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

Net Change in Fund Balance of the Governmental Fund	\$ (156,624)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount represents the change in accrued compensated absences (\$279), net pension liability (\$1,009,942), pension-related deferred outflows of resources \$680,952, and pension-related deferred inflows of resources (\$86,496) in the current year.	(415,765)
Change in Net Position of Governmental Activities	\$ (572,389)

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

CROWN POINTE ACADEMY

STATEMENT OF NET POSITION
PROPRIETARY FUND

June 30, 2016

	<u>BUILDING CORPORATION</u>
ASSETS	
CURRENT ASSETS	
Restricted Cash and Investments	\$ 960,774
Accounts Receivable	471
	<hr/>
TOTAL CURRENT ASSETS	961,245
NONCURRENT ASSETS	
Capital Assets, Not Being Depreciated	1,272,385
Capital Assets, Net of Accumulated Depreciation	5,658,966
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TOTAL NONCURRENT ASSETS	6,931,351
	<hr/>
TOTAL ASSETS	7,892,596
LIABILITIES	
CURRENT LIABILITIES	
Accrued Interest Payable	157,117
Loan Payable, Current Portion	155,000
	<hr/>
TOTAL CURRENT LIABILITIES	312,117
NONCURRENT LIABILITIES	
Loan Payable	6,762,019
	<hr/>
TOTAL LIABILITIES	7,074,136
NET POSITION	
Net Investment in Capital Assets	523,107
Restricted for Debt Service	169,775
Restricted for Repair and Replacement	125,578
	<hr/>
TOTAL NET POSITION	\$ 818,460
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The accompanying notes are an integral part of the financial statements.

CROWN POINTE ACADEMY

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUND
 Year Ended June 30, 2016

	<u>BUILDING CORPORATION</u>
OPERATING REVENUES	
Lease Revenue	\$ <u>505,186</u>
OPERATING EXPENSES	
Depreciation	143,795
Debt Service	
Interest and Fiscal Charges	<u>358,685</u>
TOTAL OPERATING EXPENSES	<u>502,480</u>
NET OPERATING INCOME	2,706
NONOPERATING REVENUES	
Investment Income	<u>10,247</u>
NET INCOME BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	12,953
Transfers In	25,000
Transfers Out	(7,021)
Capital Contributions	<u>243,101</u>
CHANGE IN NET POSITION	274,033
NET POSITION, Beginning	<u>544,427</u>
NET POSITION, Ending	\$ <u><u>818,460</u></u>

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

CROWN POINTE ACADEMY

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

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

	<u>BUILDING CORPORATION</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Lease Payments Received	\$ 505,186
Loan Principal Paid	(145,000)
Loan Interest and Fiscal Charges Paid	<u>(353,401)</u>
Net Cash Provided by Operating Activities	<u>6,785</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Payments from Other Funds	<u>25,000</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Earnings Received	10,134
Excess Earnings Paid to the School	<u>(7,021)</u>
Net Cash Provided by Investing Activities	<u>3,113</u>
NET INCREASE IN CASH AND CASH EQUIVALENTS	34,898
CASH AND CASH EQUIVALENTS, Beginning	<u>925,876</u>
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 960,774</u>
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Net Operating Income	\$ 2,706
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities	
Depreciation Expense	143,795
Amortization of Discount	7,942
Changes in Assets and Liabilities	
Accrued Interest Payable	(2,658)
Loan Payable	<u>(145,000)</u>
Net Cash Provided by Operating Activities	<u>\$ 6,785</u>
NONCASH TRANSACTIONS	
Contributed Capital Assets	<u>\$ 243,101</u>

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

CROWN POINTE ACADEMY

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
June 30, 2016

	<u>SCHOOL ACTIVITY</u>
ASSETS	
Cash and Investments	\$ 79,061
Deposits	<u>3,610</u>
TOTAL ASSETS	<u>\$ 82,671</u>
LIABILITIES	
Due to Student Groups	<u>\$ 82,671</u>

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Crown Pointe Academy (the “School”) was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school. On July 1, 2015, the School entered into a contract with the Colorado Charter School Institute (the “Institute”) pursuant to the Colorado Charter School Institute Act, for an initial term of five years. The current contract expires on June 30, 2020.

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

Reporting Entity

The financial reporting entity consists of the School, organizations for which the School is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the School. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the School. Legally separate organizations for which the School is financially accountable are considered part of the reporting entity. Financial accountability exists if the School appoints a voting majority of the organization’s governing board and is able to impose its will on the organization, or if the organization has the potential to provide benefits to, or impose financial burdens on, the School.

The School includes the Crown Pointe Academy Building Corporation (the “Building Corporation”) within its reporting entity. The Building Corporation was formed exclusively for the purpose of holding title, as nominee or otherwise, to real and/or personal property for, and to make same available for use by, the School, and to otherwise provide facilities, equipment and other physical plant and related support to the School. The Building Corporation is blended into the School’s financial statements as an enterprise fund, and does not issue separate financial statements.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all nonfiduciary activities of the School. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

CROWN POINTE ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements (Continued)

Separate financial statements are provided for the governmental fund, the proprietary fund and the fiduciary fund, even though the latter is excluded from the School's government-wide financial statements. Major individual governmental and proprietary 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* as is the proprietary fund in the fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. The agency fund utilizes the accrual basis of accounting.

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. Available means collected within the current year or soon enough thereafter to pay liabilities of the current year, not to exceed 60 days. Intergovernmental revenues, grants, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the School. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, including expenditures related to compensated absences, are recorded only when payment is due.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for a specific use, it is the School's policy to use restricted resources first, and the unrestricted resources as they are needed.

The School reports the following major governmental fund:

General Fund - This fund is the general operating fund of the School. It is currently used to account for all financial activities of the School.

The School reports one major proprietary fund, as follows:

Building Corporation - This fund is used to account for the financial activities of the Building Corporation, primarily related to capital assets and the related debt service.

CROWN POINTE ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Additionally, the School reports the following fund type:

The *School Activity Fund* accounts for resources collected to support student activities. The School holds all resources in a purely custodial capacity.

Assets, Liabilities and Net Position/Fund Balance

Cash Equivalents - Cash equivalents include investments with an original maturity of three months or less.

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

Prepaid Expenses - Certain payments to vendors reflect costs applicable to future years and are reported as prepaid expenses.

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

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

Buildings and Improvements	48 years
Furniture and Equipment	5 - 10 years

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

Unearned Revenues - Unearned revenues represent resources received by the School before it has a legal claim to them, including student fees.

Compensated Absences - Employees of the School are allowed to accumulate unused vacation and paid time off (PTO). Upon termination of employment from the School, an employee will be compensated for all accrued vacation time and PTO at 50% of their daily wage rate up to a maximum of \$50 per day. A long-term liability has been reported in the government-wide financial statements for these accrued compensated absences.

CROWN POINTE ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Long-Term Debt - In the government-wide financial statements and the proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the debt proceeds, are reported as current expenses or expenditures.

Pensions - The School participates in the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position, and additions to and deductions from the SDTF's fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used by the DPSD. 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.

Net Position/Fund Balance - In the government-wide and fund financial statements, net position and fund balance are restricted when constraints placed on the use of resources are externally imposed. The Board of Directors is authorized to establish a fund balance commitment through passage of a resolution, and may assign fund balances to a specific purpose through an informal action.

The School has not established a formal policy for its use of restricted and unrestricted fund balances. However, if both restricted and unrestricted fund balances are available for a specific purpose, the School uses restricted fund balance first, followed by committed, assigned and unassigned balances.

Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School purchases commercial insurance for these risks of loss.

NOTE 2: CASH AND INVESTMENTS

Cash and investments at June 30, 2016, consisted of the following:

Cash on Hand	\$ 350
Deposits	278,975
Investments	<u>1,913,876</u>
Total	<u>\$ 2,193,201</u>

CROWN POINTE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 2: CASH AND INVESTMENTS (Continued)

Cash and investments are reported in the financial statements as follows:

Cash and Investments	\$ 1,153,366
Restricted Cash and Investments	960,774
Agency Fund Cash and Investments	<u>79,061</u>
Total	<u>\$ 2,193,201</u>

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2016, the School had bank deposits of \$67,027 collateralized with securities held by the financial institution's agent but not in the School's name.

Investments

The School is required to comply with State statutes which specify investment instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest, which include the following. State statutes 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

At June 30, 2016, the School and the Building Corporation had the following investments.

<u>Investment Type</u>	<u>S&P Rating</u>	<u>Investment Maturities (in Years)</u>			<u>Fair Value</u>
		<u>Less Than 1</u>	<u>1-5</u>	<u>5-10</u>	
Money Market Fund	Not Rated	\$ 953,102	\$ -	\$ -	\$ 953,102
U.S. Agency Securities	AA+	-	150,230	100,032	250,262
Local Government Investment Pool	AAAm	<u>710,512</u>	<u>-</u>	<u>-</u>	<u>710,512</u>
Total		<u>\$ 1,663,614</u>	<u>\$ 150,230</u>	<u>\$ 100,032</u>	<u>\$ 1,913,876</u>

CROWN POINTE ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

Fair Value Measurements - The School reports its investments using the fair value measurements established by generally accepted accounting principles. As such, a fair value hierarchy categorizes the inputs used to measure the fair value of the investments into three levels. Level 1 inputs are quoted prices in active markets for identical investments; Level 2 inputs include quoted prices in active markets for similar investments, or other observable inputs; and Level 3 inputs are unobservable inputs. At June 30, 2016, the Building Corporation's investments in U.S. Agency securities were measured utilizing quoted prices in active markets for similar investments (Level 2 inputs). Investments in money market funds and external investment pools are reported at the net asset value per share, which is measured using amortized cost.

Interest Rate Risk - State statutes generally limit the maturity of investment securities to five years from the date of purchase, unless the governing board authorizes the investment for a period in excess of five years.

Credit Risk - State statutes limit most investments to those with certain ratings from nationally recognized statistical rating organizations, depending on the type of investment.

Concentration of Credit Risk - State statutes do not limit the amount the School may invest in one issuer, except for corporate securities. At June 30, 2016, the Building Corporation's investments in the Federal Farm Credit Bank and Federal Home Loan Bank represented 5% and 8%, respectively, of total investments.

Local Government Investment Pool - At June 30, 2016, the Building Corporation had \$710,512 invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment trust established for local government entities in Colorado to pool surplus funds for investment purposes. The Colorado Division of Securities administers and enforces the requirements of creating and operating Colotrust. Colotrust operates in conformity with the Securities and Exchange Commission's Rule 2a-7, with each share valued at \$1. Colotrust is rated AAAM by Standard and Poor's. Investments of Colotrust 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

At June 30, 2016, the Building Corporation had investments of \$960,774 restricted by its loan agreement for future debt service and building repair and replacement.

CROWN POINTE ACADEMY
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE 3: CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2016, are summarized below.

	<u>Balances</u> <u>6/30/15</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>6/30/16</u>
Business-Type Activities				
Capital Assets, Not Being Depreciated				
Land	\$ 1,036,924	\$ -	\$ -	\$ 1,036,924
Construction in Progress	<u>-</u>	<u>235,461</u>	<u>-</u>	<u>235,461</u>
Total Capital Assets, Not Being Depreciated	<u>1,036,924</u>	<u>235,461</u>	<u>-</u>	<u>1,272,385</u>
Capital Assets, Being Depreciated				
Buildings and Improvements	6,351,281	-	-	6,351,281
Furniture and Equipment	<u>189,081</u>	<u>7,640</u>	<u>21,009</u>	<u>175,712</u>
Total Capital Assets, Being Depreciated	<u>6,540,362</u>	<u>7,640</u>	<u>21,009</u>	<u>6,526,993</u>
Accumulated Depreciation				
Buildings and Improvements	(657,310)	(131,542)	-	(788,852)
Furniture and Equipment	<u>(87,931)</u>	<u>(12,253)</u>	<u>(21,009)</u>	<u>(79,175)</u>
Total Accumulated Depreciation	<u>(745,241)</u>	<u>(143,795)</u>	<u>(21,009)</u>	<u>(868,027)</u>
Total Capital Assets, Being Depreciated, Net	<u>5,795,121</u>	<u>(136,155)</u>	<u>-</u>	<u>5,658,966</u>
Business-Type Activities Capital Assets, Net	<u>\$ 6,832,045</u>	<u>\$ 99,306</u>	<u>\$ -</u>	<u>\$ 6,931,351</u>

NOTE 4: LONG-TERM DEBT

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

	<u>Balances</u> <u>6/30/15</u>	<u>Additions</u>	<u>Payments</u>	<u>Balances</u> <u>6/30/16</u>	<u>Due Within</u> <u>One Year</u>
Governmental Activities					
Compensated Absences	<u>\$ 9,753</u>	<u>\$ 5,462</u>	<u>\$ 5,183</u>	<u>\$ 10,032</u>	<u>\$ 10,032</u>
Business-Type Activities					
Building Loan	\$ 7,245,000	\$ -	\$ 145,000	\$ 7,100,000	\$ 155,000
Discount	<u>(190,923)</u>	<u>-</u>	<u>(7,942)</u>	<u>(182,981)</u>	<u>-</u>
Total	<u>\$ 7,054,077</u>	<u>\$ -</u>	<u>\$ 137,058</u>	<u>\$ 6,917,019</u>	<u>\$ 155,000</u>

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

CROWN POINTE ACADEMY
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

NOTE 4: LONG-TERM DEBT (Continued)

In September, 2009, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$7,755,000 Charter School Revenue Bonds, Series 2009. Proceeds of the bonds were loaned to the Building Corporation under a mortgage and loan agreement to acquire land and construct an educational facility. The School is obligated under a lease agreement to make monthly lease payments to the Building Corporation for using the facilities. The Building Corporation is required to make equal loan payments to the Trustee, for payment of the bonds. Principal payments are due annually on July 15, through 2039. Interest payments are due semi-annually on January 15 and July 15, with interest accruing at rates ranging from 3% to 5%.

Future debt service requirements are as follows.

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 155,000	\$ 339,700	\$ 494,700
2018	160,000	333,400	493,400
2019	165,000	326,900	491,900
2020	175,000	320,100	495,100
2021	180,000	312,325	492,325
2022 - 2026	1,050,000	1,420,313	2,470,313
2027 - 2031	1,320,000	1,139,699	2,459,699
2032 - 2036	1,695,000	770,625	2,465,625
2037 - 2040	<u>2,200,000</u>	<u>263,750</u>	<u>2,463,750</u>
Total	<u>\$ 7,100,000</u>	<u>\$ 5,226,812</u>	<u>\$ 12,326,812</u>

NOTE 5: INTERFUND TRANSACTIONS

During the year ended June 30, 2016, the General Fund transferred \$25,000 to the Building Corporation to fund the repair and replacement reserve. In addition, the Building Corporation distributed excess interest earnings of \$7,021 to the General Fund.

NOTE 6: DEFINED BENEFIT PENSION PLAN

General Information

Plan Description - The School contributes to the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). All employees of the School participate in the SDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS) assigns the authority to establish and amend plan provisions to the State Legislature. PERA issues a publicly available financial report that includes information on the SDTF. That report may be obtained at www.copera.org/investments/pera-financial-reports.

CROWN POINTE ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

General Information (Continued)

Benefits Provided - The SDTF provides retirement, disability, and survivor benefits to plan participants or their beneficiaries. Retirement benefits are determined by the amount of service credit earned or purchased, highest average salary, the benefit structure in place, the benefit option selected at retirement, and age at retirement. The retirement benefit is the greater of the a) highest average salary multiplied by 2.5% and then multiplied by years of service credit, or b) the value of the participant's contribution account plus an equal match on the retirement date, annualized into a monthly amount based on life expectancy and other actuarial factors. In no case can the benefit amount exceed the highest average salary or the amount allowed by applicable federal regulations.

Retirees who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs) as established by State statutes. Retirees who began employment before January 1, 2007, receive an annual increase of 2%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% or the average consumer price index for the prior calendar year. Retirees that began employment after January 1, 2007, receive an annual increase of the lesser of 2% or the average consumer price index for the prior calendar year, with certain limitations.

Disability benefits are available for plan participants once they reach five years of earned service credit and meet the definition of a disability. The disability benefit amount is based on the retirement benefit formula described previously, considering a minimum of twenty years of service credit.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure in place, and the qualified survivor receiving the benefits.

Contributions - The School and eligible employees are required to contribute to the SDTF at rates established by Title 24, Article 51, Part 4 of the CRS. These contribution requirements are established and may be amended by the State Legislature. The contribution rate for employees is 8% of covered salaries. The School's contribution rate for calendar years 2015 and 2016 was 18.35% and 19.15% of covered salaries, respectively. However, a portion of the School's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 7). The School's contributions to the SDTF for the year ended June 30, 2016, were \$340,194, equal to the required contributions.

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

At June 30, 2016, the School reported a net pension liability of \$6,130,663, representing its proportionate share of the net pension liability of the SDTF. The net pension liability was measured at 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. Changes in assumptions and other inputs since the prior measurement date did not significantly affect the total pension liability. Standard update procedures were used to roll forward the total pension liability to December 31, 2015.

CROWN POINTE ACADEMY
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

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)

The School's proportion of the net pension liability was based on the School's contributions to the SDTF for the calendar year ended December 31, 2015, relative to the contributions of all participating employers. At December 31, 2015, the School's proportion was 0.0400846407%, which was an increase of 0.0023027059% from its proportion measured at December 31, 2014.

For the year ended June 30, 2016, the School recognized pension expense of \$739,236. At June 30, 2016, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 80,956	\$ 241
Changes of assumptions and other inputs	-	86,637
Net difference between projected and actual earnings on plan investments	515,895	-
Changes in proportion	303,722	-
Contributions subsequent to the measurement date	<u>187,100</u>	<u>-</u>
Total	<u>\$ 1,087,673</u>	<u>\$ 86,878</u>

School contributions subsequent to the measurement date of \$187,100 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,

2017	\$ 265,291
2018	251,680
2019	189,830
2020	<u>106,894</u>
Total	<u>\$ 813,695</u>

Actuarial Assumptions - The actuarial valuation as of December 31, 2014, determined the total pension liability using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

CROWN POINTE ACADEMY
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

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)

Price inflation	2.8%
Real wage growth	1.1%
Wage inflation	3.9%
Salary increases, including wage inflation	3.9% - 10.1%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.5%
Future post-retirement benefit increases:	
Hired prior to 1/1/07	2%
Hired after 12/31/06	ad hoc

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

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 governing board on November 13, 2012, and an economic assumption study adopted by PERA's governing board on November 15, 2013, and January 17, 2014.

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

The most recent analysis of the long-term expected rate of return was presented to the PERA governing board on November 15, 2013, and included the target allocation and best estimates of geometric real rates of return for each major asset class, as follows:

<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	<u><u>100.00%</u></u>	

CROWN POINTE ACADEMY
NOTES TO FINANCIAL STATEMENTS
 June 30, 2016

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)

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and the employer contributions will be made at the rates specified in State statutes, which currently require annual increases, to a total of 20.15% of covered salaries for the year ended December 31, 2018. When the actuarially determined funding ratio reaches 103%, the employer contribution rate will decrease 0.5% each year, to a minimum of 10.15%. Based on those assumptions, the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments to current participants. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. In addition, the discount rate did not change from the prior measurement date.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as the School's proportionate share of the net pension liability if it were calculated using a discount that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate, as follows:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Proportionate share of the net pension liability	<u>\$ 7,947,131</u>	<u>\$ 6,130,663</u>	<u>\$ 4,619,700</u>

Pension Plan Fiduciary Net Position - Detailed information about the SDTF's fiduciary net position is available in PERA's separately issued financial report, which may be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 7: POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description - The School contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by PERA. The HCTF provides a health care premium subsidy to PERA benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained as described previously.

Funding Policy - The School is required to contribute at a rate of 1.02% of covered salaries for all PERA participants. No employee contributions are required. The contribution requirements for the School are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The School's apportionment to the HCTF for the years ended June 30, 2016, 2015 and 2014 was \$18,501, \$16,921 and \$15,576, respectively, equal to the required amounts for each year.

CROWN POINTE ACADEMY
NOTES TO FINANCIAL STATEMENTS
June 30, 2016

NOTE 8: COMMITMENTS AND CONTINGENCIES

Claims and Judgments

The School participates in a number of federal and state programs that are fully or partially funded by revenues received from other governmental entities. Expenditures financed by these revenues are subject to audit by the appropriate government. If expenditures are disallowed due to noncompliance with program regulations, the School may be required to reimburse the other government. At June 30, 2016, significant amounts of related expenditures have not been audited but management believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

Tabor Amendment

In November 1992, Colorado voters approved the Tabor Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The Amendment is subject to many interpretations, but the School believes it is in substantial compliance with the Amendment. In accordance with the Amendment, the School has established an emergency reserve representing 3% of qualifying expenditures. At June 30, 2016, the reserve was reported as restricted fund balance in the General Fund, in the amount of \$109,000.

REQUIRED SUPPLEMENTARY INFORMATION

CROWN POINTE ACADEMY

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AND CONTRIBUTIONS

PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO SCHOOL DIVISION TRUST FUND

June 30, 2016

	<u>12/31/15</u>	<u>12/31/14</u>	<u>12/31/13</u>
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY			
School's Proportion of the Net Pension Liability	0.0400846407%	0.0377819348%	0.0364617439%
School's Proportionate Share of the Net Pension Liability	\$ 6,130,663	\$ 5,120,721	\$ 4,650,686
School's Covered-Employee Payroll	\$ 1,746,879	\$ 1,582,792	\$ 1,469,889
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	351%	324%	316%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	59%	63%	64%
	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/14</u>
SCHOOL CONTRIBUTIONS			
Statutorily Required Contribution	\$ 321,693	\$ 280,181	\$ 244,095
Contributions in Relation to the Statutorily Required Contribution	<u>(321,693)</u>	<u>(280,181)</u>	<u>(244,095)</u>
Contribution Deficiency (Excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
School's Covered-Employee Payroll	\$ 1,814,051	\$ 1,658,893	\$ 1,527,074
Contributions as a Percentage of Covered-Employee Payroll	17.73%	16.89%	15.98%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

See the accompanying Independent Auditors' Report.

CROWN POINTE ACADEMY

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2016

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Per Pupil Revenue	\$ 3,459,159	\$ 3,365,776	\$ 3,166,168	\$ (199,608)
Student Fees	13,500	22,500	26,901	4,401
Food Service Fees	-	138,000	28,374	(109,626)
Contributions and Donations	27,500	10,024	7,483	(2,541)
Rental Income	-	16,500	25,285	8,785
Investment Income	12,500	16,500	27,355	10,855
Miscellaneous	3,000	3,000	7,288	4,288
Total Local Sources	<u>3,515,659</u>	<u>3,572,300</u>	<u>3,288,854</u>	<u>(283,446)</u>
State Sources				
Supplemental At-Risk Aid	-	-	104,796	104,796
Additional At-Risk Funding	-	-	2,402	2,402
Capital Construction	115,500	113,569	115,339	1,770
Grants	73,035	119,367	126,147	6,780
Total State Sources	<u>188,535</u>	<u>232,936</u>	<u>348,684</u>	<u>115,748</u>
Federal Sources				
Grants	41,400	158,413	254,854	96,441
TOTAL REVENUES	<u>3,745,594</u>	<u>3,963,649</u>	<u>3,892,392</u>	<u>(71,257)</u>
EXPENDITURES				
Salaries	1,846,268	1,846,268	1,889,746	(43,478)
Employee Benefits	606,197	606,197	640,185	(33,988)
Purchased Services	948,489	1,133,607	1,082,825	50,782
Supplies and Materials	163,858	185,804	142,342	43,462
Property	76,000	535,235	257,287	277,948
Other	3,500	18,550	17,902	648
Reserve	73,133	-	750	(750)
TOTAL EXPENDITURES	<u>3,717,445</u>	<u>4,325,661</u>	<u>4,031,037</u>	<u>294,624</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>28,149</u>	<u>(362,012)</u>	<u>(138,645)</u>	<u>223,367</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	7,021	7,021
Transfers Out	(25,000)	(40,000)	(25,000)	15,000
TOTAL OTHER FINANCING SOURCES (USES)	<u>(25,000)</u>	<u>(40,000)</u>	<u>(17,979)</u>	<u>22,021</u>
NET CHANGE IN FUND BALANCE	3,149	(402,012)	(156,624)	245,388
FUND BALANCE, Beginning	<u>1,285,791</u>	<u>802,688</u>	<u>1,185,102</u>	<u>382,414</u>
FUND BALANCE, Ending	<u>\$ 1,288,940</u>	<u>\$ 400,676</u>	<u>\$ 1,028,478</u>	<u>\$ 627,802</u>

See the accompanying Independent Auditors' Report.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2016

NOTE 1: SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND CONTRIBUTIONS

The Public Employees' Retirement Association of Colorado School Division Trust Fund's net pension liability and associated amounts are measured annually at December 31, based on an actuarial valuation as of the previous December 31. The School's contributions and related ratios represent cash contributions and any related accruals that coincide with the School's fiscal year ending on June 30.

Changes in Assumptions and Other Inputs

For the year ended June 30, 2016, the total pension liability was determined by an actuarial valuation as of December 31, 2014. The following programming and methodology changes were made since the prior actuarial valuation as of December 31, 2013.

- 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.
- 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.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

The School is required by State statutes to adopt a budget on a basis consistent with generally accepted accounting principles.

The School adheres to the following procedures in establishing the budgetary information reflected in the financial statements.

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

SUPPLEMENTARY INFORMATION

CROWN POINTE ACADEMY

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
 Year Ended June 30, 2016

	<u>BALANCES</u> <u>6/30/15</u>	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCES</u> <u>6/30/16</u>
School Activity Fund				
ASSETS				
Cash and Investments	\$ 69,820	\$ 107,771	\$ 98,530	\$ 79,061
Deposits	<u>4,465</u>	<u>3,610</u>	<u>4,465</u>	<u>3,610</u>
TOTAL ASSETS	<u>\$ 74,285</u>	<u>\$ 111,381</u>	<u>\$ 102,995</u>	<u>\$ 82,671</u>
LIABILITIES				
Due to Student Groups	<u>\$ 74,285</u>	<u>\$ 111,381</u>	<u>\$ 102,995</u>	<u>\$ 82,671</u>
TOTAL LIABILITIES	<u>\$ 74,285</u>	<u>\$ 111,381</u>	<u>\$ 102,995</u>	<u>\$ 82,671</u>

See the accompanying Independent Auditors' Report.