

PEAK TO PEAK CHARTER SCHOOLS, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2017

PEAK TO PEAK CHARTER SCHOOLS, INC.
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Peak to Peak Charter Schools, Inc.
Lafayette, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of Peak to Peak Charter Schools, Inc., a component unit of Boulder Valley School District, as of and for the year ended June 30, 2017 and the related notes to the financial statements, which collectively comprise Peak to Peak Charter Schools, Inc.'s basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the remaining fund information of Peak to Peak Charter Schools, Inc. as of June 30, 2017, 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 and analysis on pages 3 through 7, the budgetary comparison information on pages 33 through 35 and the pension schedules on pages 36 and 37 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Peak to Peak Charter Schools, Inc.'s basic financial statements. The schedule of revenues, expenditures and changes in fund balances – budget to actual – Food Services Fund (collectively the supplementary information) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary 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. 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



CliftonLarsonAllen LLP

Denver, Colorado
October 19, 2017

**PEAK TO PEAK CHARTER SCHOOLS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

As management of Peak to Peak Charter Schools, Inc. (Peak to Peak), we offer this narrative and analysis of the financial activities of Peak to Peak for the year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information provided in the financial statements.

Financial Highlights

The year ended June 30, 2017 is the 17th year of operations for Peak to Peak.

- The fund balance in the general fund increased \$621,492 to \$3,951,373.
- Total unrestricted cash and investments increased \$821,161 to \$5,289,104.
- Peak to Peak's net position decreased \$6,848,115.

Overview of Financial Statements

This report follows the guidelines set forth by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This rule was intended to help make reports easier to understand for oversight bodies, in particular the Boulder Valley School District, which authorizes Peak to Peak, and the general public. The report consists of four parts: Management's Discussion and Analysis, the Basic Financial Statements, Required Supplementary Information and Supplementary Information. The Basic Financial Statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements which provide additional and more detailed information. Included as Required Supplementary Information and Supplementary Information is budget-to-actual information related to the Peak to Peak's General Fund, Friends of Peak To Peak, Inc. Fund, Operations and Maintenance Fund and Food Services Fund, and the pension schedules as required under GASB Statement No. 68, further discussed in Note 8.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of Peak to Peak's finances in a manner similar to a private-sector business.

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

The *statement of activities* presents information showing how Peak to Peak net position has changed during the most recent fiscal year. Changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future periods (for example, salaries and benefits earned but unpaid as of year-end). The government-wide financial statements can be found on pages 8 and 9 of this report.

PEAK TO PEAK CHARTER SCHOOLS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017

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. Peak to Peak uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Peak to Peak reports four major governmental funds: the general fund, Prairie View, Inc. fund (building corporation), the Friends of Peak to Peak, Inc. fund (fundraising organization), and the operations and maintenance fund; and one nonmajor fund, the food service fund. 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 Peak to Peak's near-term financing requirements.

Because the focus of the 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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The basic governmental fund financial statements can be found on pages 10 through 13 of this report.

Notes to 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. The notes to the financial statements can be found starting on page 14 of this report.

**PEAK TO PEAK CHARTER SCHOOLS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

**PEAK TO PEAK CHARTER SCHOOL
Comparative Summary Statement of Net Position**

	June 30,	
	2017	2016
ASSETS		
Current Assets	\$ 9,296,225	\$ 8,263,668
Capital Assets	26,324,722	27,063,795
Total Assets	<u>35,620,947</u>	<u>35,327,463</u>
DEFERRED OUTFLOWS OF RESOURCES		
Loss on Refunding	3,233,235	3,423,426
Contributions Subsequent to Measurement Date	770,858	704,568
Change in Proportionate Share	578,648	444,312
Change in Experience	584,085	310,662
Change in Assumptions	15,160,018	-
Change in Investment Earnings	1,562,256	1,989,794
Total Deferred Outflows of Resources	<u>21,889,100</u>	<u>6,872,762</u>
LIABILITIES		
Current Liabilities	1,263,416	1,320,875
Noncurrent Liabilities	17,951,511	18,631,070
Net Pension Liability	46,721,084	23,525,888
Total Liabilities	<u>65,936,011</u>	<u>43,477,833</u>
DEFERRED INFLOWS OF RESOURCES		
Change in Assumptions	210,688	332,463
Change in Proportionate Share	124,549	302,475
Change in Experience	411	951
Total Deferred Inflows of Resources	<u>335,648</u>	<u>635,889</u>
NET POSITION		
Net Investment in Capital Assets	11,680,641	11,925,945
Restricted	4,423,092	3,957,933
Unrestricted	(24,865,345)	(17,797,375)
Total Net Position	<u>\$ (8,761,612)</u>	<u>\$ (1,913,497)</u>

**PEAK TO PEAK CHARTER SCHOOLS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

**PEAK TO PEAK CHARTER SCHOOL
Comparative Schedule of Revenues, Expenses, and Changes in Net Position**

	Year Ended June 30,	
	2017	2016
PROGRAM REVENUES		
Charges for Services	\$ 1,640,267	\$ 1,393,260
Operating Grants	426,836	465,357
Capital Grants	392,274	10,176,848
GENERAL REVENUES		
Per Pupil Funding	10,385,493	10,192,219
District Mill Levy	3,752,390	3,241,952
Other Revenue	836,335	829,431
Total Revenues	<u>17,433,595</u>	<u>26,299,067</u>
EXPENSES		
Instruction	13,198,071	9,376,981
Support Services	10,171,120	6,432,313
Interest on Long-Term Debt	912,519	927,342
Total Expenses	<u>24,281,710</u>	<u>16,736,636</u>
CHANGE IN NET POSITION	(6,848,115)	9,562,431
Net Position - Beginning of Year	<u>(1,913,497)</u>	<u>(11,475,928)</u>
NET POSITION - END OF YEAR	<u><u>\$ (8,761,612)</u></u>	<u><u>\$ (1,913,497)</u></u>

Government-Wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of Peak to Peak's financial position. Current assets increased based on revenues exceeding expenditures at the fund level. The net pension liability and associated deferred outflows of resources and inflows of resources fluctuates based on the financial position of the Public Employee's Retirement Association of Colorado (PERA). The School is required to report its proportionate share of PERA's unfunded pension liability. For the year ended June 30, 2017, Peak to Peak's assets and deferred outflows of resources were exceeded by liabilities and deferred inflows of resources by \$8,761,612, primarily due to the net pension liability of \$46,721,084 (see Note 8). The overall net position in fiscal year 2017 decreased by \$6,848,115 from the previous year.

Financial Analysis of the School's Funds

The focus of Peak to Peak's governmental funds is to provide information on near-term inflows, outflows, and balances of resources. Such information is useful in assessing Peak to Peak's financing requirements.

**PEAK TO PEAK CHARTER SCHOOLS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2017**

For the year ended June 30, 2017, Peak to Peak's governmental funds reported a combined ending fund balance of \$8,326,303, an overall increase of \$1,084,354. The general fund increased \$621,492 to \$3,951,373. The Prairie View, Inc. fund increased \$17,054 to \$2,682,794. The Friends of Peak to Peak, Inc. fund increased \$205,807 to \$1,429,912, after the transfer of donated funds to Peak to Peak for operating expenditures. The operations and maintenance fund in its first year of existence had an increase and ending fund balance of \$237,025. The nonmajor food services fund increased \$2,976 to \$25,199.

General Fund Budgetary Highlights

Peak to Peak's budgeted general fund revenue for 2016-17 was \$15,534,195, while actual revenue was \$15,753,672, resulting in a surplus of \$219,477. Peak to Peak's 2016-17 budget for general fund expenditures was \$15,654,800, while actual expenditures were \$15,436,852, resulting in a surplus of \$217,948. There was a net increase in fund balance of \$621,492, with a final fund balance of \$3,951,373.

Capital Asset and Debt Administration

Capital Assets. Peak to Peak's capital assets as of June 30, 2017, amounted to \$26,324,722, net of accumulated depreciation. Peak to Peak's capital assets include 35 acres of land and 180,000 square feet of building space located at 800 Merlin Drive, Lafayette, Colorado. Additional information on the School's capital assets can be found in Note 3 of this report.

Long-Term Debt. As of June 30, 2017, Peak to Peak had outstanding debt of \$16,790,000, which was \$620,000 lower than the previous year. Long-term debt is detailed in Note 4 to the financial statements. The school currently holds a "BBB+" credit rating with Standard and Poor's.

Economic Factors and Next Year's Budget

Peak to Peak's student enrollment for the 2016-17 school year was 1,412.8 full-time equivalent (FTE) students. The maximum enrollment allowed by Peak to Peak's contract with Boulder Valley School District is 1,414.8 FTE students. Peak to Peak's enrollment has been near the maximum allowable, per contract, for several years. State funding is again expected to increase for the 2017-18 school year. The School is anticipating stable enrollment, increased salary, and benefit costs along with other support service costs. All will impact 2018 fiscal plans and operations. The initial budget projects a surplus for the 2017-18 fiscal year

Requests for Information

The financial report is designed to provide a general overview of Peak to Peak's finances for all those with an interest in Peak to Peak. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Sam Todd, Executive Director of Operations
Peak to Peak Charter School
800 Merlin Drive
Lafayette, CO 80026
sam.todd@bvvsd.org

PEAK TO PEAK CHARTER SCHOOLS, INC.
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
ASSETS	
Cash	\$ 5,289,104
Restricted Cash and Investments	3,990,880
Prepaid Items	8,869
Accounts Receivable	7,372
Capital Assets, Not Being Depreciated	1,657,966
Capital Assets, Depreciated, Net of Accumulated Depreciation	24,666,756
Total Assets	<u>35,620,947</u>
DEFERRED OUTFLOWS OF RESOURCES	
Loss on Refunding	3,233,235
Contributions Subsequent to Measurement Date	770,858
Change in Proportionate Share	578,648
Change in Experience	584,085
Change in Assumptions	15,160,018
Change in Investment Earnings	1,562,256
Total Deferred Outflows of Resources	<u>21,889,100</u>
LIABILITIES	
Accounts Payable	86,973
Accrued Salaries and Benefits	834,496
Unearned Revenues	48,453
Accrued Interest	293,494
Noncurrent Liabilities:	
Due Within One Year	642,767
Due in More Than One Year	17,308,744
Net Pension Liability	46,721,084
Total Liabilities	<u>65,936,011</u>
DEFERRED INFLOWS OF RESOURCES	
Change in Assumptions	210,688
Change in Proportionate Share	124,549
Change in Experience	411
Total Deferred Inflows of Resources	<u>335,648</u>
NET POSITION	
Net Investment in Capital Assets	11,680,641
Restricted:	
Advanced Placement Testing	10,847
Scholarships	1,297,239
Emergencies	488,681
Debt Service	2,137,867
Repair and Maintenance	488,458
Unrestricted	(24,865,345)
Total Net Position	<u>\$ (8,761,612)</u>

See accompanying Notes to Basic Financial Statements.

PEAK TO PEAK CHARTER SCHOOLS, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

		Program Revenues			Net (Expenses)
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Revenue and Changes in Net Position
GOVERNMENTAL ACTIVITIES					
Instructional	\$ 13,198,071	\$ 689,771	\$ 342,829	\$ -	\$ (12,165,471)
Support Services:					
General Administration	6,537,081	950,496	84,007	-	(5,502,578)
Maintenance and Operations	2,778,516	-	-	392,274	(2,386,242)
Other Supporting Services	855,523	-	-	-	(855,523)
Interest on Long-Term Debt	912,519	-	-	-	(912,519)
Total Governmental Activities	<u>\$ 24,281,710</u>	<u>\$ 1,640,267</u>	<u>\$ 426,836</u>	<u>\$ 392,274</u>	<u>(21,822,333)</u>
GENERAL REVENUES					
Per Pupil Revenue					10,385,493
District Mill Levy					3,752,390
Other					836,335
Total General Revenues					<u>14,974,218</u>
CHANGE IN NET POSITION					(6,848,115)
Net Position - Beginning of Year					<u>(1,913,497)</u>
NET POSITION - END OF YEAR					<u><u>\$ (8,761,612)</u></u>

See accompanying Notes to Basic Financial Statements.

PEAK TO PEAK CHARTER SCHOOLS, INC.
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2017

	General	Prairie View, Inc.	Friends of Peak to Peak, Inc.	Operations and Maintenance	Non-Major Fund Food Services	Total
ASSETS						
Cash and Investments	\$ 4,896,094	\$ -	\$ 121,826	\$ 238,039	\$ 33,145	5,289,104
Restricted Cash and Investments	-	2,682,794	1,308,086	-	-	3,990,880
Prepaid Expense and Other	7,808	-	-	-	1,061	8,869
Accounts Receivable	7,372	-	-	-	-	7,372
Total Assets	<u>\$ 4,911,274</u>	<u>\$ 2,682,794</u>	<u>\$ 1,429,912</u>	<u>\$ 238,039</u>	<u>\$ 34,206</u>	<u>\$ 9,296,225</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts Payable	\$ 85,786	\$ -	\$ -	\$ 1,014	\$ 173	\$ 86,973
Accrued Salaries and Benefits	825,662	-	-	-	8,834	834,496
Unearned Revenues	48,453	-	-	-	-	48,453
Total Liabilities	<u>959,901</u>	<u>-</u>	<u>-</u>	<u>1,014</u>	<u>9,007</u>	<u>969,922</u>
Fund Balances						
Nonspendable	7,808	-	-	-	1,061	8,869
Restricted	488,681	2,682,794	1,308,086	237,025	-	4,716,586
Committed	-	-	42,270	-	-	42,270
Assigned	-	-	79,556	-	24,138	103,694
Unassigned	3,454,884	-	-	-	-	3,454,884
Total Fund Balances	<u>3,951,373</u>	<u>2,682,794</u>	<u>1,429,912</u>	<u>237,025</u>	<u>25,199</u>	<u>8,326,303</u>
Total Liabilities and Fund Balances	<u>\$ 4,911,274</u>	<u>\$ 2,682,794</u>	<u>\$ 1,429,912</u>	<u>\$ 238,039</u>	<u>\$ 34,206</u>	<u>\$ 9,296,225</u>

See accompanying Notes to Basic Financial Statements.

PEAK TO PEAK CHARTER SCHOOLS, INC.
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2017

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

Total Fund Balance - Governmental Funds		\$ 8,326,303
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund. The cost of the assets is \$33,649,367 and accumulated depreciation is \$7,324,645.		26,324,722
Deferred Loss on Refunding, Net of Accumulated Amortization		3,233,235
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
Accrued Interest	\$ (293,494)	
Bonds Payable	(16,790,000)	
Bond Premium, Net of Accumulated Amortization	(1,087,316)	
Compensated Absences	(74,195)	
Net Pension Liability	<u>(46,721,084)</u>	(64,966,089)
Deferred outflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Contributions Subsequent to Measurement Date	770,858	
Change in Proportionate Share	578,648	
Change in Experience	584,085	
Change in Assumptions	15,160,018	
Change in Investment Earnings	<u>1,562,256</u>	18,655,865
Deferred inflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Change in Assumptions	(210,688)	
Change in Proportionate Share	(124,549)	
Change in Experience	<u>(411)</u>	<u>(335,648)</u>
Total Net Position		<u><u>\$ (8,761,612)</u></u>

See accompanying Notes to Basic Financial Statements.

PEAK TO PEAK CHARTER SCHOOLS, INC.
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

	General Fund	Prairie View, Inc.	Friends of Peak to Peak, Inc.	Operations and Maintenance	Non-Major Fund Food Services	Total
REVENUES						
Per Pupil Funding	\$ 10,385,493	\$ -	\$ -	\$ -	\$ -	\$ 10,385,493
District Mill Levy	3,278,070	-	-	474,320	-	3,752,390
Rental Income	-	1,419,033	-	-	-	1,419,033
Intergovernmental:						
State Sources	735,103	-	-	-	3,915	739,018
Federal Sources	-	-	-	-	80,092	80,092
Donations	-	-	559,560	-	-	559,560
Other Income	1,333,023	-	-	-	410,572	1,743,595
Investment Income	21,983	9,971	141,493	-	-	173,447
Total Revenues	<u>15,753,672</u>	<u>1,429,004</u>	<u>701,053</u>	<u>474,320</u>	<u>494,579</u>	<u>18,852,628</u>
EXPENDITURES						
Current:						
Instruction	8,709,052	-	-	-	-	8,709,052
Support Services:						
General Administration	3,798,480	-	-	-	516,603	4,315,083
Capital Outlay	6,497	-	-	-	-	6,497
Rent Expense	1,419,033	-	-	-	-	1,419,033
Maintenance and Operations	1,104,639	-	-	237,295	-	1,341,934
Other Supporting Services	399,151	-	165,574	-	-	564,725
Debt Service:						
Principal	-	620,000	-	-	-	620,000
Interest	-	791,950	-	-	-	791,950
Total Expenditures	<u>15,436,852</u>	<u>1,411,950</u>	<u>165,574</u>	<u>237,295</u>	<u>516,603</u>	<u>17,768,274</u>
OTHER FINANCING SOURCES (USES)						
Transfers In	329,672	-	-	-	25,000	354,672
Transfers Out	(25,000)	-	(329,672)	-	-	(354,672)
Total Other Financing Sources (Uses)	<u>304,672</u>	<u>-</u>	<u>(329,672)</u>	<u>-</u>	<u>25,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	621,492	17,054	205,807	237,025	2,976	1,084,354
Fund Balance - Beginning of Year	3,329,881	2,665,740	1,224,105	-	22,223	7,241,949
FUND BALANCE - END OF YEAR	<u>\$ 3,951,373</u>	<u>\$ 2,682,794</u>	<u>\$ 1,429,912</u>	<u>\$ 237,025</u>	<u>\$ 25,199</u>	<u>\$ 8,326,303</u>

See accompanying Notes to Basic Financial Statements.

PEAK TO PEAK CHARTER SCHOOLS, INC.
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

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

Net Change in Fund Balance - Governmental Fund		\$ 1,084,354
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expenses of \$745,570 was greater than capital outlay of \$6,497.		(739,073)
Repayments of debt principal are expenditures in the governmental funds, but they reduce long-term liabilities in the statement of net position and do not affect the statement of activities.		
Principal Payments		620,000
Interest is paid when due in the governmental funds but recorded when payable in the statement of activities.		5,662
Governmental funds report the effect of premiums and loss on refundings when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Premium Amortization	\$ 63,960	
Loss on Refunding Amortization	<u>(190,191)</u>	(126,231)
Total		
Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. The (increases) decreases in these activities consist of:		
Change in Accrued Compensated Absences	(4,401)	
Pension Expense	<u>(7,688,426)</u>	<u>(7,692,827)</u>
Change in Net Position		<u><u>\$ (6,848,115)</u></u>

See accompanying Notes to Basic Financial Statements.

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Peak to Peak Charter Schools, Inc. (the School) conform to accounting principles generally accepted in the United States of America. The following is a summary of the School's significant accounting policies:

Reporting Entity

The School is a charter school organized under the Colorado Charter Schools Act (Colorado Revised Statutes §22-30.5-101). This Act permits school districts to contract with individuals and organizations for the operation of schools within Boulder Valley School District RE-2 (the District). The statutes define these contracted schools as "charter schools". Charter schools are financed from a portion of the school district's School Finance Act revenues and from revenues generated by the charter school within limits established by the Charter School Act. Charter schools have separate governing boards; however, the school district's board of education must approve all charter school applications and budgets.

Peak to Peak Charter Schools, Inc. was formed on May 12, 1998 and began operations as an incorporated school in 2000. The School has been granted 501(c)(3) status by the Internal Revenue Service. The School operates under a charter granted by the Boulder Valley School District RE-2 (the District) Board of Education.

The accompanying financial statements present the School and two nonprofit organizations considered to be blended component units. Blended component units, although legally separate entities, are, in substance, part of the School's operations. Prairie View, Inc. and Friends of Peak to Peak, Inc. (the Foundation) meet the requirements for blending.

Prairie View, Inc. was established for the purpose of financing and constructing the school facilities and to accumulate resources from the collection of rents from the School to make payments for Prairie View, Inc.'s capital and debt service costs. Prairie View, Inc. does not issue separate financial statements.

The Foundation was established to aid in development of the School and is responsible for raising funds to be used for the expansion of the School and its educational objectives. The Foundation does not issue separate financial statements.

The School is a component unit of the District and is included in the District's Comprehensive Annual Financial Report.

Government-Wide and Fund Financial Statements

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

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a 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 individuals 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. Other items not 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 a liability is incurred, regardless of the time of the related cash flows. Revenue from per pupil operating revenue is recognized in the fiscal year for which the funding is provided. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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. Measurable means that the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Charges for services are considered revenue once the service is rendered, and as such are considered susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

The accounts of the School are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The major funds presented in the accompanying basic financial statements are as follows:

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Major Governmental Funds

General Fund: The General Fund is the School's primary operating fund. It accounts for all financial resources of the School, except those required legally or by sound financial management to be accounted for in another fund.

Special Revenue Fund – Prairie View, Inc.: Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The School reports a special revenue fund for Prairie View, Inc.

Special Revenue Fund – Friends of Peak to Peak, Inc.: Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The School reports one special revenue fund for Friends of Peak to Peak, Inc.

Special Revenue Fund – Operations and Maintenance Fund: Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The School reports one special revenue fund for the School's operations and maintenance activities related to a mill levy override as allowed by Colorado House Bill 16-1354 (HB-1354).

Nonmajor Governmental Funds

Special Revenue Fund – Food Services Fund: Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted for specified purposes. The School reports one special revenue fund for the School's food services activity.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. The estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from these estimates.

Cash and Investments

Cash and investments may include cash on hand, demand deposits, certificates of deposit, savings accounts, and pooled investment funds.

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Investments (Continued)

The School has adopted the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*, which requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The School's investments in money market funds and external investment pools are measured at amortized cost or net asset value. The School's investment in the Community First Foundation is valued at fair value based on unobservable inputs. See Note 2 for additional information.

Capital Assets

Capital assets purchased by Prairie View, Inc., which include land, buildings and building improvements, are reported in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at acquisition value at the date of donation. 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. An annual capital asset inventory is performed in accordance with state law (Colorado Revised Statute §29-1-506).

All reported capital assets, except for land, are depreciated once placed in service. Depreciation on all assets is provided using the straight-line method over estimated useful lives of 10 to 50 years.

Deferred Outflows of Resources

The School's governmental activities report a separate section for deferred outflows of resources. This separate financial statement element reflects a decrease in net position that applies to a future period. The School has five types of items classified as deferred outflows of resources: 1) contributions subsequent to measurement date; 2) change in proportionate share; 3) change in experience; 4) change in investment earnings; and 5) change in assumptions. See Note 8 for additional information. The School also has another type of deferred outflow of resources related to a deferred loss on debt refunding.

Accrued Salaries and Benefits

Salaries of teachers and certain other employees are paid over a 12-month period ending July 31. However, most salaries are earned over the traditional school year of September through May. The difference between salary and related benefit amounts earned from July 1 through June 30 and the corresponding amounts paid during this period is shown as a liability for accrued salaries and benefits in the amount of \$834,496.

Long-Term Debt

Long-term debt is reported as liabilities in the statement of net position. Bond premiums and discounts are amortized over the life of debt using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Pension Liability

The School's governmental activities report a net pension liability as of June 30, 2017. Due to GASB No. 68, the School is required to report its proportionate share of PERA's unfunded pension liability. See Note 8 for additional information.

Deferred Inflows of Resources

The School's governmental activities report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period. The School has three items classified as deferred inflows of resources: 1) change in assumptions; 2) change in experience; and 3) change in proportionate share of the net pension liability. See Note 8 for additional information.

Net Position/Fund Balance

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 consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvements of those assets.

In the fund financial statements, fund equity of the School's governmental funds are classified as nonspendable, restricted, committed, assigned or unassigned.

Nonspendable fund balances indicate amounts that cannot be spent either a) due to form; for example, inventories and prepaid amounts or b) due to legal or contractual requirements to be maintained intact.

Restricted fund balances in the School's general fund and special revenue fund – operations and maintenance indicate amounts constrained for specific purpose by external parties, constitutional provision or enabling legislation. Restrictions on these fund balances are described in Note 7. Restrictions for the Friends of Peak to Peak, Inc. fund balance are described in Note 2. Restrictions for Prairie View, Inc., are described in Note 7.

Committed fund balances indicate amounts constrained for a specific purpose by a government using its highest level of decision-making authority. It would require an ordinance by the School's board to remove or change the constraints placed on the resources. This action must occur prior to year-end; however, the amount can be determined in the subsequent period. Friends of Peak to Peak, Inc. has a committed fund balance of \$42,270 for scholarships.

Assigned fund balances indicate amounts for governmental funds, other than the general fund, any remaining positive amounts not classified in the above categories. For the general fund, amounts constrained for the intent to be used for a specific purpose has been delegated to the Business Manager. For the Friends of Peak to Peak, Inc. fund and Food Services fund, the remaining positive amounts not classified in the above categories are considered assigned, which are \$79,556 and \$24,138, respectively.

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position/Fund Balance (Continued)

Unassigned fund balances indicate amounts in the general fund that are not classified as nonspendable, restricted, committed, or assigned. The general fund is the only fund that would report a positive amount in unassigned fund balance.

The School will typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned fund balance.

NOTE 2 CASH AND INVESTMENTS

Cash Deposits

Colorado statutes govern the School's deposits of cash and investments. The Colorado Public Deposit Protection Act (PDPA) requires that all units of a local government deposit cash in eligible public depositories; eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2017, the School's carrying amount of deposits was \$2,425,196.

Investments

Colorado statutes specify in which investment instruments meeting defined rating and risk criteria in which local governments may invest which include:

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

Colorado revised statutes, generally limit investment maturities to five years or less unless formally approved by the board of directors. Such actions are generally associated with a debt service reserve or sinking fund requirements. Revenue bonds of U.S. local governments, corporate and bank securities, and guaranteed investment contracts not purchased with bond proceeds are limited to maturities of three years or less.

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

At June 30, 2017, unrestricted investments in the General Fund totaled \$2,863,908 and is invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commission administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+.

Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. Government agencies, highest rated commercial paper, and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's and is measured at net asset value (NAV). There are no unfunded commitments, the redemption frequency is daily, and there is no redemption notice period.

Friends of Peak to Peak, Inc.'s investments consisted of a restricted endowment for \$1,297,239 held with the Community First Foundation, which does not have a credit rating and \$10,847 held in restricted bond and money market funds that do not have a credit rating and are valued at amortized cost.

The bonds require Prairie View, Inc. to maintain certain investment reserve accounts. These accounts are held by a trustee. Monthly rent payments from the School (see Note 5) are deposited in the accounts and the semi-annual bond payments are made from the accounts. At June 30, 2017, \$1,004,514 is held in reserved accounts required by the bond agreements, which is to be used for payment of principal and interest on the bonds. These funds as of June 30, 2017 were invested in the following:

Investment	Maturity Less Than One Year	Maturity 1 - 5 Years	Maturity 6-10 Years	Standard & Poor's Rating	Total	Concentration
First American Government Obligations Fund Class D	\$ 1,004,514	\$ -	\$ -	AAAM	\$ 1,004,514	100.0%
Total	<u>\$ 1,004,514</u>	<u>\$ -</u>	<u>\$ -</u>		<u>\$ 1,004,514</u>	100.0%

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments (Continued)

An additional \$1,426,847 is held in a reserve account and another \$251,433 is held in a repair and replacement account required by the bond agreements, which are invested in an external investment pool, the Colorado Surplus Asset Fund Trust (CSAFE). CSAFE is a trust established by local Colorado government entities in 1988. Purchases and redemption are available daily at a net asset value (NAV) of \$1.00. Investments consist of U.S. Treasury and U.S. Agency securities and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities. CSAFE is rated AAAM by Standard and Poor's and is valued at amortized cost.

Credit Risk

State law does not limit investment to U.S. Treasury issues, other federally backed notes and credits, and other agency offerings. Other investment instruments including bank obligation, general obligation bonds, and commercial paper are limited to at least one of the highest rating categories of at least one nationally recognized rating agency. State law further limits investments in money market funds that are organized according to the Federal Investment Company Act of 1940, as specified in rule 2a-7, as amended, as long as such rule does not increase remaining maturities beyond a maximum of three years.

Investments in these funds require that the institutions have assets in excess of \$1 billion or the highest credit rating from one or more of a nationally recognized rating agency.

Interest Rate Risk

The Trustee is required to maintain liquidity of the investment funds held so as to meet cash requirements of the principal and interest requirements of the bonds on a semiannual basis. The money market funds held in investments have maturities of less than one year.

Fair Value Measurements

The School categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The School has the following recurring fair value measurements as of June 30, 2017:

- Endowment held within the Community First Foundation is valued based on unobservable inputs including information from owner-to-owner transactions and the Foundation's own assumptions (Level 3). As of June 30, 2017, Peak to Peak Charter School has a total of \$1,297,239 within Level 3 investments.

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	Balance June 30, 2016	Increases	Decreases	Transfers	Balance June 30, 2017
Capital Assets, Not Depreciated:					
Land	\$ 1,657,966	\$ -	\$ -	\$ -	\$ 1,657,966
Capital Assets, Being Depreciated:					
Land Improvements	3,454,162	6,497	-	-	3,460,659
Buildings and Building Improvements	28,139,108	-	-	-	28,139,108
Equipment	391,634	-	-	-	391,634
Total Capital Assets, Being Depreciated	31,984,904	6,497	-	-	31,991,401
Accumulated Depreciation:					
Land Improvements	(1,221,749)	(149,694)	-	-	(1,371,443)
Buildings and Building Improvements	(5,216,911)	(556,713)	-	-	(5,773,624)
Equipment	(140,415)	(39,163)	-	-	(179,578)
Total Accumulated Depreciation	(6,579,075)	(745,570)	-	-	(7,324,645)
Total Capital Assets, Being Depreciated, Net	25,405,829	(739,073)	-	-	24,666,756
Total Capital Assets	<u>\$ 27,063,795</u>	<u>\$ (739,073)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 26,324,722</u>

Depreciation expense of \$745,570 was charged to the maintenance and operations function/program of the School.

NOTE 4 BONDS PAYABLE

On July 15, 2014, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$17,880,000 Charter School Refunding Revenue Bonds, Series 2014. Proceeds were used to refund the outstanding Series 2004 Charter School Revenue and Refunding Bonds. Interest accrues at rates ranging from 2% to 5% per annum, and is payable semi-annually on August 15 and February 15. Principal payments are due annually on August 15, through 2034.

Prairie View, Inc. has granted the Authority a mortgage lien on the real estate and a security interest in the lease revenues from the School. The Authority's rights under the agreement have been assigned to the Trustee.

The lease revenues which are the basis of the pledged revenues are described in Note 5. The lease revenue over the term of the agreement is equal to the expected principal and interest payments to be made over the life of the bonds, approximately \$26,600,000. One hundred percent of lease revenues have been pledged under the agreement. Lease revenue was approximately equal to the debt service requirements of the bond for the year ended June 30, 2017, approximately \$1,419,000.

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 4 BONDS PAYABLE (CONTINUED)

Bonds payable consisted of the following at June 30, 2017:

Charter School Refunding Revenue Bonds dated July 15, 2014, due in annual installments ranging from \$470,000 to \$1,350,000 through August 2034; interest (rate ranging from 2.00% to 5.00%) payable semi-annually on August 15 and February 15. Revenue from the rental of the building (Note 4) has been pledged to pay principal and interest.

	\$ 16,790,000
Plus: Bond Premium	<u>1,087,316</u>
Subtotal	17,877,316
Less: Current Portion	<u>(640,000)</u>
Total	<u><u>\$ 17,237,316</u></u>

The following schedule represents the School's debt service requirements to maturity for outstanding revenue bonds at June 30, 2017:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 640,000	\$ 773,050	\$ 1,413,050
2019	655,000	750,600	1,405,600
2020	680,000	724,150	1,404,150
2021	710,000	696,350	1,406,350
2022	740,000	667,350	1,407,350
2023-2027	4,185,000	2,820,275	7,005,275
2028-2032	5,315,000	1,656,875	6,971,875
2033-2035	3,865,000	269,125	4,134,125
Total	<u><u>\$ 16,790,000</u></u>	<u><u>\$ 8,357,775</u></u>	<u><u>\$ 25,147,775</u></u>

Changes in bonds payable for the year ended June 30, 2017 were as follows:

	<u>Balance</u>			<u>Balance</u>	<u>Amounts</u>
	<u>June 30, 2016</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2017</u>	<u>Due Within</u>
					<u>One Year</u>
Bonds Payable - Series 2014	\$ 17,410,000	\$ -	\$ (620,000)	\$ 16,790,000	\$ 640,000
Premium - Series 2014	1,151,276	-	(63,960)	1,087,316	-
Compensated Absences	69,794	135,251	(130,850)	74,195	2,767
Total	<u><u>\$ 18,631,070</u></u>	<u><u>\$ 135,251</u></u>	<u><u>\$ (814,810)</u></u>	<u><u>\$ 17,951,511</u></u>	<u><u>\$ 642,767</u></u>

NOTE 5 LEASES

The School leases its building from Prairie View, Inc. The lease requires monthly payments, which approximate Prairie View, Inc.'s required payments on the bonds (see Note 4) and may be terminated in any year by nonappropriation of funds. Prairie View, Inc. has pledged the lease payments to pay bond principal and interest.

Rent expense was \$1,419,033 for the year ended June 30, 2017, and is included in support services expenditures.

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 5 LEASES (CONTINUED)

The lease between the School (lessee) and Prairie View, Inc. (lessor) includes certain restrictive covenants related to expenditures and unrestricted cash balances. The School believes it is in compliance with the covenants.

NOTE 6 RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The School carries commercial insurance for these and other risks of loss. Settled claims have not exceeded this coverage in the past three years.

NOTE 7 RESTRICTION OF NET POSITION / FUND BALANCE

On November 3, 1992, the voters of the State approved an amendment to the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR limits the ability of the state and local governments such as the School to increase revenues, debt and spending and restricts property, income and other taxes. In addition, the amendment requires government entities to create an emergency "reserve" of 3% of annual spending excluding bonded debt service. At June 30, 2017, management believes the School has complied with the requirements to include emergency reserves in its budgetary basis fund balance in the amount of \$488,681.

Prairie View, Inc. is required to hold funds in escrow accounts related to its bond obligations as identified in Note 2, net position/fund balance are restricted attributable to the restrictions on its cash and investments in the amount of \$2,682,794.

\$237,025 of the special revenue fund – operations and maintenance fund balance has been restricted for the School's operations and maintenance activities related to a mill levy override as required by HB-1354.

NOTE 8 DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

The School participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension fund administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deletions 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.

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

General Information about the Pension Plan

Plan Description: Eligible employees of the School 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 are 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. Retirements are determined by the amount of service credit earned and/or purchases, highest average salary, the benefit structure 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 five years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Benefit recipients under the PERA Benefit Structure who began eligible employment before January 1, 2007 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 Earners and Clerical Workers (CPI-W) for the prior calendar year.

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 (AIR) for the SCHDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled. Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

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

	For the Year Ended December 31,	
	2016	2017
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. § 24-51-411*	4.50	4.50
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411*	4.50	5.00
Total Employer Contribution Rate to the SCHDTF*	18.13%	18.63%

*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 School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF for the School for the year ended June 30, 2017 was \$1,343,137.

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2017, the School reported a liability of \$46,721,084 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The School's proportion of the net pension liability was based on the School's contributions to the SCHDTF for the calendar year 2016 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2016, the School's proportion was 0.1569197711%, which was an increase of 0.0030984329% from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, the School recognized pension expense of \$7,688,426. At June 30, 2017, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 584,085	\$ 411
Changes of Assumptions or Other Inputs	15,160,018	210,688
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,562,256	-
Change in Proportion and Differences Between Contributions Recognized and Proportionate Share of Contributions	578,648	124,549
Contributions Subsequent to the Measurement Date	770,858	-
Total	<u>\$ 18,655,865</u>	<u>\$ 335,648</u>

\$770,858 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	<u>Amount</u>
2018	\$ 7,006,880
2019	7,075,676
2020	3,451,219
2021	15,584
Total	<u>\$ 17,549,359</u>

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

Actuarial Cost Method	Entry Age
Price Inflation	2.40%
Real Wage Growth	1.10%
Wage Inflation	3.50%
Salary Increases, Including Wage Inflation	3.50 – 9.70%
Long-Term Investment Rate of Return, Net of Pension Plan Investment Expenses, Including Price Inflation	7.25%
Discount Rate	5.26%
Future Post-Retirement Benefit Increases:	
PERA Benefit Structure Hired Prior to 1/1/07; and DPS Benefit Structure (Automatic)	2.00%
PERA Benefit Structure Hired After 12/31/06 (Ad Hoc, Substantively Automatic)	Financed by the Annual Increase Reserve

Mortality rates used in the December 31, 2015 valuation were based on the RP-2000 Combined Mortality Table for males or females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with males set back one year, and females set back two years. Active member mortality was based upon the same mortality rates but adjusted to 55% of the base rate for males and 40% of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

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

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

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

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

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

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

Several factors were considered in evaluating the long-term rate of return assumption for the SCHDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the November 18, 2016 adoption of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>10 Year Expected Geometric Real Rate of Return</u>
U.S. Equity - Large Cap	21.20 %	4.30 %
U.S. Equity - Small Cap	7.42	4.80
Non U.S. Equity - Developed	18.55	5.20
Non U.S. Equity - Emerging	5.83	5.40
Core Fixed Income	19.32	1.20
High Yield	1.38	4.30
Non U.S. Fixed Income - Developed	1.84	0.60
Emerging Market Bonds	0.46	3.90
Core Real Estate	8.50	4.90
Opportunity Fund	6.00	3.80
Private Equity	8.50	6.60
Cash	1.00	0.20
Total	<u>100.00 %</u>	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

Discount Rate: The discount rate used to measure the total pension liability was 5.26%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the project of cash flows:

- Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

Based on the above assumptions and methods, the GASB Statement No. 67 projection test indicates the SCHDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25% on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.86%, resulting in a discount rate of 5.26%.

As of the prior measurement date, the GASB Statement No. 67 projection test indicated the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments of 7.50% was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use a municipal bond index rate and the discount rate was 7.50%, 2.24% higher compared to the current measurement date.

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 5.26%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (4.26%) or one percentage-point higher (6.26%) than the current rate:

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2017

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

	1% Decrease (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
Proportionate Share of the Net Pension Liability	\$ 58,750,262	\$ 46,721,084	\$ 36,923,754

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 9 POSTEMPLOYMENT HEALTHCARE BENEFITS

Health Care Trust Fund

Plan Description – The School contributes to the Health Care Trust Fund (HCTF), a cost sharing multiple employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies.

PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy – The School is required to contribute at a rate of 1.02% of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the School are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2017, 2016 and 2015, the School's contributions to the HCTF were \$74,401, \$70,180 and \$64,199, respectively, equal to their required contributions for each year.

PEAK TO PEAK CHARTER SCHOOLS, INC.
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Per Pupil Revenue	\$ 10,399,901	\$ 10,385,199	\$ 10,385,493	\$ 294
District Mill Levy	3,285,720	3,278,071	3,278,070	(1)
Intergovernmental:				
State Sources	673,225	720,651	735,103	14,452
Federal Sources	-	-	-	-
Other Income	1,135,274	1,130,274	1,333,023	202,749
Investment Income	20,000	20,000	21,983	1,983
Total Revenues	<u>15,514,120</u>	<u>15,534,195</u>	<u>15,753,672</u>	<u>219,477</u>
EXPENDITURES				
Current:				
Instruction	8,659,396	8,831,844	8,709,052	122,792
Support Services:				
General Administration	3,900,078	3,930,746	3,798,480	132,266
Capital Outlay	-	48,250	6,497	41,753
Rent Expense	1,444,055	1,443,055	1,419,033	24,022
Facilities and Maintenance	1,067,597	1,111,321	1,104,639	6,682
Other Supporting Services	298,357	289,584	399,151	(109,567)
Total Expenditures	<u>15,369,483</u>	<u>15,654,800</u>	<u>15,436,852</u>	<u>217,948</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	307,000	355,826	329,672	(26,154)
Transfers Out	-	(25,000)	(25,000)	-
Total Other Financing Sources (Uses)	<u>307,000</u>	<u>330,826</u>	<u>304,672</u>	<u>(26,154)</u>
NET CHANGE IN FUND BALANCE	451,637	210,221	621,492	411,271
Fund Balance - Beginning of Year	<u>3,238,431</u>	<u>3,329,881</u>	<u>3,329,881</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 3,690,068</u>	<u>\$ 3,540,102</u>	<u>\$ 3,951,373</u>	<u>\$ 411,271</u>

See accompanying Note to Required Supplementary Information.

PEAK TO PEAK CHARTER SCHOOLS, INC.
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – FRIENDS OF PEAK TO PEAK, INC.
YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Donations	\$ 401,000	\$ 571,500	\$ 559,560	\$ (11,940)
Investment Income	-	23,363	141,493	118,130
Total Revenues	<u>401,000</u>	<u>594,863</u>	<u>701,053</u>	<u>106,190</u>
EXPENDITURES				
Other Supporting Services	94,000	170,981	165,574	5,407
OTHER FINANCING SOURCES (USES)				
Transfers Out	<u>(307,000)</u>	<u>(355,826)</u>	<u>(329,672)</u>	<u>26,154</u>
NET CHANGE IN FUND BALANCE	-	68,056	205,807	137,751
Fund Balance - Beginning of Year	<u>1,188,135</u>	<u>1,224,105</u>	<u>1,224,105</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 1,188,135</u></u>	<u><u>\$ 1,292,161</u></u>	<u><u>\$ 1,429,912</u></u>	<u><u>\$ 137,751</u></u>

See accompanying Note to Required Supplementary Information.

PEAK TO PEAK CHARTER SCHOOLS, INC.
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – OPERATIONS AND MAINTENANCE FUND
YEAR ENDED JUNE 30, 2017

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
District Mill Levy	\$ 474,483	\$ 474,320	\$ (163)
EXPENDITURES			
Maintenance and Operations	<u>457,634</u>	<u>237,295</u>	<u>220,339</u>
NET CHANGE IN FUND BALANCE	16,849	237,025	220,176
Fund Balance - Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 16,849</u></u>	<u><u>\$ 237,025</u></u>	<u><u>\$ 220,176</u></u>

See accompanying Note to Required Supplementary Information.

PEAK TO PEAK CHARTER SCHOOLS, INC.
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN FISCAL YEARS*

	2016	2015	2014	2013
School's Proportion (Percentage) of the Collective Net Pension Liability (Asset)	0.1569197711%	0.1538213382%	0.1493013359%	0.1544626795%
School's Proportionate Share of the Collective Pension Liability (Asset)	46,721,084	23,525,888	20,235,346	19,701,673
Covered Payroll	7,042,730	7,196,937	6,715,234	6,491,195
School's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	663.39%	326.89%	301.33%	303.51%
Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability	43.10%	59.20%	62.80%	64.06%

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

PEAK TO PEAK CHARTER SCHOOLS, INC.
SCHEDULE OF CONTRIBUTIONS AND RELATED RATIOS
LAST TEN FISCAL YEARS*

As of June 30,	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily Required Contributions	\$ 1,343,137	\$ 1,223,456	\$ 1,070,807	\$ 1,018,001
Contributions in Relation to the Statutorily Required Contribution	<u>1,343,137</u>	<u>1,223,456</u>	<u>1,070,807</u>	<u>1,018,001</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	7,294,252	6,872,086	6,390,053	6,199,888
Contribution as a Percentage of Covered Payroll	18.41%	17.80%	16.76%	16.42%

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

See accompanying Note to Required Supplementary Information.

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2017

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING

The School conducts all necessary budgeting procedures maintaining separate budgets for each fund.

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

- a) Budgets for all funds are required by the District. During June, the proposed budget is submitted to the Board for consideration and approval at a public hearing. The budget includes proposed expenditures and the means of financing them.
- b) The Public hearings are conducted by the School's Board of Directors to allow parents and other members of the public comment and recommendations.
- c) Prior to June 30, the budget is adopted by formal resolution.
- d) The School's contract with the District requires submission of the approval and amended budgets to the District.
- e) Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budgeted amounts between funds, reallocation of budget line items and revisions that alter the total appropriations of any fund must be approved by the School's Board of Directors. Appropriations are based on total funds expected to be available in each budget year, which may include beginning fund balances and reserves as established by the Board of Directors.
- f) Budgets for all fund types are adopted on a basis consistent with GAAP.
- g) Budgeted amounts reported in the accompanying supplemental information are as originally adopted and as amended by the Board of Directors throughout the year. Budgeted amounts included in the financial statements are based on the final budget as adopted by the School's Board of Directors after the October 1, 2016 student count day.
- h) There was no legally adopted budget for Prairie View, Inc.
- i) All appropriations lapse at the end of each fiscal year.

PEAK TO PEAK CHARTER SCHOOLS, INC.
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – FOOD SERVICES FUND
YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Food Service	\$ 463,500	\$ 476,000	\$ 494,579	\$ 18,579
EXPENDITURES				
General Administration	458,301	522,439	516,603	5,836
OTHER FINANCING SOURCES (USES)				
Transfers In	-	25,000	25,000	-
NET CHANGE IN FUND BALANCE	5,199	(21,439)	2,976	24,415
Fund Balance - Beginning of Year	22,745	22,223	22,223	-
FUND BALANCE - END OF YEAR	<u>\$ 27,944</u>	<u>\$ 784</u>	<u>\$ 25,199</u>	<u>\$ 24,415</u>