

**PLATTE RIVER ACADEMY**

**FINANCIAL STATEMENTS**

**June 30, 2017**



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**PLATTE RIVER ACADEMY**

**ROSTER OF SCHOOL OFFICIALS**

June 30, 2017

**GOVERNING BOARD**

President	Bret Bach
Vice-President	Janeen Galligan
Secretary	Gwen Benevento
Treasurer	Kevin McNally
Governor	Kevin Croshal
Governor	Bryan Koepf
Governor	Heidi Bienvenu

**SCHOOL MANAGEMENT**

Mike Munier, Principal

Becky Bonner, Assistant Principal

Jackie Cote, Business Manager

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Governing Board  
Platte River Academy  
Highlands Ranch, Colorado

## INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Platte River Academy, component unit of Douglas County School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of Platte River 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, and each major fund of Platte River Academy as of June 30, 2017, 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.

*Ernst & Young LLP*

October 25, 2017

**PLATTE RIVER ACADEMY**  
Management's Discussion and Analysis  
Fiscal Year Ended June 30, 2017

As management of Platte River Academy (PRA), we offer readers of the Academy's basic financial statements this narrative and analysis of the financial activities of PRA for the year ended June 30, 2017. We encourage readers to consider the information presented here in conjunction with additional information provided in the accompanying financial statements.

**Financial Highlights**

The year ended June 30, 2017 is the 19<sup>th</sup> year of operations for PRA. The General Fund balance decreased to \$1,445,686 from \$1,727,610 at June 30, 2016.

The operations of PRA are funded primarily by tax revenue received under the State School Finance Act (the Act). Tax revenue for the year from Per Pupil Revenue was \$3,717,136 up from \$3,641,602 in the year ended June 30, 2016.

**Overview of Financial Statements**

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

**Government-Wide Financial Statements**

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

The statement of net position presents information on all PRA's assets and liabilities, and deferred inflows and outflows, with the difference being reported as net position. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial position of PRA is improving or deteriorating. The statement of activities presents information showing how PRA's net position changed during the 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 the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future periods (for example, salaries and benefits earned but unpaid as of year end).

## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. PRA keeps track of these monies to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of resources, as well as on balances of unrestricted resources available at the end of the fiscal year. Such information may be useful in evaluating PRA'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 PRA's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditure and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

PRA adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for this fund to demonstrate compliance with the budget.

**Proprietary Fund.** The Building Corporation enterprise fund shows income and expense and balance sheet information as it relates to the assets purchased with tax-exempt financing, and related debt.

## **Notes to Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

## **Government-wide Financial Analysis**

As noted previously, net position may serve over time as a useful indicator of PRA's financial position. For the year ended June 30, 2017, PRA's combined liabilities and deferred inflows exceeded assets and deferred outflows by (\$8,234,969) as compared to (\$5,010,370) in the year ended June 30, 2016. This increase is primarily due to the impact of the adoption of GASB No. 68 which requires the reporting of PRA's proportionate share of the Colorado Public Employees Retirement Association's net pension liability. Of the June 30, 2017 amount, \$135,000 is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment.

**NET POSITION**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>	
	<b>2016-17</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2015-16</b>
<b><u>Assets</u></b>				
Cash and Investments	\$ 1,784,286	\$ 2,006,780	\$ -	\$ -
Restricted Cash	-	-	1,033,077	829,660
Accounts Receivable	24,783	7,300	-	-
Land	-	-	553,332	553,332
Capital Assets	-	-	3,737,422	3,861,175
Total Assets	<u>\$ 1,809,069</u>	<u>\$ 2,014,080</u>	<u>\$ 5,323,831</u>	<u>\$ 5,244,167</u>
<b><u>Deferred Outflows of Resources</u></b>				
Pensions, Net of Accumulated Amortization	\$ 6,644,683	\$ 1,348,745	-	-
Loss on Debt Refunding, Net of Accumulated Amortization	-	-	1,043,090	928,523
<b><u>Liabilities</u></b>				
Current Liabilities	\$ 363,383	\$ 335,323	\$ 90,234	\$ 92,228
Due In One Year	3,000	3,000	115,000	220,000
Long Term Debt	9,014	8,314	6,129,928	5,665,714
Net Pension Liability	<u>16,273,784</u>	<u>8,106,423</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>\$ 16,649,181</u>	<u>\$ 8,453,060</u>	<u>\$ 6,335,162</u>	<u>\$ 5,977,942</u>
<b><u>Deferred Inflows of Resources Pensions</u></b>				
	71,299	114,883	-	-
<b><u>Net Position</u></b>				
Net investment in Capital Assets\$	-	-	\$ (409,573)	\$ (542,684)
Restricted for Debt Service	-	-	441,322	666,510
Restricted for R&R	-	-	-	70,922
Restricted for Capital Outlay	164,126	170,677	-	-
Reserved for Emergencies	135,000	133,000	-	-
Unrestricted	<u>(8,565,854)</u>	<u>(5,508,795)</u>	<u>-</u>	<u>-</u>
Total Net Position	<u>\$ (8,266,728)</u>	<u>\$ (5,205,118)</u>	<u>\$ 31,759</u>	<u>\$ 194,748</u>

## CHANGE IN NET POSITION

	Governmental Activities		Business-Type Activities	
	2016-17	2015-16	2016-17	2015-16
<b>Revenues</b>				
Charges for Services	\$ 277,418	\$ 280,056	\$ -	\$ -
Grants & Contributions	60,680	46,635	-	-
Per Pupil Revenues	3,717,136	3,641,602	-	-
Mill Levy Overrides	287,061	287,126	-	-
Capital Construction	145,659	134,855	-	-
Earnings on Investments	10,539	32,410	4,253	95
Other	<u>12,778</u>	<u>6,044</u>	<u>-</u>	<u>-</u>
Total Revenue	\$ 4,511,271	\$ 4,428,728	\$ 4,253	\$ 95
<b>Expenses</b>				
Instruction	\$ (5,709,059)	\$(3,525,809)	\$ -	\$ -
Supporting Services	(1,518,707)	(996,657)	-	-
Building Corporation	<u>-</u>	<u>-</u>	<u>(512,357)</u>	<u>(466,175)</u>
Total Expenses	\$ (7,227,766)	\$( 4,522,466)	\$ (512,357)	\$ (466,175)
Transfers	<u>(345,115)</u>	<u>(495,091)</u>	<u>345,115</u>	<u>495,091</u>
Decrease in Net Position	\$ (3,061,610)	\$ (588,829)	\$ (162,989)	\$ 29,011
Net Position, Beginning	<u>(5,205,118)</u>	<u>(4,616,289)</u>	<u>194,748</u>	<u>165,737</u>
Total Net Position	<u>\$ ( 8,266,728)</u>	<u>\$(5,205,118)</u>	<u>\$ 31,759</u>	<u>\$ 194,748</u>

### Analysis of Significant Changes

PRA net position is a negative (\$8,234,969). The negative balance is due primarily to the adoption of GASB Statement No. 68, resulting in a net pension liability of \$16,273,784, representing PRA's proportionate share of Colorado Public Employees Retirement Association net pension liability.

### Financial Analysis of the Academy's Funds

#### Governmental Funds

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

The General Fund is the major operating fund of PRA. During the current fiscal year, the fund balance decreased by \$281,924 from \$1,727,610 to \$1,445,686 per approval by the PRA Board of Directors to refresh technology and service building improvements.

### **Proprietary Fund – Building Corporation**

The Building Corporation activities consisted of Depreciation Expense amounting to \$123,753 and Interest and Fees Expense totaling \$190,305.

### **General Fund Budgetary Highlights**

PRA's 2016-17 Final Budget budgeted for General Fund expenditures of \$4,831,122 for the year ended June 30, 2017. Actual expenditures were \$4,865,440. The significant increase in expenses from the original budget was the Board of Directors approval to update technology equipment and make necessary building improvements.

### **Capital Assets and Long-Term Debt**

As of June 30, 2017, the Building Corporation owned the building used by PRA and was obligated to pay on a tax-exempt debt in the amount of \$6,075,000. The total due within one year is \$115,000. The debt accrues interest at rates ranging from 4% to 5%. Interest payments are due on September 1 and March 1 each year through 2044. There is no other long-term debt other than compensated absences payable. Additional information on capital assets and long-term debt is available in Notes 3 and 4 of the financial statements. **NOTE:** On February 22, 2017, CECFA issued \$6,075,000 Charter School Refunding and Improvement Revenue Bonds, Series 2017A and 2017B. Bond proceeds were used to refund the outstanding Series 2004 Bonds and to loan an additional \$500,000 to the Corporation to construct new classrooms. Those funds are being held at UMB Bank until the school has approved any building improvement plan(s).

### **Economic Factors and Next Year's Budget**

The primary factor driving the budget for PRA is student enrollment. The funded pupil enrollment for the 2016-17 school year was 524.66. The enrollment projected for the 2017-18 school year is expected to be approximately 527.16. PRA has been diligent in their budget to reflect the unstable economic status of the State. The Academy has also created a conservative 4-year budget that the Board of Directors has approved.

### **Request for Information**

This financial report is designed to provide a general overview of PRA's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Jackie Cote, Business Manager, Platte River Academy, 4085 Lark Sparrow Street, Highlands Ranch, CO, 80126.

## **BASIC FINANCIAL STATEMENTS**

PLATTE RIVER ACADEMY

STATEMENT OF NET POSITION

June 30, 2017

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
Cash and Investments	\$ 1,784,286	\$ -	\$ 1,784,286
Restricted Cash and Investments	-	1,033,077	1,033,077
Accounts Receivable	24,783	-	24,783
Capital Assets, Not Being Depreciated	-	553,332	553,332
Capital Assets, Net of Accumulated Depreciation	-	3,737,422	3,737,422
<b>TOTAL ASSETS</b>	<b>1,809,069</b>	<b>5,323,831</b>	<b>7,132,900</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pensions, Net of Accumulated Amortization	6,644,683	-	6,644,683
Loss on Debt Refunding, Net of Accumulated Amortization	-	1,043,090	1,043,090
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>6,644,683</b>	<b>1,043,090</b>	<b>7,687,773</b>
<b>LIABILITIES</b>			
Accounts Payable	768	-	768
Accrued Salaries and Benefits	349,505	-	349,505
Unearned Revenues	13,110	-	13,110
Accrued Interest Payable	-	90,234	90,234
Noncurrent Liabilities			
Due Within One Year	3,000	115,000	118,000
Due in More Than One Year	9,014	6,129,928	6,138,942
Net Pension Liability	16,273,784	-	16,273,784
<b>TOTAL LIABILITIES</b>	<b>16,649,181</b>	<b>6,335,162</b>	<b>22,984,343</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pensions, Net of Accumulated Amortization	71,299	-	71,299
<b>NET POSITION</b>			
Net Investment in Capital Assets	-	(409,573)	(409,573)
Restricted for Debt Service	-	441,332	441,332
Restricted for Capital Outlay	164,126	-	164,126
Restricted for Emergencies	135,000	-	135,000
Unrestricted	(8,565,854)	-	(8,565,854)
<b>TOTAL NET POSITION</b>	<b>\$ (8,266,728)</b>	<b>\$ 31,759</b>	<b>\$ (8,234,969)</b>

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

PLATTE RIVER ACADEMY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
<b>PRIMARY GOVERNMENT</b>			
<b>Governmental Activities</b>			
Instruction	\$ 5,709,059	\$ 236,569	\$ 4,301
Supporting Services	1,518,707	40,849	-
Total Governmental Activities	7,227,766	277,418	4,301
<b>Business-Type Activities</b>			
Building Corporation	512,357	-	-
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 7,740,123</b>	<b>\$ 277,418</b>	<b>\$ 4,301</b>

GENERAL REVENUES

Per Pupil Revenue  
 District Mill Levy  
 Capital Construction  
 Grants and Contributions not  
 Restricted to Specific Programs  
 Investment Income  
 Other

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
\$ (5,468,189)	\$ -	\$ (5,468,189)
(1,477,858)	-	(1,477,858)
(6,946,047)	-	(6,946,047)
-	(512,357)	(512,357)
(6,946,047)	(512,357)	(7,458,404)
3,717,136	-	3,717,136
287,061	-	287,061
145,659	-	145,659
56,379	-	56,379
10,539	4,253	14,792
12,778	-	12,778
(345,115)	345,115	-
3,884,437	349,368	4,233,805
(3,061,610)	(162,989)	(3,224,599)
(5,205,118)	194,748	(5,010,370)
\$ (8,266,728)	\$ 31,759	\$ (8,234,969)

PLATTE RIVER ACADEMY

BALANCE SHEET  
GOVERNMENTAL FUND

June 30, 2017

	<u>GENERAL</u>
<b>ASSETS</b>	
Cash and Investments	\$ 1,784,286
Accounts Receivable	24,783
<b>TOTAL ASSETS</b>	<u>\$ 1,809,069</u>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>LIABILITIES</b>	
Accounts Payable	\$ 768
Accrued Salaries and Benefits	349,505
Unearned Revenues	13,110
<b>TOTAL LIABILITIES</b>	<u>363,383</u>
<b>FUND BALANCE</b>	
Restricted for Capital Outlay	164,126
Restricted for Emergencies	135,000
Unrestricted, Unassigned	1,146,560
<b>TOTAL FUND BALANCE</b>	<u>1,445,686</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u>\$ 1,809,069</u>
 Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Total Fund Balance of the Governmental Fund	\$ 1,445,686
Long-term liabilities and related items, including compensated absences (\$12,014), net pension liability (\$16,273,784), pension-related deferred outflows of resources \$6,644,683, and pension-related deferred inflows of resources (\$71,299) are not due and payable in the current year and, therefore, are not reported in governmental funds.	<u>(9,712,414)</u>
Total Net Position of Governmental Activities	<u>\$ (8,266,728)</u>

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

PLATTE RIVER ACADEMY

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

	<u>GENERAL</u>
REVENUES	
Local Sources	\$ 4,361,311
State Sources	149,960
	<u>4,511,271</u>
TOTAL REVENUES	
EXPENDITURES	
Instruction	3,523,107
Supporting Services	1,342,333
	<u>4,865,440</u>
TOTAL EXPENDITURES	
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(354,169)
OTHER FINANCING SOURCES	
Transfers In	72,245
	<u>72,245</u>
NET CHANGE IN FUND BALANCE	(281,924)
FUND BALANCE, Beginning	1,727,610
	<u>1,727,610</u>
FUND BALANCE, Ending	\$ 1,445,686
	<u>1,445,686</u>
 Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Net Change in Fund Balance of the Governmental Fund	\$ (281,924)
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 benefits \$48,853, accrued compensated absences (\$700), net pension liability (\$8,167,361), pension-related deferred outflows of resources \$5,295,938, and pension-related deferred inflows of resources \$43,584 in the current year.	(2,779,686)
	<u>(2,779,686)</u>
Change in Net Position of Governmental Activities	\$ (3,061,610)
	<u>(3,061,610)</u>

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

PLATTE RIVER ACADEMY  
STATEMENT OF NET POSITION  
PROPRIETARY FUND  
June 30, 2017

	<u>BUILDING CORPORATION</u>
<b>ASSETS</b>	
<b>CURRENT ASSETS</b>	
Restricted Cash and Investments	\$ 1,033,077
<b>NONCURRENT ASSETS</b>	
Capital Assets, Not Being Depreciated	553,332
Capital Assets, Net of Accumulated Depreciation	<u>3,737,422</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>4,290,754</u>
<b>TOTAL ASSETS</b>	<u>5,323,831</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Loss on Debt Refunding, Net of Accumulated Amortization	<u>1,043,090</u>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accrued Interest Payable	90,234
Loan Payable, Current Portion	<u>115,000</u>
<b>TOTAL CURRENT LIABILITIES</b>	205,234
<b>NONCURRENT LIABILITIES</b>	
Loan Payable	<u>6,129,928</u>
<b>TOTAL LIABILITIES</b>	<u>6,335,162</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	(409,573)
Restricted for Debt Service	<u>441,332</u>
<b>TOTAL NET POSITION</b>	<u>\$ 31,759</u>

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

PLATTE RIVER ACADEMY  
STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN NET POSITION  
PROPRIETARY FUND  
Year Ended June 30, 2017

	BUILDING CORPORATION
OPERATING REVENUES	
Lease Income	\$ 417,360
OPERATING EXPENSES	
Depreciation	123,753
Debt Service	
Interest and Fees	190,305
TOTAL OPERATING EXPENSES	314,058
NET OPERATING INCOME	103,302
NONOPERATING REVENUES (EXPENSES)	
Investment Income	4,253
Debt Issuance Costs	(198,299)
TOTAL NONOPERATING REVENUES (EXPENSES)	(194,046)
NET INCOME (LOSS) BEFORE TRANSFERS	(90,744)
Transfers Out	(72,245)
CHANGE IN NET POSITION	(162,989)
NET POSITION, Beginning	194,748
NET POSITION, Ending	\$ 31,759

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

PLATTE RIVER ACADEMY  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUND  
Increase (Decrease) in Cash and Cash Equivalents  
Year Ended June 30, 2017

	<u>BUILDING CORPORATION</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Lease Payments Received	\$ 417,360
Loan Interest and Fees Paid	<u>(138,342)</u>
Net Cash Provided by Operating Activities	<u>279,018</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Debt Proceeds	6,247,115
Payment to Escrow Agent	(6,056,425)
Debt Issuance Costs Paid	(198,299)
Payments to the Academy	<u>(72,245)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(79,854)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Investment Income Received	<u>4,253</u>
<b>NET CHANGE IN CASH AND CASH EQUIVALENTS</b>	203,417
CASH AND CASH EQUIVALENTS, Beginning	<u>829,660</u>
CASH AND CASH EQUIVALENTS, Ending	<u><u>\$ 1,033,077</u></u>
<b>RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Net Operating Income	\$ 103,302
Adjustments to Reconcile Net Operating Income to Net Cash Provided by Operating Activities	
Depreciation Expense	123,753
Amortization of Premium	(2,187)
Amortization of Discount	1,432
Amortization of Loss on Refunding	54,712
Changes in Assets and Liabilities	
Accrued Interest Payable	<u>(1,994)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 279,018</u></u>

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

PLATTE RIVER ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Platte River Academy (the “Academy”) was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Douglas County School District (the “District”). The Academy began operations in 1997.

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) 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. The more significant of the Academy’s accounting policies are described below.

**Reporting Entity**

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

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

The Academy is a component unit of the District. The Academy’s charter was authorized by the District and the majority of the Academy’s funding is provided by the District.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the Academy. 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. Internally dedicated resources are reported as general revenues rather than as program revenues.

PLATTE RIVER ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Government-Wide and Fund Financial Statements (Continued)**

Separate financial statements are provided for the governmental fund and the proprietary fund. Major individual 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.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current year or soon enough thereafter to pay liabilities of the current year, 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 Academy. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as 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 proprietary 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 Academy's policy to use restricted resources first, and the unrestricted resources as they are needed.

The Academy reports the following major governmental fund:

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

The Academy reports one major proprietary fund, as follows:

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

**Assets, Liabilities and Fund Balance/Net Position**

*Cash Equivalents* - For purposes of the statement of cash flows, cash equivalents include investments with original maturities of three months or less.

PLATTE RIVER ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

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

*Capital Assets* - Capital assets, which include land and buildings, 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. Depreciation has been provided over the following estimated useful lives of the capital assets using the straight-line method.

Buildings and Improvements	15 - 45 years
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*Accrued Salaries and Benefits* - Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from September to August, 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 Academy before it has a legal claim to them, including tuition and fees.

*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, discounts and accounting losses resulting from debt refundings 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.

*Compensated Absences* - The Academy's policy allows employees to use personal and sick leave. Any unused leave may be accumulated and accrued into a leave bank. Upon termination of employment, no financial compensation is paid for unused personal leave. If an employee leaves the Academy after ten years of service, accrued sick leave to a maximum of 70 days will be paid at the rate of \$45 per day. A long-term liability has been reported in the government-wide financial statements for the earned and accrued sick leave, which is expected to be liquidated with revenues of the General Fund.

PLATTE RIVER ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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

*Pensions* - The Academy 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 SDTF. 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 Governing Board 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 Academy 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 Academy uses restricted fund balance first, followed by committed, assigned, and unassigned balances.

**Risk Management**

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

**NOTE 2: CASH AND INVESTMENTS**

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

Deposits	\$ 162,569
Investments	<u>2,654,794</u>
Total	<u><b>\$ 2,817,363</b></u>

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

Cash and Investments	\$ 1,784,286
Restricted Cash and Investments	<u>1,033,077</u>
Total	<u><b>\$ 2,817,363</b></u>

PLATTE RIVER ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
 June 30, 2017

**NOTE 2: CASH AND INVESTMENTS (Continued)**

**Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires all 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.

**Investments**

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

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

At June 30, 2017, the Academy and the Corporation had the following investments:

Investment Type	Moody's or S&P Rating	Investment Maturities (in Years)			Total
		Less than 1	1 - 5	> 5	
Local Government					
Investment Pool	AAAm	\$ 1,190,087	\$ -	\$ -	\$ 1,190,087
Money Market Fund	AAAm	6	-	-	6
U.S. Agency STRIPS	Not Rated	-	63,227	-	63,227
U.S. Agency Securities	AAA	-	111,618	-	111,618
U.S. Agency Securities	AA+	-	68,306	-	68,306
U.S. Agency Securities	AA-	-	57,557	-	57,557
Municipal Securities	AAA	25,009	163,285	-	188,294
Municipal Securities	AA+	-	225,453	-	225,453
Municipal Securities	AA	54,561	291,092	106,465	452,118
Municipal Securities	AA-	24,826	54,424	-	79,250
Municipal Securities	A	-	22,909	-	22,909
Corporate Securities	AA+	-	35,796	-	35,796
Corporate Securities	AA-	-	140,154	-	140,154
Corporate Securities	AA	-	20,019	-	20,019
<b>Total</b>		<b>\$ 1,294,489</b>	<b>\$ 1,253,840</b>	<b>\$ 106,465</b>	<b>\$ 2,654,794</b>

PLATTE RIVER ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 2: CASH AND INVESTMENTS (Continued)**

**Investments** (Continued)

*Fair Value Measurements* - The Academy 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, 2017, the Academy's investment securities were measured utilizing quoted prices in active markets for similar investments (Level 2 inputs). The money market fund and external investment pool were reported at the net asset value per share.

*Interest Rate Risk* - State statutes generally limit investments to an original maturity of five years from the date of purchase, unless the governing board authorizes the investment for a period in excess of five years. Corporate securities must mature within three years.

*Credit Risk* - State statutes limit investments in municipal securities to those with at least two credit ratings at or above A or its equivalent by nationally recognized statistical rating organizations (NRSROs). Corporate securities must have at least two credit ratings from any of the NRSROs at or above AA- or its equivalent. State statutes also limit investments in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with the Securities and Exchange Commission's Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by one or more NRSROs.

*Concentration of Credit Risk* - State statutes do not limit the amount the Academy may invest in one issuer, except for corporate securities, which are limited to 50% of total investments or 5% for a single issuer. At June 30, 2017, the Academy's investments in the Federal National Mortgage Association represented 7% of total investments.

*Local Government Investment Pool* - At June 30, 2017, the Academy and Corporation had \$157,016 and \$1,033,071, respectively, invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating Colotrust. 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.

**Legal Compliance**

At June 30, 2017, the Academy had cash and certificates of deposit with a balance of \$84,262 held and issued by banks not registered under the PDPA. The Academy also purchased municipal securities with maturity dates that did not comply with the limits stipulated in State statutes. In addition, the Academy purchased U.S. Agency STRIPS that may not be allowed by State statutes.

PLATTE RIVER ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
 June 30, 2017

**NOTE 2: CASH AND INVESTMENTS (Continued)**

**Restricted Cash and Investments**

At June 30, 2017, the Corporation had investments of \$1,033,077 restricted by its loan agreement for capital projects and future debt service.

**NOTE 3: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2017, is summarized below.

	<u>Balances</u> <u>6/30/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> <u>6/30/17</u>
<b>Business-Type Activities</b>				
Capital Assets, Not Being Depreciated				
Land	\$ 553,332	\$ -	\$ -	\$ 553,332
Capital Assets, Being Depreciated				
Buildings and Improvements	5,454,383	-	-	5,454,383
Accumulated Depreciation	<u>(1,593,208)</u>	<u>(123,753)</u>	<u>-</u>	<u>(1,716,961)</u>
Capital Assets, Being Depreciated, Net	<u>3,861,175</u>	<u>(123,753)</u>	<u>-</u>	<u>3,737,422</u>
Business-Type Activities Capital Assets, Net	<u>\$ 4,414,507</u>	<u>\$ (123,753)</u>	<u>\$ -</u>	<u>\$ 4,290,754</u>

**NOTE 4: LONG-TERM DEBT**

Following is a summary of long-term debt transactions for the year ended June 30, 2017.

	<u>Balances</u> <u>6/30/16</u>	<u>Additions</u>	<u>Payments</u>	<u>Balances</u> <u>6/30/17</u>	<u>Due Within</u> <u>One Year</u>
<b>Governmental Activities</b>					
Compensated Absences	<u>\$ 11,314</u>	<u>\$ 700</u>	<u>\$ -</u>	<u>\$ 12,014</u>	<u>\$ 3,000</u>
<b>Business-Type Activities</b>					
2004 Building Loan	\$ 5,925,000	\$ -	\$ 5,925,000	\$ -	\$ -
Discount	(39,286)	-	(39,286)	-	-
2017 Building Loan	-	6,075,000	-	6,075,000	115,000
Premium	<u>-</u>	<u>172,115</u>	<u>2,187</u>	<u>169,928</u>	<u>-</u>
Total	<u>\$ 5,885,714</u>	<u>\$ 6,247,115</u>	<u>\$ 5,887,901</u>	<u>\$ 6,244,928</u>	<u>\$ 115,000</u>

PLATTE RIVER ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
 June 30, 2017

**NOTE 4: LONG-TERM DEBT** (Continued)

In November, 2004, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$8,025,000 Charter School Revenue Refunding Bonds. Bond proceeds were used to refund the CECFA Charter School Revenue Bonds, Series 2002, originally loaned to the Corporation to finance the construction of educational facilities.

On February 22, 2017, CECFA issued \$6,075,000 Charter School Refunding and Improvement Revenue Bonds, Series 2017A and 2017B. Bond proceeds were used to refund the outstanding Series 2004 Bonds and to loan an additional \$500,000 to the Corporation to construct new classrooms. The Academy is obligated under a lease agreement to make monthly lease payments to the Corporation for the using the facilities. The Corporation is required to make equal loan payments to the Trustee, for payment of the bonds. Interest accrues on the bonds at rates ranging from 4% to 5% per annum, and is payable semi-annually on September 1 and March 1. Principal payments are due annually on March 1, from 2018 through 2044.

Proceeds of the Series 2017 Bonds in the amount of \$6,056,425 were deposited in an irrevocable trust with an escrow agent to call and pay the Series 2004 Bonds on February 22, 2017. The refunding resulted in an accounting loss of \$1,063,950 but provided an economic gain (difference between the present values of the old and new debt service payments) of approximately \$137,648.

Future debt service requirements for the bonds are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 115,000	\$ 261,503	\$ 376,503
2019	125,000	252,100	377,100
2020	130,000	247,100	377,100
2021	135,000	241,900	376,900
2022	145,000	236,500	381,500
2023 - 2027	810,000	1,089,600	1,899,600
2028 - 2032	1,025,000	876,750	1,901,750
2033 - 2037	1,290,000	619,000	1,909,000
2038 - 2042	1,570,000	339,400	1,909,400
2043 - 2044	<u>730,000</u>	<u>44,200</u>	<u>774,200</u>
Total	<u>\$ 6,075,000</u>	<u>\$ 4,208,053</u>	<u>\$ 10,283,053</u>

**NOTE 5: INTERFUND TRANSACTIONS**

As a result of the debt refunding (See Note 4), the Corporation's repair and replacement reserve is no longer required, and the remaining balance of the reserve of \$72,245 was distributed to the Academy.

PLATTE RIVER ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 6: DEFINED BENEFIT PENSION PLAN**

**General Information**

*Plan Description* - The Academy 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 Academy 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](http://www.copera.org/investments/pera-financial-reports).

*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 may elect to withdraw their contributions upon termination of employment, and may be eligible to receive a matching amount if five years of service credit is earned and certain other criteria is met. 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 Academy 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 Academy's contribution rate for calendar years 2016 and 2017 was 19.15% and 19.65% of covered salaries, respectively. However, a portion of the Academy's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 7). The Academy's contributions to the SDTF for the year ended June 30, 2017, were \$491,778, equal to the required contributions.

PLATTE RIVER ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
 June 30, 2017

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

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

At June 30, 2017, the Academy reported a net pension liability of \$16,273,784, representing its proportionate share of the net pension liability of the SDTF. The net pension liability was measured at 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 Academy's proportion of the net pension liability was based on the Academy's contributions to the SDTF for the calendar year ended December 31, 2016, relative to the contributions of all participating employers. At December 31, 2016, the Academy's proportion was 0.0546579461%, which was an increase of 0.0016550222% from its proportion measured at December 31, 2015.

For the year ended June 30, 2017, the Academy recognized pension expense of \$3,297,793. At June 30, 2017, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 201,370	\$ 134
Changes of assumptions and other inputs	5,280,503	71,165
Net difference between projected and actual earnings on plan investments	525,127	-
Changes in proportion	339,840	-
Contributions subsequent to the measurement date	<u>297,843</u>	<u>-</u>
Total	<b><u>\$ 6,644,683</u></b>	<b><u>\$ 71,299</u></b>

Academy contributions subsequent to the measurement date of \$297,843 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,

2018	\$ 2,559,393
2019	2,499,208
2020	1,211,512
2021	<u>5,428</u>
Total	<b><u>\$ 6,275,541</u></b>

PLATTE RIVER ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
 June 30, 2017

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

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

*Actuarial Assumptions* - The actuarial valuation as of December 31, 2015, determined the total pension liability using the following actuarial assumptions and other inputs. On November 18, 2016, PERA's governing board adopted revised economic and demographic assumptions, which were effective on December 31, 2016, and which were reflected in the roll-forward calculation of the total pension liability from December 31, 2015, to December 31, 2016, as follows:

	<u>Assumptions</u>	<u>Revised Assumptions</u>
Price inflation	2.8%	2.4%
Real wage growth	1.1%	1.1%
Wage inflation	3.9%	3.5%
Salary increases, including wage inflation	3.9% - 10.1%	3.5% - 9.7%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.5%	7.25%
Discount rate	7.5%	5.26%
Future post-retirement benefit increases:		
Hired prior to 1/1/07	2%	2%
Hired after 12/31/06	ad hoc	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. Active member mortality was adjusted to 55 percent of the base rate for males and 40 percent for females. For disabled retirees, the RP-2000 Disabled Retiree Mortality Table was used, set back two years.

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 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.

As a result of a 2016 experience analysis, revised economic and demographic actuarial assumptions were adopted by PERA's governing board on November 18, 2016, to more closely reflect PERA's actual experience. The revised assumptions reflected in the roll-forward of the total pension liability included healthy mortality assumptions for active members using the RP-2014 White Collar Employee Mortality Table. The mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates. For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

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.

PLATTE RIVER ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
 June 30, 2017

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

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

The most recent analysis of the long-term expected rate of return was adopted by PERA's governing board on November 18, 2016, 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>30 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 Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	<u><u>100.00%</u></u>	

*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 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 the assumptions described previously, the SDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate, defined as the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index, was used in the determination of the discount rate. The long-term expected rate of return of 7.25% on plan investments was applied to all periods through 2041, and the municipal bond index rate was applied to periods after 2041 to develop the discount rate. On the measurement date of December 31, 2016, the municipal bond index rate was 3.86%, resulting in a discount rate of 5.26%. The discount rate at the prior measurement date was 7.5%.

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate* - The following presents the Academy's proportionate share of the net pension liability calculated using the discount rate of 5.26%, as well as the Academy's proportionate share of the net pension liability 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, as follows:

PLATTE RIVER ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
 June 30, 2017

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

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

	1% Decrease (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
Proportionate share of the net pension liability	<b><u>\$ 20,463,761</u></b>	<b><u>\$ 16,273,784</u></b>	<b><u>\$ 12,861,200</u></b>

*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](http://www.copera.org/investments/pera-financial-reports).

**NOTE 7: POSTEMPLOYMENT HEALTHCARE BENEFITS**

*Plan Description* - The Academy contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment 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 by as described previously.

*Funding Policy* - The Academy 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 Academy 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 Academy's apportionment to the HCTF for the years ended June 30, 2017, 2016 and 2015 was \$25,844, \$24,224 and \$22,952, respectively, equal to the required amounts for each year.

**NOTE 8: COMMITMENTS AND CONTINGENCIES**

**Claims and Judgments**

The Academy 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 Academy may be required to reimburse the appropriate government. At June 30, 2017, 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 Academy.

PLATTE RIVER ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

**NOTE 8:**      **COMMITMENTS AND CONTINGENCIES** (Continued)

**Tabor Amendment**

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The Amendment is subject to many interpretations, but the Academy believes it is in substantial compliance with the Amendment. In accordance with the Amendment, the Academy has established a reserve for emergencies representing 3% of qualifying expenditures. At June 30, 2017, the reserve was reported as restricted fund balance in the General Fund, in the amount of \$135,000.

**REQUIRED SUPPLEMENTARY INFORMATION**

PLATTE RIVER 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, 2017

	<u>12/31/16</u>	<u>12/31/15</u>	<u>12/31/14</u>	<u>12/31/13</u>
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY				
Academy's Proportion of the Net Pension Liability	0.0546579461%	0.0530029239%	0.0509400076%	0.0495438324%
Academy's Proportionate Share of the Net Pension Liability	\$ 16,273,784	\$ 8,106,423	\$ 6,904,082	\$ 6,319,302
Academy's Covered Payroll	\$ 2,453,213	\$ 2,309,855	\$ 2,134,028	\$ 1,997,269
Academy's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	663%	351%	324%	316%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	43%	59%	63%	64%
	<u>6/30/17</u>	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/14</u>
ACADEMY CONTRIBUTIONS				
Statutorily Required Contribution	\$ 465,934	\$ 421,898	\$ 380,209	\$ 329,105
Contributions in Relation to the Statutorily Required Contribution	<u>(465,934)</u>	<u>(421,898)</u>	<u>(380,209)</u>	<u>(329,105)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's Covered Payroll	\$ 2,533,704	\$ 2,374,933	\$ 2,250,207	\$ 2,058,212
Contributions as a Percentage of Covered Payroll	18.39%	17.76%	16.90%	15.99%

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.

PLATTE RIVER ACADEMY

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
<b>REVENUES</b>				
<b>Local Sources</b>				
Per Pupil Revenue	\$ 3,846,800	\$ 3,717,432	\$ 3,717,136	\$ (296)
District Mill Levy	302,400	287,061	287,061	-
Extended Day Program Fees	87,000	88,240	88,416	176
Student Fees	138,700	100,060	128,542	28,482
Pupil Activities	5,500	10,877	19,611	8,734
Food Service Fees	8,500	9,003	9,025	22
Contributions	40,000	48,000	56,379	8,379
Facility Rental	40,000	34,012	31,824	(2,188)
Investment Income	22,000	7,000	10,539	3,539
Other	20,000	12,119	12,778	659
<b>Total Local Sources</b>	<b>4,510,900</b>	<b>4,313,804</b>	<b>4,361,311</b>	<b>47,507</b>
<b>State Sources</b>				
Capital Construction	135,000	145,659	145,659	-
Grants	4,500	4,301	4,301	-
<b>Total State Sources</b>	<b>139,500</b>	<b>149,960</b>	<b>149,960</b>	<b>-</b>
<b>TOTAL REVENUES</b>	<b>4,650,400</b>	<b>4,463,764</b>	<b>4,511,271</b>	<b>47,507</b>
<b>EXPENDITURES</b>				
Salaries	2,633,369	2,602,600	2,637,168	(34,568)
Employee Benefits	671,000	687,000	752,128	(65,128)
Purchased Services	522,401	526,522	542,356	(15,834)
Supplies and Materials	184,000	225,000	226,531	(1,531)
Property	93,000	300,000	271,720	28,280
Other	516,800	490,000	435,537	54,463
<b>TOTAL EXPENDITURES</b>	<b>4,620,570</b>	<b>4,831,122</b>	<b>4,865,440</b>	<b>(34,318)</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>29,830</b>	<b>(367,358)</b>	<b>(354,169)</b>	<b>13,189</b>
<b>OTHER FINANCING SOURCES</b>				
Transfers In	-	72,245	72,245	-
<b>NET CHANGE IN FUND BALANCE</b>	<b>29,830</b>	<b>(295,113)</b>	<b>(281,924)</b>	<b>13,189</b>
<b>FUND BALANCE, Beginning</b>	<b>1,803,707</b>	<b>1,727,610</b>	<b>1,727,610</b>	<b>-</b>
<b>FUND BALANCE, Ending</b>	<b>\$ 1,833,537</b>	<b>\$ 1,432,497</b>	<b>\$ 1,445,686</b>	<b>\$ 13,189</b>

See the accompanying Independent Auditors' Report.

PLATTE RIVER ACADEMY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2017

**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 Academy's contributions and related ratios represent cash contributions and any related accruals that coincide with the Academy's fiscal year ending on June 30.

**Changes in Assumptions and Other Inputs**

For the year ended June 30, 2017, the total pension liability was determined by an actuarial valuation as of December 31, 2015. In addition, the following revised economic and demographic assumptions were effective as of December 31, 2016, and were reflected in the roll-forward procedures to determine the total pension liability at December 31, 2016.

- Investment rate of return assumption decreased from 7.5% per year, compounded annually, net of investment expenses, to 7.25%.
- Price inflation assumption decreased from 2.8% per year to 2.4%.
- Real rate of investment return assumption increased from 4.7% per year, net of investment expenses, to 4.85%.
- Wage inflation assumption decreased from 3.9% per year to 3.5%.
- Healthy and disabled mortality assumptions are based on the RP-2014 Mortality Tables, updated from the RP-2000 Mortality Tables.

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets and Budgetary Accounting**

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

Management submits to the Governing Board a proposed budget for the fiscal year commencing the following July 1, for their approval. The budget includes proposed expenditures and the means of financing them.

Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Governing Board.

All budget appropriations lapse at fiscal year end.

**Legal Compliance**

For the year ended June 30, 2017, General Fund expenditures exceeded the amounts budgeted by \$34,318. This may be a violation of State statutes.