

**CROWN POINTE ACADEMY**

**FINANCIAL STATEMENTS**

**June 30, 2017**



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## TABLE OF CONTENTS

	<u>PAGE</u>
Independent Auditors' Report	
Management's Discussion and Analysis	i - vi
<b>Basic Financial Statements</b>	
Statement of Net Position	1
Statement of Activities	2
Balance Sheet - Governmental Fund	3
Statement of Revenues, Expenditures and Changes in Fund Balance - Governmental Fund	4
Statement of Net Position - Proprietary Fund	5
Statement of Revenues, Expenses and Changes in Net Position - Proprietary Fund	6
Statement of Cash Flows - Proprietary Fund	7
Statement of Fiduciary Assets and Liabilities - Agency Fund	8
Notes to Financial Statements	9 - 22
<b>Required Supplementary Information</b>	
Schedule of Proportionate Share of the Net Pension Liability and Contributions	23
Budgetary Comparison Schedule - General Fund	24
Notes to Required Supplementary Information	25
<b>Supplementary Information</b>	
Statement of Changes in Assets and Liabilities - Agency Fund	26



Board of Directors  
Crown Pointe Academy  
Westminster, Colorado

## INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Crown Pointe Academy as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of Crown Pointe Academy, as listed in the table of contents.

### Management's Responsibility for the Financial Statements

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

### Auditors' Responsibility

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

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

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

### Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Crown Pointe Academy as of June 30, 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.

**Other Matters (Supplementary Information)**

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



October 10, 2017

## **Management's Discussion and Analysis**

As management of the Crown Pointe Academy (the School), we offer readers of the Crown Pointe Academy's financial statements this narrative overview and analysis of the financial activities of the Crown Pointe Academy for the fiscal year ended June 30, 2017.

### **Financial Highlights**

At the close of its 20<sup>th</sup> year of operations, the liabilities of the Crown Pointe Academy exceeded its assets by \$5,220,167 (a negative net position). The reason for the large negative balance is due to the implementation of the Governmental Accounting Standards Board Statement 68 (GASB), a new pension plan liability required to be reported beginning in 2015. The School participates in the state wide pension plan for schools called PERA or Public Employees Retirement Association. The government wide impact of this disclosure is \$7,255,948 and if removed, the government wide net position would be positive and in excess of \$2,000,000.

At the close of the fiscal year Crown Pointe Academy's governmental fund (the General Fund) reported an ending fund balance of \$863,032, a decrease of \$165,446 or 16.1%. The operations of the School are funded primarily by tax revenue received under the State Finance Act (the Act). State categorical revenue for the year was \$3,275,999.

### **Overview of Financial Statements**

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

### **Government-wide Financial Statements**

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

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

The statement of activities presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some

items that will only result in cash flows in future fiscal periods (e.g. uncollected grant expenses and earned but unpaid salary and benefits).

The government-wide financial statement of activities distinguish functions/programs of the Crown Pointe Academy supported primarily by per pupil revenue (PPR) or property, income, and sales taxes passed through from the Charter School Institute (CSI) received from the County and State. The governmental activities of the Crown Pointe Academy include instruction and supporting services expenses.

The government-wide financial statements can be found on pages 1-2 of this report.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Crown Pointe Academy, like other governmental units or charter schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Crown Pointe Academy can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

Crown Pointe Academy adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget and is presented on page 24.

**Proprietary Funds.** The Crown Pointe Academy Building Corporation, considered a component unit of the School, has one fund, an enterprise fund. It is presented with a

statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. The fund ended the year with a net position of \$1,172,749, an increase of \$354,289 or 43.3% due to contributed capital (Building Addition) from the School.

**Fiduciary Funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the School. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the School's own programs. Total assets and liabilities of the student activity agency fund were \$87,088 for the period ending June 30, 2017.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This information is provided in pages 9-22.

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial condition. Crown Pointe Academy's net position is a negative (\$5,220,167). The negative balance is due primarily to the adoption of GASB Statement No. 68, resulting in a net pension liability of \$12,080,679 which represents the School's proportionate share of PERA's net pension liability.

### **Crown Pointe Academy's Net Position Governmental and Business-Type Activities for the period ending June 30, 2017 and 2016 respectively:**

	June 30, 2017	June 30, 2016
Cash and Investments	\$ 953,792	\$1,153,366
Restricted Cash and Investments	987,589	960,774
Other Assets	69,411	117,581
Capital Assets, Net	7,107,708	6,931,351
Total Assets	9,118,500	9,163,072
Deferred Outflows of Resources	4,890,533	1,087,673
Accrued Salaries, Benefits, and A/P	158,485	241,998
Accrued Interest	154,275	157,117
Noncurrent Liabilities	6,781,842	6,927,051
Net Pension Liability	12,080,679	6,130,663
Total Liabilities	19,175,281	13,456,829
Deferred Inflows of Resources	53,919	86,878

Net Position		
Net Investment in Capital Assets	849,020	523,107
Restricted for		
Emergencies Tabor	112,000	109,000
Debt Service	175,721	169,775
Repair & Replacement	148,008	125,578
Unrestricted	(6,504,916)	(4,220,422)
Total Net Position	<u>\$ (5,220,167)</u>	<u>\$ (3,292,962)</u>

The largest portion of the Crown Pointe Academy's Governmental and Business Type assets (77.9%) is in net capital assets. 21.3% percent of total assets represent cash and all investments. .8% represents accounts receivable and prepaid assets. The government-wide net position reflects a decrease of 58.5% or \$(1,927,205) over the prior year. This is primarily due to PERA reducing the discount rate used to determine the total pension liability from 7.5% in 2015 to 5.26% in 2016 for the School Division.

**Crown Pointe Academy's Change in Net Position Governmental and Business-Type Activities for the period ending June 30, 2017 and 2016 respectively:**

	June 30, 2017	June 30, 2016
Program Revenue:		
Charges for Services	\$ 80,826	\$ 80,560
Operating Grants and Contributions	347,409	381,001
Total Program Revenue	<u>428,235</u>	<u>461,561</u>
General Revenue:		
Per Pupil Operating Revenue	3,275,999	3,166,168
Capital Construction Revenue	126,112	115,339
At Risk Funding	103,906	107,198
Contributions - Unrestricted	14,927	7,483
Interest Income	(5,647)	37,602
Other	7,378	7,288
Total General Revenue	<u>3,522,675</u>	<u>3,441,078</u>
Total Revenue	<u>3,950,910</u>	<u>3,902,639</u>
Expenses:		
Current:		
Instruction	3,851,556	2,557,614
Supporting Services	1,408,392	1,028,139
Food Service	112,791	112,762
Interest, Fiscal Charges, Depreciation	505,376	502,480
Total Expenses	<u>5,878,115</u>	<u>4,200,995</u>
Increase (Decrease) in Net Position	(1,927,205)	(298,356)

Beginning Net Position, June 30	<u>(3,292,962)</u>	<u>(2,994,606)</u>
Ending Net Position, June 30	<u>\$ (5,220,167)</u>	<u>\$ (3,292,962)</u>

### **Financial Analysis of the Government's Funds**

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

**Governmental Funds.** The focus of the Crown Pointe's governmental fund is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Crown Pointe's financing requirements. In particular, unrestricted, unassigned fund balance may serve as a useful measure of the School's net resources available for spending at the end of the fiscal year. Operationally Crown Pointe assumed the financial responsibility for the Food Service program. Prior to FY15 the District, Westminster 50, financed the program and retained the State and Federal subsidies. The program operated close to break-even but required internal support of approximately \$2,151 or 1.9% of total food service expenditures.

As of the end of the current fiscal year, June 30, 2017, the School's governmental fund reported an ending fund balance of \$863,032, a decrease of \$165,446. The decrease represents 16.1% of the beginning fund balance. Because of the School's substantial reserves, future budgets will focus on a break-even approach and possibly decrease if capital improvements are made. The unreserved portion of ending fund balance was \$747,515 which represents approximately 66 days of available operating reserves.

### **General Fund Budgetary Highlights**

The School approves a budget in June based on enrollment projections for the upcoming school year. In October, after enrollment is finalized, adjustments are made to the budget. The total budgeted general fund appropriation for FY17 was \$4,275,011 with actual expenditures and transfers out of \$4,121,648 resulting in a positive budget variance of \$153,363. Enrollment for FY17 remained relatively flat as the School is at capacity. Per Pupil Revenue (PPR) was based on 454.2 funded pupil count (FPC) or 476 students. PPR represented 82.9% of total General Fund revenue. We planned for a General Fund deficit in FY17 of approximately \$406,908. With the EXPO building addition substantially complete, we anticipate a small increase in the General Fund Balance for FY18.

### **Capital Asset and Debt Administration**

**Capital Assets.** Crown Pointe Academy's net investment in capital assets was \$7,107,708. Total depreciation for FY17 was \$153,328. There was \$329,685 in new capital asset purchases during the year. Improvements included the added cost of a building addition. Please refer to Note 3 for a breakdown on capital assets.

## **Long-Term Lease Agreement**

Crown Pointe Academy entered into a lease agreement with the Crown Pointe Academy Building Corporation in 2009 for use of the new facility. The bonds under which the lease was based were issued October 1, 2009. Under the terms of the new agreement, Crown Pointe will make monthly lease payments ranging from \$35,075 to \$42,354, commencing October 15, 2009, through June 15, 2039.

The School has agreed to maintain a repair and replacement reserve of \$150,000, to be funded with annual payments of \$25,000 commencing July 1, 2012. The final payment was made during this year. The School has agreed to maintain a working capital reserve of 8% or approximately \$69,043 in addition to a revenue stabilization fund of \$210,000. The revenue stabilization fund is no longer required as the School's funded pupil count exceeded 400 for two consecutive years at 10/1/2013. Total lease payments will be \$502,275 for FY18 and includes the State Treasurer fees.

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

In November of 2000 voters in Colorado approved a provision to the Colorado constitution providing that K-12 funding would increase with pupil growth, plus inflation, plus 1% for 10 years and thereafter, growth plus inflation. This provision expired in FY 10/11 and continues without the 1% increase. We are cautiously optimistic K-12 funding will outpace inflation in the coming years as the Colorado economy continues to improve. The PPR increase for FY18 is approximately 3.26% over FY17. With Colorado unemployment at 2.4% and sales tax revenue approaching double digits, we should expect a similar increase for FY19.

## **Requests for Information**

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

## **BASIC FINANCIAL STATEMENTS**

CROWN POINTE ACADEMY

STATEMENT OF NET POSITION

June 30, 2017

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
Cash and Investments	\$ 953,792	\$ -	\$ 953,792
Restricted Cash and Investments	-	987,589	987,589
Accounts Receivable	49,427	1,686	51,113
Grants Receivable	14,781	-	14,781
Prepaid Expenses	3,517	-	3,517
Capital Assets, Not Being Depreciated	-	1,460,966	1,460,966
Capital Assets, Net of Accumulated Depreciation	-	5,646,742	5,646,742
<b>TOTAL ASSETS</b>	<b>1,021,517</b>	<b>8,096,983</b>	<b>9,118,500</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Pensions, Net of Accumulated Amortization	4,890,533	-	4,890,533
<b>LIABILITIES</b>			
Accounts Payable	13,615	-	13,615
Accrued Salaries and Benefits	144,870	-	144,870
Accrued Interest Payable	-	154,275	154,275
Noncurrent Liabilities			
Due Within One Year	11,883	160,000	171,883
Due in More Than One Year	-	6,609,959	6,609,959
Net Pension Liability	12,080,679	-	12,080,679
<b>TOTAL LIABILITIES</b>	<b>12,251,047</b>	<b>6,924,234</b>	<b>19,175,281</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Pensions, Net of Accumulated Amortization	53,919	-	53,919
<b>NET POSITION</b>			
Net Investment in Capital Assets	-	849,020	849,020
Restricted for Debt Service	-	175,721	175,721
Restricted for Repair and Replacement	-	148,008	148,008
Restricted for Emergencies	112,000	-	112,000
Unrestricted	(6,504,916)	-	(6,504,916)
<b>TOTAL NET POSITION</b>	<b>\$ (6,392,916)</b>	<b>\$ 1,172,749</b>	<b>\$ (5,220,167)</b>

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

CROWN POINTE 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	\$ 3,851,556	\$ 27,162	\$ 250,096
Supporting Services	1,408,392	25,101	15,235
Food Services	112,791	28,563	82,078
Total Governmental Activities	5,372,739	80,826	347,409
<b>Business-Type Activities</b>			
Building Corporation	505,376	-	-
<b>TOTAL PRIMARY GOVERNMENT</b>	<b>\$ 5,878,115</b>	<b>\$ 80,826</b>	<b>\$ 347,409</b>

GENERAL REVENUES

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

TRANSFERS

TOTAL GENERAL REVENUES AND TRANSFERS

CHANGE IN NET POSITION

NET POSITION, Beginning

NET POSITION, Ending

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

NET (EXPENSE) REVENUE  
AND CHANGE IN NET POSITION

GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
\$ (3,574,298)	\$ -	\$ (3,574,298)
(1,368,056)	-	(1,368,056)
(2,150)	-	(2,150)
<u>(4,944,504)</u>	<u>-</u>	<u>(4,944,504)</u>
<u>-</u>	<u>(505,376)</u>	<u>(505,376)</u>
<u>(4,944,504)</u>	<u>(505,376)</u>	<u>(5,449,880)</u>
3,275,999	-	3,275,999
101,450	-	101,450
2,456	-	2,456
126,112	-	126,112
14,927	-	14,927
(5,556)	(91)	(5,647)
7,378	-	7,378
<u>(859,756)</u>	<u>859,756</u>	<u>-</u>
<u>2,663,010</u>	<u>859,665</u>	<u>3,522,675</u>
(2,281,494)	354,289	(1,927,205)
<u>(4,111,422)</u>	<u>818,460</u>	<u>(3,292,962)</u>
<u>\$ (6,392,916)</u>	<u>\$ 1,172,749</u>	<u>\$ (5,220,167)</u>

CROWN POINTE ACADEMY

BALANCE SHEET  
GOVERNMENTAL FUND

June 30, 2017

	<u>GENERAL</u>
<b>ASSETS</b>	
Cash and Investments	\$ 953,792
Accounts Receivable	49,427
Grants Receivable	14,781
Prepaid Expenditures	<u>3,517</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 1,021,517</u></u>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>LIABILITIES</b>	
Accounts Payable	\$ 13,615
Accrued Salaries and Benefits	<u>144,870</u>
<b>TOTAL LIABILITIES</b>	<u>158,485</u>
<b>FUND BALANCE</b>	
Nonspendable Prepaid Expenditures	3,517
Restricted for Emergencies	112,000
Unrestricted, Unassigned	<u>747,515</u>
<b>TOTAL FUND BALANCE</b>	<u>863,032</u>
<b>TOTAL LIABILITIES AND FUND BALANCE</b>	<u><u>\$ 1,021,517</u></u>
 Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Total Fund Balance of the Governmental Fund	\$ 863,032
Long-term liabilities and related items, including accrued compensated absences (\$11,883), net pension liability (\$12,080,679), pension-related deferred outflows of resources \$4,890,533, and pension-related deferred inflows of resources (\$53,919), are not due and payable in the current year and, therefore, are not reported in governmental funds.	<u>(7,255,948)</u>
Total Net Position of Governmental Activities	<u><u>\$ (6,392,916)</u></u>

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

CROWN POINTE ACADEMY

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

	GENERAL
REVENUES	
Local Sources	\$ 3,373,574
State Sources	346,340
Federal Sources	231,087
	3,951,001
 TOTAL REVENUES	 3,951,001
 EXPENDITURES	
Instruction	2,197,331
Supporting Services	1,779,509
Food Services	112,791
	4,089,631
 TOTAL EXPENDITURES	 4,089,631
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 (138,630)
 OTHER FINANCING SOURCES (USES)	
Transfers In	5,201
Transfers Out	(32,017)
	(26,816)
 TOTAL OTHER FINANCING SOURCES (USES)	 (26,816)
 NET CHANGE IN FUND BALANCE	 (165,446)
 FUND BALANCE, Beginning	 1,028,478
 FUND BALANCE, Ending	 \$ 863,032

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

Net Change in Fund Balance of the Governmental Fund	\$ (165,446)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount represents the change in accrued compensated absences (\$1,851), net pension liability (\$5,950,016), pension-related deferred outflows of resources \$3,802,860, and pension-related deferred inflows of resources \$32,959 in the current year.	(2,116,048)
Change in Net Position of Governmental Activities	\$ (2,281,494)

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

CROWN POINTE 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	\$ 987,589
Accounts Receivable	<u>1,686</u>
<b>TOTAL CURRENT ASSETS</b>	<u>989,275</u>
<b>NONCURRENT ASSETS</b>	
Capital Assets, Not Being Depreciated	1,460,966
Capital Assets, Net of Accumulated Depreciation	<u>5,646,742</u>
<b>TOTAL NONCURRENT ASSETS</b>	<u>7,107,708</u>
<b>TOTAL ASSETS</b>	<u>8,096,983</u>
<b>LIABILITIES</b>	
<b>CURRENT LIABILITIES</b>	
Accrued Interest Payable	154,275
Loan Payable, Current Portion	<u>160,000</u>
<b>TOTAL CURRENT LIABILITIES</b>	314,275
<b>NONCURRENT LIABILITIES</b>	
Loan Payable	<u>6,609,959</u>
<b>TOTAL LIABILITIES</b>	<u>6,924,234</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	849,020
Restricted for Debt Service	175,721
Restricted for Repair and Replacement	<u>148,008</u>
<b>TOTAL NET POSITION</b>	<u>\$ 1,172,749</u>

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

CROWN POINTE ACADEMY

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

	<u>BUILDING CORPORATION</u>
OPERATING REVENUES	
Lease Revenue	\$ 503,255
OPERATING EXPENSES	
Depreciation	153,328
Debt Service	
Interest and Fiscal Charges	<u>352,048</u>
TOTAL OPERATING EXPENSES	<u>505,376</u>
NET OPERATING INCOME (LOSS)	(2,121)
NONOPERATING REVENUES	
Investment Income	<u>(91)</u>
NET INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	(2,212)
TRANSFERS AND CAPITAL CONTRIBUTIONS	
Transfers In	32,017
Transfers Out	(5,201)
Capital Contributions	<u>329,685</u>
CHANGE IN NET POSITION	354,289
NET POSITION, Beginning	<u>818,460</u>
NET POSITION, Ending	<u>\$ 1,172,749</u>

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

CROWN POINTE ACADEMY

STATEMENT OF CASH FLOWS

PROPRIETARY FUND

Increase (Decrease) in Cash and Cash Equivalents

Year Ended June 30, 2017

	<u>BUILDING CORPORATION</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Lease Payments Received	\$ 503,255
Loan Principal Paid	(155,000)
Loan Interest and Fiscal Charges Paid	<u>(346,950)</u>
Net Cash Provided by Operating Activities	<u>1,305</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>	
Payments from Other Funds	<u>32,017</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Net Investment Earnings	(1,306)
Excess Earnings Paid to the School	<u>(5,201)</u>
Net Cash Provided by Investing Activities	<u>(6,507)</u>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	26,815
<b>CASH AND CASH EQUIVALENTS, Beginning</b>	<u>960,774</u>
<b>CASH AND CASH EQUIVALENTS, Ending</b>	<u><u>\$ 987,589</u></u>
<b>RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	
Net Operating Income (Loss)	\$ (2,121)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided by Operating Activities	
Depreciation Expense	153,328
Amortization of Discount	7,940
Changes in Assets and Liabilities	
Accrued Interest Payable	(2,842)
Loan Payable	<u>(155,000)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 1,305</u></u>
<b>NONCASH CAPITAL TRANSACTIONS</b>	
Contributed Capital Assets	<u><u>\$ 329,685</u></u>

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

CROWN POINTE ACADEMY

STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES

AGENCY FUND

June 30, 2017

	<u>SCHOOL ACTIVITY</u>
ASSETS	
Cash and Investments	\$ 83,953
Deposits	<u>3,135</u>
TOTAL ASSETS	<u>\$ 87,088</u>
LIABILITIES	
Due to Student Groups	<u>\$ 87,088</u>

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

CROWN POINTE ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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

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

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

**Reporting Entity**

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

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

**Government-wide and Fund Financial Statements**

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

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

CROWN POINTE ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 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, the proprietary fund and the fiduciary fund, even though the latter is excluded from the School's government-wide financial statements. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

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

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

The School reports the following major governmental fund:

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

The School reports one major proprietary fund, as follows:

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

CROWN POINTE ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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

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

Additionally, the School reports the following fund type:

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

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

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

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

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

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

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

Land Improvements	15 years
Buildings and Improvements	40 - 48 years
Furniture and Equipment	5 - 10 years

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

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

CROWN POINTE ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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

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

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

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

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

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

**Risk Management**

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

**NOTE 2: CASH AND INVESTMENTS**

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

Cash on Hand	\$ 350
Deposits	195,202
Investments	<u>1,829,782</u>
Total	<u>\$ 2,025,334</u>

CROWN POINTE ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
 June 30, 2017

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

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

Cash and Investments	\$ 953,792
Restricted Cash and Investments	987,589
Agency Fund Cash and Investments	<u>83,953</u>
Total	<u><b>\$ 2,025,334</b></u>

**Deposits**

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

**Investments**

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

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

At June 30, 2017, the School and the Building Corporation had the following investments.

Investment Type	S&P Rating	Investment Maturities (in Years)			Total
		Less Than 1	1-5	5-10	
Money Market Fund	Not Rated	\$ 203,084	\$ -	\$ -	\$ 203,084
U.S. Agency Securities	AA+	-	440,164	436,857	877,021
Local Government Investment Pool	AAAm	<u>749,677</u>	<u>-</u>	<u>-</u>	<u>749,677</u>
Total		<u><b>\$ 952,761</b></u>	<u><b>\$ 440,164</b></u>	<u><b>\$ 436,857</b></u>	<u><b>\$ 1,829,782</b></u>

CROWN POINTE ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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

**Investments (Continued)**

*Fair Value Measurements* - The School reports its investments using the fair value measurements established by generally accepted accounting principles. As such, a fair value hierarchy categorizes the inputs used to measure the fair value of the investments into three levels. Level 1 inputs are quoted prices in active markets for identical investments; Level 2 inputs include quoted prices in active markets for similar investments, or other observable inputs; and Level 3 inputs are unobservable inputs. At June 30, 2017, the investments in U.S. Agency 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 the maturity of investment securities to five years from the date of purchase, unless the governing board authorizes the investment for a period in excess of five years.

*Credit Risk* - State statutes limit 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 nationally recognized statistical rating organizations. At June 30, 2017, the School had \$203,084 invested in a money market fund that was not rated.

*Concentration of Credit Risk* - State statutes do not limit the amount the School may invest in a single issuer of investment securities, except for corporate securities. At June 30, 2017, investments in the Federal Farm Credit Banks Funding Corporation, Federal Home Loan Banks, and Federal National Mortgage Association represented 24%, 16% and 8%, respectively, of total investments.

*Local Government Investment Pool* - At June 30, 2017, the School and Building Corporation had \$200,240 and \$549,437, 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 for investment purposes. The Colorado Division of Securities administers and enforces the requirements of creating and operating Colotrust. Colotrust operates in conformity with the Securities and Exchange Commission's Rule 2a-7, with each share valued at \$1. Colotrust is rated AAAM by Standard and Poor's. Investments of Colotrust are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

**Restricted Cash and Investments**

At June 30, 2017, the Building Corporation reported investments of \$987,589 restricted by its loan agreement for future debt service and building repair and replacement.

CROWN POINTE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

**NOTE 3: CAPITAL ASSETS**

Changes in capital assets for the year ended June 30, 2017, are 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	\$ 1,036,924	\$ -	\$ -	\$ 1,036,924
Construction in Progress	<u>235,461</u>	<u>329,685</u>	<u>141,104</u>	<u>424,042</u>
Total Capital Assets, Not Being Depreciated	<u>1,272,385</u>	<u>329,685</u>	<u>141,104</u>	<u>1,460,966</u>
Capital Assets, Being Depreciated				
Land Improvements	-	141,104	-	141,104
Buildings and Improvements	6,351,281	-	-	6,351,281
Furniture and Equipment	<u>175,712</u>	<u>-</u>	<u>-</u>	<u>175,712</u>
Total Capital Assets, Being Depreciated	<u>6,526,993</u>	<u>141,104</u>	<u>-</u>	<u>6,668,097</u>
Accumulated Depreciation				
Land Improvements	-	(9,407)	-	(9,407)
Buildings and Improvements	(788,852)	(131,543)	-	(920,395)
Furniture and Equipment	<u>(79,175)</u>	<u>(12,378)</u>	<u>-</u>	<u>(91,553)</u>
Total Accumulated Depreciation	<u>(868,027)</u>	<u>(153,328)</u>	<u>-</u>	<u>(1,021,355)</u>
Total Capital Assets, Being Depreciated, Net	<u>5,658,966</u>	<u>(12,224)</u>	<u>-</u>	<u>5,646,742</u>
Business-Type Activities Capital Assets, Net	<u><b>\$ 6,931,351</b></u>	<u><b>\$ 317,461</b></u>	<u><b>\$ 141,104</b></u>	<u><b>\$ 7,107,708</b></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><b>\$ 10,032</b></u>	<u><b>\$ 5,301</b></u>	<u><b>\$ 3,450</b></u>	<u><b>\$ 11,883</b></u>	<u><b>\$ 11,883</b></u>
<b>Business-Type Activities</b>					
Building Loan	\$ 7,100,000	\$ -	\$ 155,000	\$ 6,945,000	\$ 160,000
Discount	<u>(182,981)</u>	<u>-</u>	<u>(7,940)</u>	<u>(175,041)</u>	<u>-</u>
Total	<u><b>\$ 6,917,019</b></u>	<u><b>\$ -</b></u>	<u><b>\$ 147,060</b></u>	<u><b>\$ 6,769,959</b></u>	<u><b>\$ 160,000</b></u>

CROWN POINTE ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
 June 30, 2017

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

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

Future debt service requirements are as follows.

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 160,000	\$ 333,400	\$ 493,400
2019	165,000	326,900	491,900
2020	175,000	320,100	495,100
2021	180,000	312,325	492,325
2022	190,000	303,538	493,538
2023 - 2027	1,100,000	1,369,250	2,469,250
2028 - 2032	1,385,000	1,074,349	2,459,349
2033 - 2037	1,780,000	683,750	2,463,750
2038 - 2040	<u>1,810,000</u>	<u>163,500</u>	<u>1,973,500</u>
Total	<u>\$ 6,945,000</u>	<u>\$ 4,887,112</u>	<u>\$ 11,832,112</u>

**NOTE 5: INTERFUND TRANSACTIONS**

During the year ended June 30, 2017, the School transferred \$32,017 to the Building Corporation to fund the repair and replacement reserve. In addition, the Building Corporation distributed excess interest earnings of \$5,201 to the School.

**NOTE 6: DEFINED BENEFIT PENSION PLAN**

**General Information**

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

CROWN POINTE ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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

**General Information (Continued)**

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

Retirees 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 School and eligible employees are required to contribute to the SDTF at rates established by Title 24, Article 51, Part 4 of the CRS. These contribution requirements are established and may be amended by the State Legislature. The contribution rate for employees is 8% of covered salaries. The School's contribution rate for calendar years 2016 and 2017 was 19.15% and 19.65% of covered salaries, respectively. However, a portion of the School's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 7). The School's contributions to the SDTF for the year ended June 30, 2017, were \$354,711, equal to the required contributions.

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

At June 30, 2017, the School reported a net pension liability of \$12,080,679, 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.

CROWN POINTE 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 School's proportion of the net pension liability was based on the School's contributions to the SDTF for the calendar year ended December 31, 2016, relative to the contributions of all participating employers. At December 31, 2016, the School's proportion was 0.0405747738%, which was an increase of 0.0004901331% from its proportion measured at December 31, 2015.

For the year ended June 30, 2017, the School recognized pension expense of \$2,455,941. 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>
Differences between expected and actual experience	\$ 150,412	\$ 99
Changes of assumptions and other inputs	3,919,928	53,820
Net difference between projected and actual earnings on plan investments	395,680	-
Changes in proportion	225,830	-
Contributions subsequent to the measurement date	<u>198,683</u>	<u>-</u>
Total	<b><u>\$ 4,890,533</u></b>	<b><u>\$ 53,919</u></b>

School contributions subsequent to the measurement date of \$198,683 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	\$ 1,904,863
2019	1,843,013
2020	886,025
2021	<u>4,030</u>
Total	<b><u>\$ 4,637,931</u></b>

*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:

CROWN POINTE 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)**

	<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.

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:

CROWN POINTE 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)**

<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 School's proportionate share of the net pension liability calculated using the discount rate of 5.26%, as well as the School'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:

CROWN POINTE 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>\$ 15,191,066</u></b>	<b><u>\$ 12,080,679</u></b>	<b><u>\$ 9,547,382</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 School contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by PERA. The HCTF provides a health care premium subsidy to PERA benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained as described previously.

*Funding Policy* - The School is required to contribute at a rate of 1.02% of covered salaries for all PERA participants. No employee contributions are required. The contribution requirements for the School are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The School's apportionment to the HCTF for the years ended June 30, 2017, 2016 and 2015 was \$18,648, \$18,501 and \$16,921, respectively, equal to the required amounts for each year.

**NOTE 8: COMMITMENTS AND CONTINGENCIES**

**Claims and Judgments**

The School participates in a number of federal and state programs that are fully or partially funded by revenues received from other governmental entities. Expenditures financed by these revenues are subject to audit by the appropriate government. If expenditures are disallowed due to noncompliance with program regulations, the School may be required to reimburse the other government. At June 30, 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 School.

CROWN POINTE ACADEMY  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2017

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

**Tabor Amendment**

In November 1992, Colorado voters approved the Tabor Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The Amendment is subject to many interpretations, but the School believes it is in substantial compliance with the Amendment. In accordance with the Amendment, the School has established an emergency reserve representing 3% of qualifying expenditures. At June 30, 2017, the reserve was reported as restricted fund balance in the General Fund, in the amount of \$112,000.

**REQUIRED SUPPLEMENTARY INFORMATION**

CROWN POINTE ACADEMY

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

PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO SCHOOL DIVISION TRUST FUND

June 30, 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				
School's Proportion of the Net Pension Liability	0.0405747738%	0.0400846407%	0.0377819348%	0.0364617439%
School's Proportionate Share of the Net Pension Liability	\$ 12,080,679	\$ 6,130,663	\$ 5,120,721	\$ 4,650,686
School's Covered Payroll	\$ 1,821,068	\$ 1,746,879	\$ 1,582,792	\$ 1,469,889
School'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>
SCHOOL CONTRIBUTIONS				
Statutorily Required Contribution	\$ 336,063	\$ 321,693	\$ 280,181	\$ 244,095
Contributions in Relation to the Statutorily Required Contribution	<u>(336,063)</u>	<u>(321,693)</u>	<u>(280,181)</u>	<u>(244,095)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered Payroll	\$ 1,828,213	\$ 1,814,051	\$ 1,658,893	\$ 1,527,074
Contributions as a Percentage of Covered Payroll	18.38%	17.73%	16.89%	15.98%

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

See the accompanying Independent Auditors' Report.

CROWN POINTE ACADEMY

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
<b>REVENUES</b>				
<b>Local Sources</b>				
Per Pupil Revenue	\$ 3,256,963	\$ 3,256,963	\$ 3,275,999	\$ 19,036
Student Fees	13,500	13,500	27,162	13,662
Food Service Fees	28,180	28,180	28,563	383
Contributions and Donations	2,500	2,500	14,927	12,427
Rental Income	16,500	16,500	25,101	8,601
Investment Income	12,500	12,500	(5,556)	(18,056)
Miscellaneous	3,000	3,000	7,378	4,378
<b>Total Local Sources</b>	<b>3,333,143</b>	<b>3,333,143</b>	<b>3,373,574</b>	<b>40,431</b>
<b>State Sources</b>				
Supplemental At-Risk Aid	109,436	109,436	101,450	(7,986)
Additional At-Risk Funding	-	-	2,456	2,456
Capital Construction	116,399	116,399	126,112	9,713
Grants	115,296	115,296	116,322	1,026
<b>Total State Sources</b>	<b>341,131</b>	<b>341,131</b>	<b>346,340</b>	<b>5,209</b>
<b>Federal Sources</b>				
Grants	193,829	193,829	231,087	37,258
<b>TOTAL REVENUES</b>	<b>3,868,103</b>	<b>3,868,103</b>	<b>3,951,001</b>	<b>82,898</b>
<b>EXPENDITURES</b>				
Salaries	1,874,962	1,883,875	1,892,688	(8,813)
Employee Benefits	663,808	665,666	655,943	9,723
Purchased Services	1,137,642	1,137,642	1,073,048	64,594
Supplies and Materials	124,988	124,988	119,192	5,796
Property	34,420	283,575	304,646	(21,071)
Other	4,265	4,265	44,114	(39,849)
Reserves	-	150,000	-	150,000
<b>TOTAL EXPENDITURES</b>	<b>3,840,085</b>	<b>4,250,011</b>	<b>4,089,631</b>	<b>160,380</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>28,018</b>	<b>(381,908)</b>	<b>(138,630)</b>	<b>243,278</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	-	-	5,201	5,201
Transfers Out	(25,000)	(25,000)	(32,017)	(7,017)
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>(25,000)</b>	<b>(25,000)</b>	<b>(26,816)</b>	<b>(1,816)</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>3,018</b>	<b>(406,908)</b>	<b>(165,446)</b>	<b>241,462</b>
<b>FUND BALANCE, Beginning</b>	<b>767,969</b>	<b>1,028,476</b>	<b>1,028,478</b>	<b>2</b>
<b>FUND BALANCE, Ending</b>	<b>\$ 770,987</b>	<b>\$ 621,568</b>	<b>\$ 863,032</b>	<b>\$ 241,464</b>

See the accompanying Independent Auditors' Report.

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

**Changes in Assumptions and Other Inputs**

For the year ended June 30, 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**

**Budgetary Information**

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

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

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

**SUPPLEMENTARY INFORMATION**

CROWN POINTE ACADEMY

STATEMENT OF CHANGES IN ASSETS AND LIABILITIES

AGENCY FUND

Year Ended June 30, 2017

	<u>BALANCES</u> 6/30/16	<u>ADDITIONS</u>	<u>DEDUCTIONS</u>	<u>BALANCES</u> 6/30/17
<b>School Activity Fund</b>				
<b>ASSETS</b>				
Cash and Investments	\$ 79,061	\$ 114,891	\$ 109,999	\$ 83,953
Deposits	<u>3,610</u>	<u>3,135</u>	<u>3,610</u>	<u>3,135</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 82,671</u></u>	<u><u>\$ 118,026</u></u>	<u><u>\$ 113,609</u></u>	<u><u>\$ 87,088</u></u>
<b>LIABILITIES</b>				
Due to Student Groups	<u>\$ 82,671</u>	<u>\$ 118,026</u>	<u>\$ 113,609</u>	<u>\$ 87,088</u>
<b>TOTAL LIABILITIES</b>	<u><u>\$ 82,671</u></u>	<u><u>\$ 118,026</u></u>	<u><u>\$ 113,609</u></u>	<u><u>\$ 87,088</u></u>

See the accompanying Independent Auditors' Report.