

**Platte River Academy**  
*(A Component Unit of Douglas County School District RE.1)*

**Financial Statements**

**June 30, 2018**



**HINKLE &  
COMPANY**  
*Strategic* <sup>PC</sup>  
*Business Advisors*

**Platte River Academy**  
*(A Component Unit of Douglas County School District RE.1)*  
Table of Contents  
June 30, 2018

<b>Independent Auditors' Report</b> .....	1
<b>Management's Discussion and Analysis</b> .....	i
<b>Basic Financial Statements</b>	
<i>Government-wide Financial Statements</i>	
Statement of Net Position .....	3
Statement of Activities .....	4
<i>Governmental Fund</i>	
Balance Sheet .....	5
Statement of Revenues, Expenditures and Changes in Fund Balance .....	6
<i>Proprietary Fund</i>	
Statement of Net Position .....	7
Statement of Revenues, Expenses and Changes in Net Position .....	8
Statement of Cash Flows.....	9
<i>Notes to Financial Statements</i> .....	10
<b>Required Supplementary Information</b>	
Schedule of Proportionate Share of the Net Pension Liability and Contributions.....	29
Schedule of Proportionate Share of the Net OPEB Liability and Contributions.....	30
Budgetary Comparison Schedule – General Fund .....	31
Notes to Required Supplementary Information .....	32



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## **Independent Auditors' Report**

Governing Board  
Platte River Academy  
Highlands Ranch, Colorado

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 RE.1, as of and for the year ended June 30, 2018, 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, 2018, 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.

### **Emphasis of Matter**

As discussed in Note 10 to the financial statements, in the year ended June 30, 2018, Platte River Academy adopted new accounting guidance as required by Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

### **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.

*Hick & Company, PC*

Greenwood Village, Colorado  
October 31, 2018



**PLATTE RIVER ACADEMY**  
Management's Discussion and Analysis  
Fiscal Year Ended June 30, 2018

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, 2018. 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, 2018 is the 20<sup>th</sup> year of operations for PRA. The General Fund balance increased to \$1,467,118 from \$1,445,686 at June 30, 2017.

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 \$3,847,206 up from \$3,717,136 in the year ended June 30, 2017.

**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, 2018, PRA's combined liabilities and deferred inflows exceeded assets and deferred outflows by (\$12,102,249) as compared to (\$8,234,969) in the year ended June 30, 2017. 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, 2018 amount, \$142,000 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>2017-18</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2016-17</b>
<b><u>Assets</u></b>				
Cash and Investments	\$ 1,825,970	\$ 1,784,286	\$ -	\$ -
Restricted Cash	-	-	1,032,152	1,033,077
Accounts Receivable	14,569	24,783	-	-
Land	-	-	553,332	553,332
Capital Assets	-	-	3,613,669	3,737,422
Total Assets	<u>\$ 1,840,539</u>	<u>\$ 1,809,069</u>	<u>\$ 5,199,153</u>	<u>\$ 5,323,831</u>
<b><u>Deferred Outflows of Resources</u></b>				
Pensions, Net of Accumulated Amortization	\$ 5,459,753	\$ 6,644,683	-	-
OPEB, Net of Accumulated Amortization	21,299	-	-	-
Loss on Debt Refunding, Net of Accumulated Amortization	-	-	980,505	1,043,090
<b><u>Liabilities</u></b>				
Current Liabilities	\$ 373,421	\$ 363,383	\$ 84,033	\$ 90,234
Due In One Year	3,800	3,000	125,000	115,000
Long Term Debt	24,354	9,014	5,998,553	6,129,928
Net OPEB Liability	407,618	-	-	-
Net Pension Liability	<u>17,849,991</u>	<u>16,273,784</u>	<u>-</u>	<u>-</u>
Total Liabilities	<u>\$ 18,659,184</u>	<u>\$ 16,649,181</u>	<u>\$ 6,207,586</u>	<u>\$ 6,335,162</u>
<b><u>Deferred Inflows of Resources</u></b>				
Pensions	729,909	71,299	-	-
OPEB	6,819	-	-	-
<b><u>Net Position</u></b>				
Net investment in Capital Assets\$	-	-	\$ (467,623)	\$ (409,573)
Restricted for Debt Service	-	-	439,695	441,322
Restricted for R&R	-	-	-	-
Restricted for Capital Outlay	164,126	164,126	-	-
Reserved for Emergencies	142,000	135,000	-	-
Unrestricted	<u>(12,380,447)</u>	<u>(8,565,854)</u>	<u>-</u>	<u>-</u>
Total Net Position	<u>\$ (12,074,321)</u>	<u>\$ (8,266,728)</u>	<u>\$ ( 27,928)</u>	<u>\$ 31,759</u>

## CHANGE IN NET POSITION

	Governmental Activities		Business-Type Activities	
	2017-18	2016-17	2017-18	2016-17
<b>Revenues</b>				
Charges for Services	\$ 306,125	\$ 277,418	\$ -	\$ -
Grants & Contributions	79,024	60,680	-	-
Per Pupil Revenues	3,847,206	3,717,136	-	-
Mill Levy Overrides	286,358	287,061	-	-
Capital Construction	139,065	145,659	-	-
Earnings on Investments	11,006	10,539	15,437	4,253
Other	<u>33,280</u>	<u>12,778</u>	<u>-</u>	<u>-</u>
Total Revenue	\$ 4,702,064	\$ 4,511,271	\$ 15,437	\$ 4,253
<b>Expenses</b>				
Instruction	\$ (6,104,788)	\$(5,709,059)	\$ -	\$ -
Supporting Services	(1,656,535)	(1,518,707)	-	-
Building Corporation	<u>-</u>	<u>-</u>	<u>(436,944)</u>	<u>(512,357)</u>
Total Expenses	\$ (7,761,323)	\$( 7,227,766)	\$ (436,944)	\$ (512,357)
Transfers	<u>(361,820)</u>	<u>(345,115)</u>	<u>361,820</u>	<u>345,115</u>
Decrease in Net Position	\$ (3,421,079)	\$(3,061,610)	\$ ( 59,687)	\$ (162,989)
Net Position, Beginning	<u>(8,653,242)</u>	<u>(5,205,118)</u>	<u>31,759</u>	<u>194,748</u>
Total Net Position	<u><u>\$(12,074,321)</u></u>	<u><u>\$(8,266,728)</u></u>	<u><u>\$ (27,928)</u></u>	<u><u>\$ 31,759</u></u>

### Analysis of Significant Changes

PRA net position is a negative (\$12,102,249). The negative balance is due primarily to the adoption of GASB Statement No. 68, resulting in a net pension liability of \$17,849,991 and OPEB liability of \$407,618 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 increased by \$21,432 from \$1,445,686 to \$1,467,118.

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

The Building Corporation activities consisted of Depreciation Expense amounting to \$123,753 and Interest and Fees Expense totaling \$313,191.

### **General Fund Budgetary Highlights**

PRA's 2017-18 Final Budget budgeted for General Fund expenditures of \$6,047,660 for the year ended June 30, 2018. Actual expenditures were \$4,693,388.

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

As of June 30, 2018, the Building Corporation owned the building used by PRA and was obligated to pay on a tax-exempt debt in the amount of \$5,960,000. The total due within one year is \$125,000. 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 2017-18 school year was 527.22. The enrollment projected for the 2018-19 school year is expected to be approximately 528.16. 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**  
(A Component Unit of Douglas County School District RE.1)  
Statement of Net Position  
June 30, 2018

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and Investments	\$ 1,825,970	\$ -	\$ 1,825,970
Restricted Cash and Investments	-	1,032,152	1,032,152
Accounts Receivable	14,569	-	14,569
Capital Assets, <i>Not Being Depreciated</i>	-	553,332	553,332
Capital Assets, <i>Net of Accumulated Depreciation</i>	-	3,613,669	3,613,669
Total Assets	1,840,539	5,199,153	7,039,692
<b>Deferred Outflows of Resources</b>			
Pensions, <i>Net of Accumulated Amortization</i>	5,459,753	-	5,459,753
OPEB, <i>Net of Accumulated Amortization</i>	21,299	-	21,299
Loss on Debt Refunding, <i>Net of Accumulated Amortization</i>	-	980,505	980,505
Total Deferred Outflows of Resources	5,481,052	980,505	6,461,557
<b>Liabilities</b>			
Accounts Payable	2,312	-	2,312
Accrued Salaries and Benefits	359,334	-	359,334
Unearned Revenue	11,775	-	11,775
Accrued Interest Payable		84,033	84,033
Noncurrent Liabilities			
Due Within One Year	3,800	125,000	128,800
Due in More Than One Year	24,354	5,998,553	6,022,907
Net Pension Liability	17,849,991	-	17,849,991
Net OPEB Liability	407,618	-	407,618
Total Liabilities	18,659,184	6,207,586	24,866,770
<b>Deferred Inflows of Resources</b>			
Pensions, <i>Net of Accumulated Amortization</i>	729,909	-	729,909
OPEB, <i>Net of Accumulated Amortization</i>	6,819	-	6,819
Total Deferred Inflows of Resources	736,728	-	736,728
<b>Net Position</b>			
Net Investment in Capital Assets	-	(467,623)	(467,623)
Restricted for:			
Debt Service	-	439,695	439,695
Capital Outlay	164,126	-	164,126
Emergencies	142,000	-	142,000
Unrestricted	(12,380,447)	-	(12,380,447)
Total Net Position	\$ (12,074,321)	\$ (27,928)	\$ (12,102,249)

See Notes to Financial Statements.

**Platte River Academy**  
(A Component Unit of Douglas County School District RE.1)  
Statement of Activities  
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government</b>						
<i>Governmental Activities</i>						
Instruction	\$ 6,104,788	\$ 252,651	\$ 5,957	\$ (5,846,180)	\$ -	\$ (5,846,180)
Supporting Services	<u>1,656,535</u>	<u>53,474</u>	<u>-</u>	<u>(1,603,061)</u>	<u>-</u>	<u>(1,603,061)</u>
Total Governmental Activities	<u>7,761,323</u>	<u>306,125</u>	<u>5,957</u>	<u>(7,449,241)</u>	<u>-</u>	<u>(7,449,241)</u>
<i>Business-Type Activities</i>						
Building Corporation	<u>436,944</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(436,944)</u>	<u>(436,944)</u>
Total Primary Government	<u>\$ 8,198,267</u>	<u>\$ 306,125</u>	<u>\$ 5,957</u>	<u>(7,449,241)</u>	<u>(436,944)</u>	<u>(7,886,185)</u>
<b>General Revenues</b>						
Per Pupil Revenue				3,847,206	-	3,847,206
District Mill Levy				286,358	-	286,358
Capital Construction				139,065	-	139,065
Grants and Contributions Not Restricted to Specific Programs				73,067	-	73,067
Investment Income				11,006	15,437	26,443
Other				33,280	-	33,280
<b>Transfers</b>				<u>(361,820)</u>	<u>361,820</u>	<u>-</u>
Total General Revenues and Transfers				<u>4,028,162</u>	<u>377,257</u>	<u>4,405,419</u>
Change in Net Position				(3,421,079)	(59,687)	(3,480,766)
<b>Net Position, Beginning of year</b>				<u>(8,653,242)</u>	<u>31,759</u>	<u>(8,621,483)</u>
<b>Net Position, End of year</b>				<u>\$ (12,074,321)</u>	<u>\$ (27,928)</u>	<u>\$ (12,102,249)</u>

**Platte River Academy**  
 (A Component Unit of Douglas County School District RE.1)  
 Balance Sheet  
 Governmental Fund  
 June 30, 2018

	General
<b>Assets</b>	
Cash and Investments	\$ 1,825,970
Accounts Receivable	14,569
Total Assets	\$ 1,840,539
<b>Liabilities and Fund Balance</b>	
<i>Liabilities</i>	
Accounts Payable	\$ 2,312
Accrued Salaries and Benefits	359,334
Unearned Revenues	11,775
Total Liabilities	373,421
<i>Fund Balance</i>	
Restricted for:	
Capital Outlay	164,126
Emergencies	142,000
Unrestricted, Unassigned	1,160,992
Total Fund Balance	1,467,118
Total Liabilities and Fund Balance	\$ 1,840,539

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

Total Fund Balance of the Governmental Fund	\$ 1,467,118
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds:	
Compensated absences	(28,154)
Net pension liability	(17,849,991)
Pension-related deferred outflows of resources	5,459,753
Pension-related deferred inflows of resources	(729,909)
Net OPEB liability	(407,618)
OPEB-related deferred outflows of resources	21,299
OPEB-related deferred inflows of resources	(6,819)
Total Net Position of Governmental Activities	\$ (12,074,321)

**Platte River Academy**  
*(A Component Unit of Douglas County School District RE.1)*  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Fund  
For the Year Ended June 30, 2018

	General
<b>Revenues</b>	
Local Sources	\$ 4,557,042
State Sources	145,022
Total Revenues	4,702,064
<b>Expenditures</b>	
Instruction	3,786,807
Supporting Services	906,581
Total Expenditures	4,693,388
<b>Excess of Revenues Over (Under) Expenditures</b>	8,676
<b>Other Financing Sources</b>	
Transfers In	12,756
<b>Net Change in Fund Balance</b>	21,432
<b>Fund Balance, Beginning of year</b>	1,445,686
<b>Fund Balance, End of year</b>	\$ 1,467,118

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

Net Change in Fund Balance of the Governmental Fund	\$ 21,432
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

This includes changes in the following:

Compensated absences	(16,140)
Net pension liability	(1,576,207)
Pension-related deferred outflows of resources	(1,184,930)
Pension-related deferred inflows of resources	(658,610)
Net OPEB liability	(4,797)
OPEB-related deferred outflows of resources	4,992
OPEB-related deferred inflows of resources	(6,819)
Change in Net Position of Governmental Activities	\$ (3,421,079)

**Platte River Academy**  
 (A Component Unit of Douglas County School District RE.1)  
 Statement of Net Position  
 Proprietary Fund  
 June 30, 2018

	Building Corporation
<b>Assets</b>	
<i>Current Assets</i>	
Restricted Cash and Investments	\$ <u>1,032,152</u>
<i>Noncurrent Assets</i>	
Capital Assets, <i>Not Being Depreciated</i>	553,332
Capital Assets, <i>Net of Accumulated Depreciation</i>	<u>3,613,669</u>
Total Noncurrent Assets	<u>4,167,001</u>
Total Assets	<u>5,199,153</u>
<b>Deferred Outflows of Resources</b>	
Loss on Debt Refunding, <i>Net of Accumulated Amortization</i>	<u>980,505</u>
<b>Liabilities</b>	
<i>Current Liabilities</i>	
Accrued Interest Payable	84,033
Loan Payable, <i>Current Portion</i>	<u>125,000</u>
Total Current Liabilities	209,033
<i>Noncurrent Liabilities</i>	
Loan Payable	<u>5,998,553</u>
Total Liabilities	<u>6,207,586</u>
<b>Net Position</b>	
Net Investment in Capital Assets	(467,623)
Restricted for Debt Service	<u>439,695</u>
Total Net Position	\$ <u><u>(27,928)</u></u>

**Platte River Academy**  
*(A Component Unit of Douglas County School District RE.1)*  
 Statement of Revenues, Expenses and Changes in Net Position  
 Proprietary Fund  
 For the Year Ended June 30, 2018

	<u>Building Corporation</u>
<b>Operating Revenues</b>	
Lease Income	\$ <u>374,576</u>
<b>Operating Expenses</b>	
Depreciation	123,753
Debt Service	
Interest and Fees	<u>313,191</u>
Total Operating Expenses	<u>436,944</u>
<b>Net Operating Income (Loss)</b>	(62,368)
<b>Nonoperating Revenues</b>	
Investment Income	<u>15,437</u>
<b>Net Income (Loss) Before Transfers</b>	(46,931)
Transfers Out	<u>(12,756)</u>
<b>Change in Net Position</b>	(59,687)
<b>Net Position, <i>Beginning of year</i></b>	<u>31,759</u>
<b>Net Position, <i>End of year</i></b>	\$ <u><u>(27,928)</u></u>

**Platte River Academy**  
 (A Component Unit of Douglas County School District RE.1)  
 Statement of Cash Flows  
 Proprietary Fund  
 For the Year Ended June 30, 2018

	Building Corporation
<b>Cash Flows From Operating Activities</b>	
Lease Payments Received	\$ 374,576
Loan Principal Paid	(115,000)
Loan Interest and Fees Paid	<u>(263,182)</u>
Net Cash Provided (Used) by Operating Activities	<u>(3,606)</u>
<b>Cash Flows From Investing Activities</b>	
Investment Income Received	15,437
Payments to the Academy	<u>(12,756)</u>
Net Cash Provided (Used) by Investing Activities	<u>2,681</u>
<b>Net Change in Cash and Cash Equivalents</b>	(925)
<b>Cash and Cash Equivalents, <i>Beginning of year</i></b>	<u>1,033,077</u>
<b>Cash and Cash Equivalents, <i>End of year</i></b>	<u>\$ 1,032,152</u>
<b>Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>	
Net Operating Income (Loss)	\$ (62,368)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	123,753
Amortization of Premium	(6,375)
Amortization of Loss on Refunding	62,585
Changes in Assets and Liabilities	
Accrued Interest Payable	(6,201)
Loan Payable	<u>(115,000)</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ (3,606)</u>

**Platte River Academy**  
*(A Component Unit of Douglas County School District RE.1)*  
Notes to Financial Statements  
June 30, 2018

**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 Douglas County School District RE.1 (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 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.

**Platte River Academy**  
(A Component Unit of Douglas County School District RE.1)  
Notes to Financial Statements  
June 30, 2018

**Note 1: Summary of Significant Accounting Policies** (Continued)

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

The statement of activities demonstrates the degree to which the direct expenses of 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.

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, 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 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.

**Platte River Academy**  
(A Component Unit of Douglas County School District RE.1)  
Notes to Financial Statements  
June 30, 2018

**Note 1: Summary of Significant Accounting Policies** (Continued)

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

(Continued)

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 Net Position/Fund Balance**

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

*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. Capital assets are depreciated using the straight-line method over the following estimated useful lives.

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.

**Platte River Academy**  
(A Component Unit of Douglas County School District RE.1)  
Notes to Financial Statements  
June 30, 2018

**Note 1: Summary of Significant Accounting Policies** (Continued)

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

*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.

*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. Employer contributions are recognized when the compensation is payable to the employees.

*Postemployment Benefits Other Than Pensions (OPEB)* - The Academy participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Public Employees' Retirement Association of Colorado (PERA). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position, and additions to and deductions from the HCTF'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 HCTF. For this purpose, the HCTF recognizes benefit payments when due and payable in accordance with the benefit terms. Employer contributions are recognized when the compensation is payable to the employees.

**Platte River Academy**  
 (A Component Unit of Douglas County School District RE.1)  
 Notes to Financial Statements  
 June 30, 2018

**Note 1: Summary of Significant Accounting Policies (Continued)**

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

*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: Stewardship, Compliance and Accountability**

**Accountability**

At June 30, 2018, the Corporation had a negative net position of \$27,928. Management expects this negative balance to be eliminated as the Corporation's debt is paid.

**Note 3: Deposits and Investments**

Cash and investments at June 30, 2018, consisted of the following:

Deposits	\$ 108,036
Investments	<u>2,750,086</u>
Total	<u>\$ 2,858,122</u>

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

Cash and Investments	\$ 1,825,970
Restricted Cash and Investments	<u>1,032,152</u>
Total	<u>\$ 2,858,122</u>

**Platte River Academy**  
*(A Component Unit of Douglas County School District RE.1)*  
 Notes to Financial Statements  
 June 30, 2018

**Note 3: Deposits 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, 2018, the Academy and the Corporation had the following investments:

Investment Type	S&P Rating	Investment Maturities (in Years)		Total
		Less Than 1	1 - 5	
Local Government Investment Pool	AAAm	\$ 1,301,162	\$ -	\$ 1,301,162
U.S. Agency STRIPS	Not Rated	64,146	-	64,146
U.S. Agency Securities	AAA	89,300	141,001	230,301
U.S. Agency Securities	AA+	-	66,973	66,973
Municipal Securities	AAA	-	228,535	228,535
Municipal Securities	AA+	24,902	167,600	192,502
Municipal Securities	AA	64,805	376,228	441,033
Municipal Securities	AA-	-	103,417	103,417
Municipal Securities	A+	-	23,300	23,300
Municipal Securities	A	-	48,830	48,830
Corporate Securities	AA-	49,887	-	49,887
<b>Total</b>		<b>\$ 1,594,202</b>	<b>\$ 1,155,884</b>	<b>\$ 2,750,086</b>

**Platte River Academy**  
(A Component Unit of Douglas County School District RE.1)  
Notes to Financial Statements  
June 30, 2018

**Note 3: Deposits 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, 2018, the Academy's investment securities were measured utilizing quoted prices in active markets for similar investments (Level 2 inputs). The external investment pool was 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. 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.

*Concentration of Credit Risk* - State statutes do not limit the amount the Academy may invest in a single issuer, except for corporate securities, which are limited to 50% of total investments or 5% for a single issuer. At June 30, 2018, the Academy's investments in the Federal National Mortgage Association represented 5% of total investments.

*Local Government Investment Pool* - At June 30, 2018, the Academy and Corporation had \$269,010 and \$1,032,152, 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.

**Platte River Academy**  
*(A Component Unit of Douglas County School District RE.1)*  
 Notes to Financial Statements  
 June 30, 2018

**Note 3: Deposits and Investments** (Continued)

**Legal Compliance**

At June 30, 2018, the Academy had bank deposits and certificates of deposit with a balance of \$32,849 held and issued by banks not registered under the PDPA. In addition, the Academy purchased U.S. Agency STRIPS that may not be allowed by State statutes.

**Restricted Cash and Investments**

At June 30, 2018, the Corporation had investments of \$1,032,152 restricted by its loan agreement for capital projects and future debt service.

**Note 4: Capital Assets**

Capital asset activity for the year ended June 30, 2018, is summarized below.

	<b>Balance 6/30/17</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/18</b>
<b>Business-Type Activities</b>				
<i>Capital Assets, Not Being Depreciated</i>				
Land	\$ 553,332	\$ -	\$ -	\$ 553,332
<i>Capital Assets, Being Depreciated</i>				
Buildings and Improvements	5,454,383	-	-	5,454,383
Accumulated Depreciation	<u>(1,716,961)</u>	<u>(123,753)</u>	<u>-</u>	<u>(1,840,714)</u>
Total Capital Assets, <i>Being Depreciated</i>	<u>3,737,422</u>	<u>(123,753)</u>	<u>-</u>	<u>3,613,669</u>
Business-Type Activities Capital Assets, <i>Net</i>	<u>\$ 4,290,754</u>	<u>\$ (123,753)</u>	<u>\$ -</u>	<u>\$ 4,167,001</u>

**Platte River Academy**  
*(A Component Unit of Douglas County School District RE.1)*  
 Notes to Financial Statements  
 June 30, 2018

**Note 5: Long-Term Debt**

Following is a summary of long-term debt transactions for the year ended June 30, 2018:

	<u>Balance 6/30/17</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 6/30/18</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Compensated Absences	\$ 12,014	\$ 16,140	\$ -	\$ 28,154	\$ 3,800
<b>Business-Type Activities</b>					
2017 Building Loan	\$ 6,075,000	\$ -	\$ 115,000	\$ 5,960,000	\$ 125,000
Premium	169,928	-	6,375	163,553	-
Total	<u>\$ 6,244,928</u>	<u>\$ -</u>	<u>\$ 121,375</u>	<u>\$ 6,123,553</u>	<u>\$ 125,000</u>

On February 22, 2017, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$6,075,000 Charter School Refunding and Improvement Bonds, Series 2017A and 2017B. Bond proceeds were used to refund the outstanding Series 2004 Bonds originally loaned to the Corporation to finance construction of the Academy's educational facilities, 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 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.

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>
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	150,000	230,700	380,700
2024 - 2028	845,000	1,053,750	1,898,750
2029 - 2033	1,080,000	825,500	1,905,500
2034 - 2038	1,340,000	567,400	1,907,400
2039 - 2043	1,635,000	276,600	1,911,600
2044	375,000	15,000	390,000
Total	<u>\$ 5,960,000</u>	<u>\$ 3,946,550</u>	<u>\$ 9,906,550</u>

**Platte River Academy**  
*(A Component Unit of Douglas County School District RE.1)*  
Notes to Financial Statements  
June 30, 2018

**Note 6: Interfund Transactions**

During the year ended June 30, 2018, the Corporation's trustee distributed excess interest earnings of \$12,756 to the Academy.

**Note 7: 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 over three years 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.

**Platte River Academy**  
*(A Component Unit of Douglas County School District RE.1)*  
Notes to Financial Statements  
June 30, 2018

**Note 7: Defined Benefit Pension Plan (Continued)**

**General Information** (Continued)

*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 2018 and 2017 was 20.15% 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 8). The Academy's contributions to the SDTF for the year ended June 30, 2018, were \$502,349, 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, 2018, the Academy reported a net pension liability of \$17,849,991, representing its proportionate share of the net pension liability of the SDTF. The net pension liability was measured at December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017.

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, 2017, relative to the contributions of all participating employers. At December 31, 2017, the Academy's proportion was 0.0552008443%, which was an increase of 0.0005428982% from its proportion measured at December 31, 2016.

During the 2018 legislative session, the State Legislature passed Senate Bill (SB) 18-200 with the goal of eliminating the unfunded pension liability of the SDTF within the next 30 years. The significant provisions of the legislation include increased age and service requirements to receive full retirement benefits, highest average salary calculated over five years rather than three years, changes to includable employee salaries, increased contributions from employees and employers, and an annual direct distribution from the State of Colorado. The Academy's estimated net pension liability at June 30, 2018, had the provisions of SB 18-200 been effective was \$8,064,471.

For the year ended June 30, 2018, the Academy recognized pension expense of \$3,977,485. At June 30, 2018, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**Platte River Academy**  
(A Component Unit of Douglas County School District RE.1)  
Notes to Financial Statements  
June 30, 2018

**Note 7: Defined Benefit Pension Plan (Continued)**

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 328,185	\$ -
Changes of assumptions and other inputs	4,557,765	28,923
Net difference between projected and actual earnings on plan investments	-	700,986
Changes in proportion	270,630	-
Contributions subsequent to the measurement date	303,173	-
 Total	 \$ 5,459,753	 \$ 729,909

Academy contributions subsequent to the measurement date of \$303,173 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,**

2019	\$ 2,979,392
2020	1,676,910
2021	34,083
2022	(263,714)
 Total	 \$ 4,426,671

*Actuarial Assumptions* - The actuarial valuation as of December 31, 2016, determined the total pension liability using the following actuarial assumptions and other inputs.

Price inflation	2.4%
Real wage growth	1.1%
Wage inflation	3.5%
Salary increases, including wage inflation	3.5% - 9.7%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate <sup>(1)</sup>	5.26%
Post-retirement benefit increases:	
Hired prior to 1/1/2007	2.0%
Hired after 12/31/2006	ad hoc

(1) The discount rate reflected in the roll-forward calculation of the total pension liability to the measurement date was 4.78%.

**Platte River Academy**  
 (A Component Unit of Douglas County School District RE.1)  
 Notes to Financial Statements  
 June 30, 2018

**Note 7: Defined Benefit Pension Plan (Continued)**

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

Healthy mortality assumptions for active members were based on 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. Healthy, post-retirement mortality assumptions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, with certain adjustments. For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

On November 18, 2016, PERA's governing board adopted revised economic and demographic assumptions based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, which were effective on December 31, 2016. The significant changes affecting the plan included decreasing the investment rate of return assumption from 7.5% per year, compounded annually, net of investment expenses, to 7.25%, and updating mortality assumptions based on RP-2014 mortality tables.

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:

<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>100.00%</u>	

**Platte River Academy**  
 (A Component Unit of Douglas County School District RE.1)  
 Notes to Financial Statements  
 June 30, 2018

**Note 7: Defined Benefit Pension Plan (Continued)**

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

*Discount Rate* - The discount rate used to measure the total pension liability was 4.78%. 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, 2017, the municipal bond index rate was 3.43%, resulting in a discount rate of 4.78%. The discount rate at the prior measurement date was 5.26%.

*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 4.78%, 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 (3.78%) or one percentage point higher (5.78%) than the current rate, as follows:

	<b>1% Decrease (3.78%)</b>	<b>Current Discount Rate (4.78%)</b>	<b>1% Increase (5.78%)</b>
Proportionate share of the net pension liability	\$ <u>22,547,575</u>	\$ <u>17,849,991</u>	\$ <u>14,021,997</u>

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

**Platte River Academy**  
(A Component Unit of Douglas County School District RE.1)  
Notes to Financial Statements  
June 30, 2018

**Note 8: Postemployment Healthcare Benefits**

**General Information**

*Plan Description* - All employees of the Academy are eligible to receive postemployment benefits other than pensions (OPEB) through the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Public Employees' Retirement Association of Colorado (PERA). Title 24, Article 51, Part 12 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 HCTF. That report may be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Benefits Provided* - The HCTF provides a healthcare premium subsidy to eligible benefit recipients and retirees who choose to enroll. Eligibility to enroll is voluntary and includes benefit recipients, their eligible dependents and surviving spouses, among others. Eligible benefit recipients may enroll in the HCTF upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period. The health care premium subsidy is based on the benefit structure under which the member retires and the member's years of service credit.

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare, and \$115 per month for benefit recipients who are over 65 years of age or who are under 65 years of age and entitled to Medicare. An additional subsidy is provided if the benefit recipient has not participated in Social Security and is not otherwise eligible for Medicare Part A. The maximum subsidy is based on 20 or more years of service. The subsidy is reduced for each year of service less than 20 years. The benefit recipient pays the remaining portion of the premium not covered by the subsidy.

*Contributions* - As established by Title 24, Article 51, Section 208 of the CRS, 1.02% of the Academy's contributions to the School Division Trust Fund (SDTF) (See Note 7) is apportioned to the HCTF. No employee contributions are required. These contribution requirements are established and may be amended by the State Legislature. The Academy's apportionment to the HCTF for the year ended June 30, 2018, was \$25,696, equal to the required amount.

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

At June 30, 2018, the Academy reported a net OPEB liability of \$407,618, representing its proportionate share of the net OPEB liability of the HCTF. The net OPEB liability was measured at December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2017.

The Academy's proportion of the net OPEB liability was based on the Academy's contributions to the HCTF for the calendar year ended December 31, 2017, relative to the contributions of all participating employers. At December 31, 2017, the Academy's proportion was 0.0313649129%, which was an increase of 0.0002958432% from its proportion measured at December 31, 2016.

**Platte River Academy**  
(A Component Unit of Douglas County School District RE.1)  
Notes to Financial Statements  
June 30, 2018

**Note 8: Postemployment Healthcare Benefits (Continued)**

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

For the year ended June 30, 2018, the Academy recognized OPEB expense of \$32,456. At June 30, 2018, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,928	\$ -
Net difference between projected and actual earnings on plan investments	-	6,819
Changes in proportion	3,206	-
Contributions subsequent to the measurement date	16,165	-
Total	\$ 21,299	\$ 6,819

Academy contributions subsequent to the measurement date of \$16,165 will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

**Year Ended June 30,**

2019	\$ (696)
2020	(696)
2021	(696)
2022	(696)
2023	1,009
2024	90
Total	\$ (1,685)

*Actuarial Assumptions* - The actuarial valuation as of December 31, 2016, determined the total OPEB liability using the following actuarial assumptions and other inputs, applied to all periods included in the measurement.

**Platte River Academy**  
 (A Component Unit of Douglas County School District RE.1)  
 Notes to Financial Statements  
 June 30, 2018

**Note 8: Postemployment Healthcare Benefits (Continued)**

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

Price inflation	2.4%
Real wage growth	1.1%
Wage inflation	3.5%
Salary increases, including wage inflation	3.5%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates:	
Service-based premium subsidy	0.0%
Medicare plans	5.0%
Medicare Part A premiums:	
3% for 2017, gradually rising to 4.25% in 2023	

Healthy mortality assumptions for active members were based on 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. Healthy, post-retirement mortality assumptions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, with certain adjustments. For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

Health care cost trend rates are based on published annual health care inflation surveys in conjunction with actual plan experience, building block models and heuristics developed by actuaries and administrators, and other projected trends.

The actuarial assumptions used in the December 31, 2016, valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, and were adopted by PERA's governing board on November 18, 2016. In addition, certain actuarial assumptions pertaining to per capita health care costs and the related trends are analyzed by PERA's actuary as needed.

The long-term expected rate of return on the HCTF 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 presented previously in Note 7.

**Platte River Academy**  
 (A Component Unit of Douglas County School District RE.1)  
 Notes to Financial Statements  
 June 30, 2018

**Note 8: Postemployment Healthcare Benefits** (Continued)

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

*Discount Rate* - The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at the current contribution rate. Based on this assumption, the HCTF's fiduciary net position was projected to be available to make all projected future OPEB payments to current active and inactive employees. Therefore, the long-term expected rate of return on HCTF investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate* - The following presents the Academy's proportionate share of the net OPEB liability calculated using the discount rate of 7.25%, as well as the Academy's proportionate share of the net OPEB liability if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate, as follows:

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Proportionate share of the net OPEB liability	\$ 458,291	\$ 407,618	\$ 364,368

*Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates* - The following presents the Academy's proportionate share of the net OPEB liability calculated using the current healthcare cost trend rates, ranging from 3% to 5%, as well as the Academy's proportionate share of the net OPEB liability if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates, as follows:

	<b>1% Decrease</b>	<b>Current Healthcare Cost Trend Rates</b>	<b>1% Increase</b>
Proportionate share of the net OPEB liability	\$ 396,403	\$ 407,618	\$ 421,126

*OPEB Plan Fiduciary Net Position* - Detailed information about the HCTF'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).

**Platte River Academy**  
 (A Component Unit of Douglas County School District RE.1)  
 Notes to Financial Statements  
 June 30, 2018

**Note 9: 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 other government. At June 30, 2018, 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.

**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 interpretation, but the Academy believes it is in substantial compliance with the requirements of the Amendment. In accordance with the Amendment, the Academy has established a reserve for emergencies, representing 3% of qualifying expenditures. At June 30, 2018, the reserve was reported as restricted fund balance in the General Fund, in the amount of \$142,000.

**Note 10: Change in Accounting Principle**

For the year ended June 30, 2018, the Academy adopted the standards of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result, net position of the governmental activities at June 30, 2017, was restated to reflect the cumulative effect of adopting the standards.

Certain balances of deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2017, were not available and have not been reported in the financial statements.

	<b>Governmental Activities</b>
Net Position, June 30, 2017, as <i>Originally Stated</i>	\$ (8,266,728)
Deferred Outflows of Resources	16,307
Net OPEB Liability	(402,821)
Net Position, June 30, 2017, as <i>Restated</i>	\$ (8,653,242)

## **Required Supplementary Information**

**Platte River Academy**  
(A Component Unit of Douglas County School District RE.1)  
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, 2018

	<u>12/31/17</u>	<u>12/31/16</u>	<u>12/31/15</u>	<u>12/31/14</u>	<u>12/31/13</u>
<b>Proportionate Share of the Net Pension Liability</b>					
Academy's Proportion of the Net Pension Liability	0.0552008443%	0.0546579461%	0.0530029239%	0.0509400076%	0.0495438324%
Academy's Proportionate Share of the Net Pension Liability	\$ 17,849,991	\$ 16,273,784	\$ 8,106,423	\$ 6,904,082	\$ 6,319,302
Academy's Covered Payroll	\$ 2,546,350	\$ 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	701%	663%	351%	324%	316%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	44%	43%	59%	63%	64%
	<u>6/30/18</u>	<u>6/30/17</u>	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/14</u>
<b>Academy Contributions</b>					
Statutorily Required Contribution	\$ 475,769	\$ 465,934	\$ 421,898	\$ 380,209	\$ 329,105
Contributions in Relation to the Statutorily Required Contribution	<u>(475,769)</u>	<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>	<u>\$ -</u>
Academy's Covered Payroll	\$ 2,519,217	\$ 2,533,704	\$ 2,374,933	\$ 2,250,207	\$ 2,058,212
Contributions as a Percentage of Covered Payroll	18.89%	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.

# Platte River Academy

(A Component Unit of Douglas County School District RE.1)

Required Supplementary Information

Schedule of Proportionate Share of the Net OPEB Liability and Contributions

Public Employees' Retirement Association of Colorado

Health Care Trust Fund

June 30, 2018

	<u>12/31/17</u>
<b>Proportionate Share of the Net OPEB Liability</b>	
Academy's Proportion of the Net OPEB Liability	0.0313649129%
Academy's Proportionate Share of the Net OPEB Liability	\$ 407,618
Academy's Covered-Employee Payroll	\$ 2,653,298
Academy's Proportionate Share of the Net OPEB Liability as a Percentage of Covered-Employee Payroll	15%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	18%
	<u>6/30/18</u>
<b>Academy Contributions</b>	
Statutorily Required Contribution	\$ 25,696
Contributions in Relation to the Statutorily Required Contribution	<u>(25,696)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>
Academy's Covered-Employee Payroll	\$ 2,603,808
Contributions as a Percentage of Covered-Employee Payroll	0.99%

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 accompanying Independent Auditors' Report.

**Platte River Academy**  
(A Component Unit of Douglas County School District RE.1)  
Budgetary Comparison Schedule  
General Fund  
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>				
<i>Local Sources</i>				
Per Pupil Revenue	\$ 3,793,796	\$ 3,848,066	\$ 3,847,206	\$ (860)
District Mill Levy	273,006	284,167	286,358	2,191
Extended Day Programs Fees	90,200	88,500	94,492	5,992
Pupil Activities	132,900	152,000	158,159	6,159
Food Service Fees	12,000	12,000	16,652	4,652
Contributions	40,000	35,500	73,067	37,567
Facility Rental	40,000	35,000	36,822	1,822
Investment Income	25,000	20,000	11,006	(8,994)
Other	6,000	6,000	33,280	27,280
<b>Total Local Sources</b>	<u>4,412,902</u>	<u>4,481,233</u>	<u>4,557,042</u>	<u>75,809</u>
<i>State Sources</i>				
Capital Construction	140,760	136,497	139,065	2,568
Grants	1,000	-	5,957	5,957
<b>Total State Sources</b>	<u>141,760</u>	<u>136,497</u>	<u>145,022</u>	<u>8,525</u>
<b>Total Revenues</b>	<u>4,554,662</u>	<u>4,617,730</u>	<u>4,702,064</u>	<u>84,334</u>
<b>Expenditures</b>				
Salaries	2,579,525	2,583,574	2,603,808	(20,234)
Employee Benefits	715,000	726,000	748,688	(22,688)
Purchased Services	522,745	532,600	625,702	(93,102)
Supplies	184,500	205,000	226,155	(21,155)
Property	107,500	108,000	96,621	11,379
Other	437,800	446,800	392,414	54,386
Reserves	-	1,445,686	-	1,445,686
<b>Total Expenditures</b>	<u>4,547,070</u>	<u>6,047,660</u>	<u>4,693,388</u>	<u>1,354,272</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	7,592	(1,429,930)	8,676	1,438,606
<b>Other Financing Sources</b>				
Transfers In	-	-	12,756	12,756
<b>Net Change in Fund Balance</b>	7,592	(1,429,930)	21,432	1,451,362
<b>Fund Balance, Beginning of year</b>	<u>1,905,928</u>	<u>1,445,686</u>	<u>1,445,686</u>	<u>-</u>
<b>Fund Balance, End of year</b>	<u>\$ 1,913,520</u>	<u>\$ 15,756</u>	<u>\$ 1,467,118</u>	<u>\$ 1,451,362</u>

See accompanying Independent Auditors' Report.

**Platte River Academy**  
(A Component Unit of Douglas County School District RE.1)  
Notes to Required Supplementary Information  
June 30, 2018

**Note 1: Schedule of Proportionate Share of the Net Pension Liability and Contributions**

The Public Employees' Retirement Association of Colorado (PERA) 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, 2018, the total pension liability was determined by an actuarial valuation as of December 31, 2016. The following revised economic and demographic assumptions were effective as of 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.