

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

**Financial Statements**

**June 30, 2018**



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

**SkyView Academy**  
 (A Component Unit of Douglas County School District RE.1)  
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 June 30, 2018

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*Business Advisors*

## **Independent Auditors' Report**

Board of Directors  
SkyView Academy  
Highlands Ranch, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the SkyView Academy, component unit of Douglas County School District, 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 the SkyView 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, the discretely presented component unit, and each major fund of the SkyView 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, the SkyView 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 23, 2018



# MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Required Supplementary Information (RSI)

June 30, 2018

This Management Discussion and Analysis (MD&A) of SkyView Academy's (the "School") financial performance is offered as an overview of financial activities for the fiscal year ended June 30, 2018. The intent of this narrative analysis is to review the School's financial performance in conjunction with the complete annual audit report. Readers should review the complete Financial Statements, including the Notes to Financial Statements, to heighten understanding of the School's financial performance.

## Financial Highlights

The period from July 1, 2017 through June 30, 2018 marks the eighth year of operation for the School. The School has been very successful during the first seven years to grow a stable foundation for the School's future. For the school year 17-18, the School will offer classes from preschool to 12<sup>th</sup> grade. We continue to look for growth in the High School to fill grades to maximum capacity. In 17-18 we grew by 18 students, mostly in the Middle School and High School.

## Overview of Financial Statements

This financial review is intended to serve as an introduction to the School'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. The financial statements also contain other supplementary information in addition to the basic financial statements.

### Government-Wide Financial Statements

Government-wide financial statements are prepared to provide interested parties with a reliable overview of the School's financial reporting in similar format to private-sector business. The statement of net position presents information related to assets and liabilities, deferred inflows and outflows, and remaining net position. With historical data, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The statement of activities, or income statement, presents information showing how the School's net position changed during the most recent fiscal year. Changes to net position are reported at the time the underlying event 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 (e.g., salaries and benefits earned but unpaid as of fiscal 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. The School scrutinizes these funds to ensure and demonstrate compliance with finance-related legal requirements. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements, except that the focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

Required Supplementary Information (RSI)

June 30, 2018

The School adopts an annual budget for the General Fund. A budgetary comparison has been provided to demonstrate compliance with the budget as part of the required supplementary information included in the audited financial statements.

The SkyView Academy Building Corporation is considered a component unit of the School and is reported as a proprietary fund. Information is presented in the statement of net position, statement of revenues, expenses and changes in net position and the statement of cash flows.

The SkyView Academy Foundation is considered a component unit of the School and is reported discretely in the financial statements.

### **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**

Net position of \$350,000 was reported to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. The School reported \$261,432 invested in capital assets. The negative net position of (\$28,118,947) is due primarily to the adoption of GASB Statement No. 68, resulting in a net pension liability of \$39,639,687 representing the School's proportionate share of PERA's net pension liability.

In this year's financial statements, the new regulation from GASB was added for the PERA related Other Postemployment healthcare benefits plan. A liability was recorded based on the salary amounts for the 2017 year. This liability is in addition to the PERA Pension liability that was added a few years ago to all Colorado Public entities. The Pension liability increased by 10% this year and is also based off salary. It is expected as PERA contributions are increasing for both employers and employees in 2019 that the liability held by the School will decrease. Notes 7 and 8 to the financial statements provides further information on the PERA pension and benefits liabilities.

As of June 30, 2018, the business-type activities had a net investment in capital assets of (\$6,210,739) with \$2,371,074 restricted for debt, \$183,877 restricted for Repair and Replacement and \$3,566 unrestricted. The business-type activities had a negative net position of (\$3,652,222) on June 30, 2018.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

Required Supplementary Information (RSI)

June 30, 2018

**Table I: Net Position**

	2018 Governmental Activities	2018 Business Type Activities	2017 Governmental Activities	2017 Business Type Activities
<b>ASSETS</b>				
Capital Assets, Net	261,432	22,534,261	338,313	23,164,575
Other Assets	2,200,989	3,308,326	2,031,742	3,230,859
<b>Total Assets</b>	<b>2,462,421</b>	<b>25,842,587</b>	<b>2,370,055</b>	<b>26,395,434</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Pensions/OPEB, Net	12,273,638		15,389,344	-
<b>Total Deferred Outflows of Resources</b>	<b>12,273,638</b>		<b>15,389,344</b>	<b>-</b>
<b>LIABILITIES</b>				
Long Term Liabilities	40,589,514	28,350,000	36,086,482	28,745,000
Other Liabilities	629,430	1,144,809	597,059	1,132,544
<b>Total Liabilities</b>	<b>41,218,944</b>	<b>29,494,809</b>	<b>36,683,541</b>	<b>29,877,544</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Pensions/OPEB, Net	<b>1,636,062</b>		<b>161,657</b>	-
<b>NET POSITION</b>				
Net Investment in Capital Assets	261,432	(6,210,739)	338,313	(5,955,425)
Restricted for Debt Service		2,371,074		2,335,997
Restricted for Repair and Replacement		183,877		133,752
Restricted for Emergencies	350,000		341,000	
Unrestricted	(28,730,379)	3,566	(19,765,112)	3,566
<b>Total Net Position</b>	<b>(28,118,947)</b>	<b>(3,652,222)</b>	<b>(19,085,799)</b>	<b>(3,482,110)</b>

**MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)**

Required Supplementary Information (RSI)

June 30, 2018

**Table II: Change in Net Position**

	2018 Governmental Activities	2018 Business Type Activities	2017 Governmental Activities	2017 Business Type Activities
<b>REVENUES</b>				
<i>General Revenues</i>				
Per Pupil Revenue	9,202,938		8,776,185	
Mill Levy	681,505		672,843	
Capital Construction Funding	329,791		340,824	
Contributions	77,363		51,660	
Investment Earnings		17,270		1,198
Other	41,753		66,914	1,546
<i>Program Revenues</i>				
Charges for Services: Instruction	1,379,279		1,368,865	
Charges for Services: Supporting Services	17,625		10,988	
Grants	69,798		45,694	
<b>Total Revenue</b>	<b>11,800,052</b>	<b>17,270</b>	<b>11,333,973</b>	<b>2,744</b>
<b>EXPENSES</b>				
Instruction	12,254,426		11,246,953	
Supporting Services	5,744,280		5,181,253	
Building Corporation		2,162,662		2,197,276
<b>Total Expenses</b>	<b>17,998,706</b>	<b>2,162,662</b>	<b>16,428,206</b>	<b>2,197,276</b>
Transfers	(1,975,280)	1,975,280	(1,824,621)	1,824,621
<b>Change in Net Position</b>	<b>(8,173,934)</b>	<b>(170,112)</b>	<b>(6,918,854)</b>	<b>(369,911)</b>
<b>Net Position, Beginning</b>	<b>(19,945,013)</b>	<b>(3,482,110)</b>	<b>(12,166,945)</b>	<b>(3,112,199)</b>
<b>Net Position, Ending</b>	<b>(28,118,947)</b>	<b>(3,652,222)</b>	<b>(19,085,799)</b>	<b>(3,482,110)</b>

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Required Supplementary Information (RSI)

June 30, 2018

### Fund Financial Analysis

#### General Fund

*Income* – Total revenue for the period of July 1, 2017 – June 30, 2018 was \$11,800,052. The majority of income was received in the form of Per Pupil Revenue (PPR) allocated to the School from the State of Colorado through the charter authorized by Douglas County School District. This increase in the PPR rate and state capital increases provided a 3.19% increase to PPR as well as additional increases to instructional service charges and other revenue amounts. The final large growth year has been completed with the 2015 year. An additional \$77,363 was contributed by the Skyview Academy Foundation to fund property and technology expenses.

*Expenditures* - Total expenditures for the period of July 1, 2017 – June 30, 2018 were \$11,658,288. Salaries were \$5,973,039; benefits were \$1,803,861; purchased services were \$3,143,700, materials and supplies were \$530,926, property was \$106,626 and other expenses were \$18,426. A transfer out of \$81,710 also occurred to fund the reserve for the repair and replacement fund and for technology capital assets to the Building Corp. Increased expenses were recognized in comparison with the prior year due to additional/realignment of staff members and benefits. Savings were recognized in the property expense area due to not using reserves for capital improvements.

*Net Income* – For the year ended June 30, 2018, the General Fund recorded a net income of \$141,764. In the most recent previous year, the State had funded PPR with a minimal increase. For this year, the School saw a year of a substantial increase in PPR funding, more than double of the previous year. In addition, capital funds were used to support building improvements.

#### SkyView Academy Building Corporation

*Income* – Total gross income for the period of July 1, 2017 – June 30, 2018 was \$1,992,550. This included lease revenue of \$1,893,570 received from the School. An additional \$17,270 was received as investment income. A transfer in of \$81,710 was recorded to fund the reserve for the repair and replacement fund and technology assets.

*Expenses* - Total expenses for the period of July 1, 2017 – June 30, 2018 were \$2,162,662. Operating expenses included \$663,044 in depreciation, and \$1,499,618 in interest expense.

*Net Loss*– As of June 30, 2018, the SkyView Academy Building Corporation recorded a decrease in net position of (\$170,112). The decrease is related to interest due on the \$29 million debt and depreciation.

#### Analysis of Significant Budget Variations: General Fund

The original budget for the General Fund was adopted in the spring of 2017 for the 2017/18 school year. At the time of the original budget adoption, student count and funding levels had yet to be determined. The School operated year eight serving 1349 students, including PreSchool.

Minor adjustments were made between the time of the original budget adoption and the final 2017/18 budget approved late-fall 2017. Adjustments made were all based off the student count. The School received actual income less than budgeted revenues and saw a savings in expenses. Overall the net variance of actual to budget was less than 1%. The category Other income was less due to not receiving the United Healthcare rebate that was seen in the prior year. This

## MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Required Supplementary Information (RSI)

June 30, 2018

change was due to our group size. The category of salaries was less due to teachers on leave and the vacant Executive Director's position. The category of Purchased Services saw a savings due to less spent for District SPED services and transportation costs. There are no known variations that are expected to have a significant effect on future services or liquidity.

### Capital Assets and Debt Administration

*Capital assets* - SkyView Academy Building Corporation investment in capital assets as of June 30, 2018 amounts to \$22,534,261, net of accumulated depreciation. These assets account for the land, land improvements, and building improvements related to the new facility. See Note 4 to the financial statements for additional information on capital assets.

*Long-term debt* - As of June 30, 2018, the Building Corporation had outstanding debt of \$28,745,000. A refinancing of the Bond debt occurred in July 2014. The first principal payment was made in the 2017-18 school year. Note 5 to the financial statements provides further information on the long-term debt and the refinancing.

### Economic Factors and Next Year's Budget

The primary factor driving the budget for the School is the future of the Colorado state budget and related Per Pupil Revenue (PPR) for K-12 education. The School regularly reviews projected plans for PPR funding and budget impact. Many budget scenarios and operation plans have been developed to analyze options to respond to state decisions. We also continue to watch the economics of our District and the enrollment patterns seen across the county. Student growth, facility financing costs and additional considerations specific to the facility are all considered in the strategic budgeting process for 2018/19– 2019/20. The School is confident in preparations for potential impact to the School's basic funding source.

### Requests for Information

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

SkyView Academy  
6161 Business Center Drive  
Highlands Ranch, CO 80130

## **Basic Financial Statements**

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

	Primary Government			Component Unit Foundation
	Governmental Activities	Business-Type Activities	Total	
<b>Assets</b>				
Cash	\$ 2,185,443	\$ 3,566	\$ 2,189,009	\$ 108,879
Restricted Cash and Investments		3,304,760	3,304,760	-
Prepaid Expenses	15,546	-	15,546	-
Capital Assets, <i>Not Being Depreciated</i>	-	3,534,756	3,534,756	-
Capital Assets, <i>Net of Accumulated Depreciation</i>	261,432	18,999,505	19,260,937	8,249
<b>Total Assets</b>	<b>2,462,421</b>	<b>25,842,587</b>	<b>28,305,008</b>	<b>117,128</b>
<b>Deferred Outflows of Resources</b>				
Pensions, <i>Net of Accumulated Amortization</i>	12,227,079	-	12,227,079	-
OPEB, <i>Net of Accumulated Amortization</i>	46,559	-	46,559	-
<b>Total Deferred Outflows of Resources</b>	<b>12,273,638</b>	<b>-</b>	<b>12,273,638</b>	<b>-</b>
<b>Liabilities</b>				
Accounts Payable	108,718	-	108,718	-
Accrued Salaries and Benefits	505,836	-	505,836	-
Accrued Interest Payable	-	749,809	749,809	-
Noncurrent Liabilities				
Due Within One Year	14,876	395,000	409,876	-
Due in More Than One Year	44,624	28,350,000	28,394,624	-
Net Pension Liability	39,639,687	-	39,639,687	-
Net OPEB Liability	905,203	-	905,203	-
<b>Total Liabilities</b>	<b>41,218,944</b>	<b>29,494,809</b>	<b>70,713,753</b>	<b>-</b>
<b>Deferred Inflows of Resources</b>				
Pensions, <i>Net of Accumulated Amortization</i>	1,620,918	-	1,620,918	-
OPEB, <i>Net of Accumulated Amortization</i>	15,144	-	15,144	-
<b>Total Deferred Inflows of Resources</b>	<b>1,636,062</b>	<b>-</b>	<b>1,636,062</b>	<b>-</b>
<b>Net Position</b>				
Net Investment in Capital Assets	261,432	(6,210,739)	(5,949,307)	8,249
Restricted for:				
Debt Service	-	2,371,074	2,371,074	-
Repair and Replacement	-	183,877	183,877	-
Emergencies	350,000	-	350,000	-
Unrestricted	(28,730,379)	3,566	(28,726,813)	108,879
<b>Total Net Position</b>	<b>\$ (28,118,947)</b>	<b>\$ (3,652,222)</b>	<b>\$ (31,771,169)</b>	<b>\$ 117,128</b>

See Notes to Financial Statements.

**SkyView 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			Component Unit Foundation
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Primary Government Business-Type Activities	Totals	
<b>Primary Government</b>							
<i>Governmental Activities</i>							
Instruction	\$ 12,254,426	\$ 1,379,279	\$ 69,798	\$ (10,805,349)	\$ -	\$ (10,805,349)	\$ -
Supporting Services	<u>5,744,280</u>	<u>17,625</u>	<u>-</u>	<u>(5,726,655)</u>	<u>-</u>	<u>(5,726,655)</u>	<u>-</u>
Total Governmental Activities	<u>17,998,706</u>	<u>1,396,904</u>	<u>69,798</u>	<u>(16,532,004)</u>	<u>-</u>	<u>(16,532,004)</u>	<u>-</u>
<i>Business-Type Activities</i>							
Building Corporation	<u>2,162,662</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(2,162,662)</u>	<u>(2,162,662)</u>	<u>-</u>
Total Primary Government	<u>\$ 20,161,368</u>	<u>\$ 1,396,904</u>	<u>\$ 69,798</u>	<u>(16,532,004)</u>	<u>(2,162,662)</u>	<u>(18,694,666)</u>	<u>-</u>
<b>Component Unit</b>							
Foundation	<u>\$ 231,395</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(231,395)</u>
<b>General Revenues</b>							
Per Pupil Revenue				9,202,938	-	9,202,938	-
District Mill Levy				681,505	-	681,505	-
Capital Construction				329,791	-	329,791	-
Grants and Contributions not Restricted to Specific Programs				77,363	-	77,363	214,862
Investment Income				-	17,270	17,270	-
Other				41,753	-	41,753	-
<b>Transfers</b>				<u>(1,975,280)</u>	<u>1,975,280</u>	<u>-</u>	<u>-</u>
Total General Revenues and Transfers				<u>8,358,070</u>	<u>1,992,550</u>	<u>10,350,620</u>	<u>214,862</u>
Change in Net Position				(8,173,934)	(170,112)	(8,344,046)	(16,533)
<b>Net Position, Beginning of year</b>				<u>(19,945,013)</u>	<u>(3,482,110)</u>	<u>(23,427,123)</u>	<u>133,661</u>
<b>Net Position, End of year</b>				<u>\$ (28,118,947)</u>	<u>\$ (3,652,222)</u>	<u>\$ (31,771,169)</u>	<u>\$ 117,128</u>

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

	General
<b>Assets</b>	
Cash	\$ 2,185,443
Prepaid Expenditures	15,546
Total Assets	\$ 2,200,989
<b>Liabilities and Fund Balance</b>	
<i>Liabilities</i>	
Accounts Payable	\$ 108,718
Accrued Salaries and Benefits	505,836
Total Liabilities	614,554
<i>Fund Balance</i>	
Nonspendable Prepaid Expenditures	15,546
Restricted for Emergencies	350,000
Unrestricted, Unassigned	1,220,889
Total Fund Balance	1,586,435
Total Liabilities and Fund Balance	\$ 2,200,989

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

Total Fund Balance of the Governmental Fund	\$ 1,586,435
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	261,432
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 payable	(59,500)
Net pension liability	(39,639,687)
Pension-related deferred outflows of resources	12,227,079
Pension-related deferred inflows of resources	(1,620,918)
Net OPEB liability	(905,203)
OPEB-related deferred outflows of resources	46,559
OPEB-related deferred inflows of resources	(15,144)
Total Net Position of Governmental Activities	\$ (28,118,947)

See Notes to Financial Statements.

**SkyView 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	\$ 11,400,463
State Sources	399,589
Total Revenues	11,800,052
<b>Expenditures</b>	
Instruction	6,322,572
Supporting Services	5,254,006
Total Expenditures	11,576,578
Excess Revenues Over Expenditures	223,474
<b>Other Financing Sources (Uses)</b>	
Transfers Out	(81,710)
<b>Net Change in Fund Balance</b>	141,764
<b>Fund Balance, <i>Beginning of year</i></b>	1,444,671
<b>Fund Balance, <i>End of year</i></b>	\$ 1,586,435

## SkyView Academy

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

### Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities For the Year Ended June 30, 2018

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

Net Change in Fund Balance of the Governmental Fund	\$ 141,764
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Depreciation expense	(32,824)
Disposals	(44,057)
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 payable	(19,550)
Net pension liability	(3,583,167)
Pension-related deferred outflows of resources	(3,162,265)
Pension-related deferred inflows of resources	(1,459,261)
Net OPEB liability	(12,729)
OPEB-related deferred outflows of resources	13,299
OPEB-related deferred inflows of resources	<u>(15,144)</u>
Change in Net Position of Governmental Activities	<u>\$ (8,173,934)</u>

**SkyView 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>	
Cash	\$ 3,566
Restricted Cash and Investments	3,304,760
Total Current Assets	3,308,326
<i>Noncurrent Assets</i>	
Capital Assets, <i>Not Being Depreciated</i>	3,534,756
Capital Assets, <i>Net of Accumulated Depreciation</i>	18,999,505
Total Noncurrent Assets	22,534,261
Total Assets	25,842,587
<b>Liabilities</b>	
<i>Current Liabilities</i>	
Accrued Interest Payable	749,809
Loan Payable, <i>Current Portion</i>	395,000
Total Current Liabilities	1,144,809
<i>Noncurrent Liabilities</i>	
Loan Payable	28,350,000
Total Liabilities	29,494,809
<b>Net Position</b>	
Net Investment in Capital Assets	(6,210,739)
Restricted for:	
Debt Service	2,371,074
Repair and Replacement	183,877
Unrestricted	3,566
Total Net Position	\$ (3,652,222)

**SkyView 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

	Building Corporation
<b>Operating Revenues</b>	
Lease Income	\$ <u>1,893,570</u>
<b>Operating Expenses</b>	
Depreciation	663,044
Debt Service	
Interest and Fiscal Charges	<u>1,499,618</u>
Total Operating Expenses	<u>2,162,662</u>
<b>Net Operating Loss</b>	(269,092)
<b>Nonoperating Revenues</b>	
Investment Income	<u>17,270</u>
<b>Net Loss Before Transfers</b>	(251,822)
Transfers In	<u>81,710</u>
<b>Change in Net Position</b>	(170,112)
<b>Net Position, Beginning of year</b>	<u>(3,482,110)</u>
<b>Net Position, End of year</b>	<u><u>\$ (3,652,222)</u></u>

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

	<u>Building Corporation</u>
<b>Cash Flows From Operating Activities</b>	
Lease Payment Received	\$ 1,893,570
Loan Interest and Fees Paid	(1,507,353)
Loan Payments Paid	<u>(375,000)</u>
Net Cash Provided by Operating Activities	<u>11,217</u>
<b>Cash Flows From Capital and Related Financing Activities</b>	
Acquisition of Capital Assets	(32,730)
Payments from the Academy	<u>81,710</u>
Net Cash Provided by Capital and Related Financing Activities	<u>48,980</u>
<b>Cash Flows From Investing Activities</b>	
Investment Income Received	<u>17,270</u>
Net Cash Provided by Investing Activities	<u>17,270</u>
<b>Net Change in Cash Equivalents</b>	77,467
<b>Cash and Cash Equivalents, Beginning of year</b>	<u>3,230,859</u>
<b>Cash and Cash Equivalents, End of year</b>	<u>\$ 3,308,326</u>
<b>Reconciliation of Net Operating Loss to Net Cash Provided by Operating Activities</b>	
Net Operating Loss	\$ (269,092)
Adjustments to Reconcile Net Operating Loss to Net Cash Provided by Operating Activities	
Depreciation Expense	663,044
Changes in Assets and Liabilities	
Accrued Interest Payable	(7,735)
Loan Payable	<u>(375,000)</u>
Net Cash Provided by Operating Activities	<u>\$ 11,217</u>

**SkyView 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**

The SkyView Academy (the Academy) was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Douglas County School District (the District). The Academy began operations in the Fall of 2010.

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the Academy's more significant accounting policies.

**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 the organization has the potential to provide benefits to, or impose financial burdens on, the Academy.

The Academy includes the SkyView Building Corporation (the Corporation) within its reporting entity. The Corporation was formed to manage the development and use of the facility and surrounding property of the Academy through consistently upholding the vision and mission of the founders of 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 includes the SkyView Academy Foundation (the Foundation) within its reporting entity. The Foundation is a non-profit entity formed for the sole purpose of supporting the educational mission of the Academy. The Foundation is discretely presented in the Academy's financial statements, 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.

**SkyView 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**

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 and its component units. 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 *primary government* is reported separately from the legally separate *component unit* for which the Academy is financially accountable.

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*.

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 are the proprietary 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. 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 Academy. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

**SkyView 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)

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 Academy's policy to use restricted resources first, and the unrestricted resources as they are needed.

The Academy reports the following major funds:

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

*Building Corporation* - This fund is used to account for the financial activities of the Corporation, including facilities acquisition and construction, and the related debt service.

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

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

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

*Capital Assets* - Capital assets, which include land, buildings, 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. Interest incurred during construction is capitalized in the enterprise fund.

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 in the proprietary fund in the fund financial statements. Depreciation has been provided over the following estimated useful lives of the capital assets using the straight-line method.

**SkyView 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 Fund Balance/Net Position** (Continued)

Land Improvements	20 years
Buildings	40 years
Building Improvements	7 - 15 years
Equipment	3 - 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* - The Academy's policy allows employees to use ten days of paid time off during each school year. Employees may accumulate a maximum of 20 days of paid time off. Any unused days in excess of 20 will be paid to the employees in June of each year at the rate of \$100 per day. Employees will be compensated for all unused paid time off in excess of 20 days upon separation. After five years of service, employees will be compensated for all unused paid time off at separation. A liability for earned compensated absences is reported in the government-wide financial statements. This liability is expected to be liquidated with revenues of the General Fund.

*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. Accounting losses resulting from debt refundings are deferred and amortized over the life of the related debt using the straight-line method. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs are reported as current expenses or expenditures.

*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.

**SkyView 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 Fund Balance/Net Position** (Continued)

*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.

*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 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 carries 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 \$3,652,222. Management expects this negative balance to be eliminated as the Corporation's debt is paid.

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

**Note 3: Deposits and Investments**

At June 30, 2018, cash and investments consisted of the following:

Deposits	\$ 2,297,888
Investments	<u>3,304,760</u>
Total	<u>\$ 5,602,648</u>

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

Cash	\$ 2,189,009
Restricted Cash and Investments	3,304,760
Foundation Cash	<u>108,879</u>
Total	<u>\$ 5,602,648</u>

**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. At June 30, 2018, the Academy had bank deposits of \$2,000,770 collateralized with securities held by the financial institution's agent but not in the Academy's name.

**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

**SkyView 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* - At June 30, 2018, the Corporation's investment in a money market fund was reported at the net asset value per share.

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

*Credit Risk* - State statutes limit certain investments to those with specified ratings from nationally recognized statistical rating organizations, depending on the type of investment. At June 30, 2018, the Corporation had \$3,304,760 invested in the Federated Prime Obligations Money Market Fund which is rated AAAM by Standard and Poor's.

*Concentration of Credit Risk* - State statutes do not limit the amount the Academy may invest in a single issuer of investment securities, except for corporate securities.

**Restricted Cash and Investments**

At June 30, 2018, the Corporation had investments of \$3,120,883 and \$183,877 restricted for future debt service and building repair and replacement, respectively.

**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>Governmental Activities</b>				
<i>Capital Assets, Being Depreciated</i>				
Improvements	\$ 264,730	\$ -	\$ (55,071)	\$ 209,659
Equipment	185,177	-	-	185,177
Total Capital Assets, <i>Being Depreciated</i>	<u>449,907</u>	<u>-</u>	<u>(55,071)</u>	<u>394,836</u>
<i>Less Accumulated Depreciation</i>				
Improvements	(69,069)	(16,973)	11,014	(75,028)
Equipment	(42,525)	(15,851)	-	(58,376)
Total Accumulated Depreciation	<u>(111,594)</u>	<u>(32,824)</u>	<u>11,014</u>	<u>(133,404)</u>
Governmental Activities Capital Assets, <i>net</i>	<u>\$ 338,313</u>	<u>\$ (32,824)</u>	<u>\$ (44,057)</u>	<u>\$ 261,432</u>

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

**Note 4: Capital Assets** (Continued)

	<u>Balance 6/30/17</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/18</u>
<b>Business-Type Activities</b>				
<i>Capital Assets, Not Being Depreciated</i>				
Land	\$ 3,534,756	\$ -	\$ -	\$ 3,534,756
<i>Capital Assets, Being Depreciated</i>				
Land Improvements	935,079	-	-	935,079
Buildings and Improvements	21,766,508	32,730	-	21,799,238
Total Capital Assets, <i>Being Depreciated</i>	<u>22,701,587</u>	<u>32,730</u>	<u>-</u>	<u>22,734,317</u>
Less Accumulated Depreciation				
Land Improvements	(277,378)	(111,745)	-	(389,123)
Buildings and Improvements	(2,794,390)	(551,299)	-	(3,345,689)
Total Accumulated Depreciation	<u>(3,071,768)</u>	<u>(663,044)</u>	<u>-</u>	<u>(3,734,812)</u>
Capital Assets, <i>Being Depreciated, net</i>	<u>19,629,819</u>	<u>(630,314)</u>	<u>-</u>	<u>18,999,505</u>
Business-Type Activities Capital Assets, <i>net</i>	<u>\$ 23,164,575</u>	<u>\$ (630,314)</u>	<u>\$ -</u>	<u>\$ 22,534,261</u>
<b>Component Unit</b>				
<i>Capital Assets, Being Depreciated</i>				
Equipment	\$ 27,498	\$ -	\$ -	\$ 27,498
Accumulated Depreciation	<u>(16,499)</u>	<u>(2,750)</u>	<u>-</u>	<u>(19,249)</u>
Component Unit Capital Assets, <i>net</i>	<u>\$ 10,999</u>	<u>\$ (2,750)</u>	<u>\$ -</u>	<u>\$ 8,249</u>

Depreciation expense of the governmental activities was charged to the supporting services program.

**Note 5: Long-Term Debt**

Following is a summary of the 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	\$ 39,950	\$ 29,538	\$ (9,988)	\$ 59,500	\$ 14,876
<b>Business-Type Activities</b>					
2014 Building Loan	\$ 29,120,000	\$ -	\$ (375,000)	\$ 28,745,000	\$ 395,000

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

**Note 5: Long-Term Debt** (Continued)

In July, 2014, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$29,120,000 Charter School Refunding and Improvement Revenue Bonds, Series 2014. Bond proceeds were used to refund the outstanding Charter School Revenue Bonds, Series 2012, originally loaned to the Corporation to purchase and construct educational facilities, and to construct improvements to the educational facilities. The Academy is obligated under a lease agreement to make monthly 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 4.125% to 5.5% per annum, and is payable semi-annually on January 1 and July 1. Principal payments are due annually on July 1, beginning in 2017, through 2049.

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	\$ 395,000	\$ 1,491,472	\$ 1,886,472
2020	405,000	1,474,972	1,879,972
2021	430,000	1,457,750	1,887,750
2022	445,000	1,439,703	1,884,703
2023	465,000	1,420,934	1,885,934
2024 - 2028	2,625,000	6,771,453	9,396,453
2029 - 2033	3,350,000	6,021,263	9,371,263
2034 - 2038	4,300,000	5,036,563	9,336,563
2039 - 2043	5,580,000	3,720,219	9,300,219
2044 - 2048	7,260,000	1,996,406	9,256,406
2049 - 2050	3,490,000	194,425	3,684,425
	<u>3,490,000</u>	<u>194,425</u>	<u>3,684,425</u>
Total	\$ <u>28,745,000</u>	\$ <u>31,025,160</u>	\$ <u>59,770,160</u>

**Note 6: Interfund Transactions**

During the year ended June 30, 2018, the Academy transferred \$81,710 to the Corporation to finance completion of the building improvements and fund the repair and replacement reserve.

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

**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 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.

**SkyView 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 \$1,137,866, 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 \$39,639,687, 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 0.1225851704%, which was an increase of 0.0014839382% from its proportion measured at December 31, 2016.

During the 2017 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 included 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 \$17,908,867.

For the year ended June 30, 2018, the Academy recognized pension expense of 9,472,535. At June 30, 2018, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

**SkyView 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	\$ 728,805	\$ -
Changes of assumptions and other inputs	10,121,484	64,230
Net difference between projected and actual earnings on plan investments	-	1,556,688
Changes in proportion	749,917	-
Contributions subsequent to the measurement date	626,873	-
Total	\$ 12,227,079	\$ 1,620,918

The Academy's contributions subsequent to the measurement date of \$626,873 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	\$ 6,788,433
2020	3,690,835
2021	85,651
2022	(585,631)
Total	\$ 9,979,288

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

**SkyView 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)**

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

<sup>1</sup>The discount rate reflected in the roll-forward calculation of the total pension liability to the measurement date was 4.78%.

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.

**SkyView Academy**  
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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)**

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%
	<hr/>	
Total	<u>100.00%</u>	

*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%.

**SkyView Academy**  
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**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)

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

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate share of the net pension liability	\$ 50,071,667	\$ 39,639,687	\$ 31,138,815

*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 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.

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

**General Information** (Continued)

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 \$29,324, 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 \$905,203, 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 0.0696523998%, which was an increase of 0.0008170344% from its proportion measured at December 31, 2016.

For the year ended June 30, 2018, the Academy recognized OPEB expense of \$72,416. At June 30, 2018, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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 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)**

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 4,281	\$ -
Net difference between projected and actual earnings on plan investments	-	15,144
Changes in proportion	8,854	-
Contributions subsequent to the measurement date	33,424	-
Total	\$ 46,559	\$ 15,144

Academy contributions subsequent to the measurement date of \$33,424 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	\$ (1,206)
2020	(1,206)
2021	(1,206)
2022	(1,206)
2023	2,581
2024	234
Total	\$ (2,009)

*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.

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**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.

**SkyView Academy**  
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 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)**

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.

*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:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 1,017,732	\$ 905,203	\$ 809,155

*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:

**SkyView Academy**  
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 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)**

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Proportionate share of the net OPEB liability	\$ 880,297	\$ 905,203	\$ 935,200

*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).

**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 many interpretations, but the Academy believes it is in substantial compliance with the Amendment. In accordance with the Amendment, the Academy has established an emergency reserve 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 \$350,000.

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

**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>	\$ (19,085,799)
Deferred Outflows of Resources	33,260
Net OPEB Liability	(892,474)
Net Position, June 30, 2017, as <i>Restated</i>	\$ (19,945,013)

## **Required Supplementary Information**

## SkyView 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	0.1225851704%	0.1211012322%	0.1201966991%	0.1042901988%	0.0881022367%
Academy's Proportionate Share of the Net Pension Liability	\$ 39,639,687	\$ 36,056,520	\$ 18,383,237	\$ 14,134,825	\$ 11,237,417
Academy's Covered Payroll	\$ 5,654,706	\$ 5,435,239	\$ 5,238,141	\$ 4,369,008	\$ 3,551,681
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	\$ 1,079,547	\$ 1,015,601	\$ 960,898	\$ 833,576	\$ 623,943
Contributions in Relation to the Statutorily Required Contribution	<u>(1,079,547)</u>	<u>(1,015,601)</u>	<u>(960,898)</u>	<u>(833,576)</u>	<u>(623,943)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's Covered Payroll	\$ 5,717,514	\$ 5,524,217	\$ 5,419,228	\$ 4,934,237	\$ 3,903,222
Contributions as a Percentage of Covered Payroll	18.88%	18.38%	17.73%	16.89%	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.

## SkyView 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

	12/31/17
<b>Proportionate Share of the Net OPEB Liability</b>	
Academy's Proportion of the Net OPEB Liability	0.0696523998%
Academy's Proportionate Share of the Net OPEB Liability	\$ 905,203
Academy's Covered-Employee Payroll	\$ 5,829,642
Academy's Proportionate Share of the Net OPEB Liability as a Percentage of Covered-Employee Payroll	16%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	18%
	6/30/18
<b>Academy Contributions</b>	
Statutorily Required Contribution	\$ 58,319
Contributions in Relation to the Statutorily Required Contribution	(58,319)
Contribution Deficiency (Excess)	\$ -
Academy's Covered-Employee Payroll	\$ 5,973,039
Contributions as a Percentage of Covered-Employee Payroll	0.98%

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.

**SkyView 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	\$ 9,342,230	\$ 9,216,665	\$ 9,202,938	\$ (13,727)
District Mill Levy	689,494	680,742	681,505	763
Tuition and Fees	1,452,984	1,396,372	1,379,279	(17,093)
Contributions	58,000	75,500	77,363	1,863
Rental Income	-	-	17,625	17,625
Other	73,350	83,398	41,753	(41,645)
Total Local Sources	<u>11,616,058</u>	<u>11,452,677</u>	<u>11,400,463</u>	<u>(52,214)</u>
<i>State Sources</i>				
Capital Construction	348,596	317,980	329,791	11,811
Grants	45,000	69,797	69,798	1
Total State Sources	<u>393,596</u>	<u>387,777</u>	<u>399,589</u>	<u>11,812</u>
Total Revenues	<u>12,009,654</u>	<u>11,840,454</u>	<u>11,800,052</u>	<u>(40,402)</u>
<b>Expenditures</b>				
Salaries	6,091,068	6,056,757	5,973,039	83,718
Employee Benefits	1,793,736	1,783,637	1,803,861	(20,224)
Purchased Services	3,265,623	3,249,619	3,143,700	105,919
Supplies	502,857	505,104	530,926	(25,822)
Property	79,631	105,000	106,626	(1,626)
Other	<u>38,136</u>	<u>29,521</u>	<u>18,426</u>	<u>11,095</u>
Total Operating Expenditures	11,771,051	11,729,638	11,576,578	153,060
Reserves	<u>-</u>	<u>1,444,671</u>	<u>-</u>	<u>1,444,671</u>
Total Expenditures	<u>11,771,051</u>	<u>13,174,309</u>	<u>11,576,578</u>	<u>1,597,731</u>
<b>Excess Revenues Over (Under) Expenditures</b>	238,603	(1,333,855)	223,474	1,557,329
<b>Transfers</b>				
Transfers Out	<u>-</u>	<u>-</u>	<u>(81,710)</u>	<u>(81,710)</u>
<b>Net Change in Fund Balance</b>	238,603	(1,333,855)	141,764	1,475,619
<b>Fund Balance, Beginning of year</b>	<u>1,335,448</u>	<u>1,444,671</u>	<u>1,444,671</u>	<u>-</u>
<b>Fund Balance, End of year</b>	<u>\$ 1,574,051</u>	<u>\$ 110,816</u>	<u>\$ 1,586,435</u>	<u>\$ 1,475,619</u>

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

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

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

**Changes in Assumptions and Other Inputs**

For the year ended June 30, 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**

Budgets are required by State statutes for all funds, and are adopted on a basis consistent with generally accepted accounting principles (GAAP). The Academy adheres to the following procedures to establish the budgetary information reported in the financial statements.

- 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 appropriations lapse at fiscal year-end.