

TWIN PEAKS CHARTER ACADEMY

BASIC FINANCIAL STATEMENTS

June 30, 2018

E

RECEIVED

Office of the State Auditor

November 15, 2018

TABLE OF CONTENTS

| | PAGE |
|---|-------------|
| Independent Auditors' Report | |
| Management's Discussion and Analysis | i - iv |
| Basic Financial Statements | |
| Statement of Net Position | 1 |
| Statement of Activities | 2 |
| Balance Sheet – All Governmental Funds | 3 |
| Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds | 4 |
| Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities | 5 |
| Statement of Net Position - Proprietary Fund Type | 6 |
| Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund Type | 7 |
| Statement of Cash Flows - Proprietary Fund Type | 8 |
| Statement of Fiduciary Net Position | 9 |
| Notes to the Financial Statements | 10 - 45 |
| Required Supplementary Information | |
| Budgetary Comparison Schedule – General Fund | 46 |
| Schedule of the School's Proportionate Share – School District Trust Fund | 47 |
| Schedule of the School's Contributions – School District Trust Fund | 48 |
| Schedule of the School's Proportionate Share – Health Care Trust Fund | 49 |
| Schedule of the School's Contributions – Health Care Trust Fund | 50 |

TABLE OF CONTENTS
(Continued)

| | PAGE |
|--|-------------|
| Individual Fund Financial Schedules | |
| Budgetary Comparison Schedule – Agency Fund | 51 |
| Statement of Changes in Assets and Liabilities – Agency Fund | 52 |



JOHN CUTLER & ASSOCIATES

Board of Directors
Twin Peaks Charter Academy
Longmont, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Twin Peaks Charter Academy, component unit of the St. Vrain Valley 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 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.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Twin Peaks Charter Academy, as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, schedule of the school's proportionate share, and schedule of the school's contributions on pages 46-50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

John Luttrell & Associates, LLC

October 15, 2018

Management's Discussion and Analysis

As management of Twin Peaks Charter Academy (the Charter), we offer readers of our financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information that can be found in the basic financial statements.

Financial Highlights

- The Charter reported a deficit net position of \$14.7 million primarily due to the Governmental Accounting Standards Board's (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and recognizing its proportionate share of a net pension liability of \$26.5 million at June 30, 2018.
- Total net position of the Charter decreased by \$5 million during the year ended June 30, 2018, primarily the result of recognizing \$5.9 million of its proportionate share of the pension expense under GASB Statement No. 68. This pension expense increase resulted primarily from Colorado PERA's increase in the collective net pension liability due to the lowering of the long-term return expectation from 7.5 percent to 7.25 percent and their experience study showing members living longer resulting in longer benefit pay outs.
- During the current year, the fund balance in the Charter's General Fund balance increased by \$167 thousand or 5% to end the year at \$3.2 million.

Overview of the Financial Statements

Management's discussion and analysis is intended to serve as an introduction to the Charter's basic financial statements. Comparison to the prior year's activity is provided in this document. The basic financial statements presented on pages 1-9 are comprised of Government-Wide Financial Statements and Fund Financial Statements. This report also contains supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of The Charter finances, in a manner similar to a private-sector business. The government-wide financial statements include the statement of net position and the statement of activities.

The statement of net position presents information on all of The Charter's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Charter is improving or deteriorating, however noting that these statements include required Pension liability accounting.

The statement of activities presents information showing how the net position changed during the fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flow may be recorded in a future or past period.

Fund Financial Statements

Fund financial statements are designed to demonstrate compliance with finance-related legal requirements. 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 Charter, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Fund Financial statements for the Charter include fund types of governmental, proprietary, and fiduciary.

Governmental fund – General Fund

Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating near-term financing requirements.

The Charter maintained a general fund governmental fund. Information is presented separately on the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances.

The Charter adopts an annual appropriated budget for its general fund. A budgetary comparison statement is provided for the general fund to demonstrate compliance with the budget.

Proprietary Fund - Internal Services Fund

The Charter's Building Corporation information is presented separately as an Internal Service or Proprietary Fund. This fund is used for the financing and construction of the facilities and property.

Fiduciary Fund - Agency Fund

The Agency Fund is used for student and fundraising activities.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements. The notes can be found on pages 10-45 of this report.

Comparative Summary of Net Position as of June 30, 2018 and 2017 (in Thousands)

| | Governmental Activities | | Total Percentage Change |
|----------------------------------|--------------------------------|----------------|--|
| | 2018 | 2017 | 2017-2018 |
| Assets | | | |
| Current Assets | 6,284 | 6,118 | 3% |
| Capital Assets | 22,544 | 22,655 | 0% |
| Total Assets | 28,828 | 28,773 | 0% |
| Deferred Outflows | 10,906 | 12,960 | -16% |
| Liabilities | | | |
| Current Liabilities | 723 | 754 | 4% |
| Long-term Liabilities | 26,153 | 26,030 | 0% |
| Pension Liability | 26,501 | 24,262 | -9% |
| Total Liabilities | 53,377 | 51,046 | -5% |
| Deferred Inflows | 1,094 | 110 | -898% |
| Net Position | | | |
| Net Investment in Capital Assets | (487) | (884) | 45% |
| Restricted for Tabor | 249 | 242 | -3% |
| Restricted for Working Capital | 831 | 808 | -3% |
| Unrestricted | (15,329) | (9,587) | -60% |
| Total Net Position | (14,736) | (9,422) | -56% |

**Comparative Schedule of Changes in Net Position
for the Years Ended June 30, 2018 and 2017
(in Thousands)**

| | <u>Governmental Activities</u> | | <u>Total Percentage Change</u> |
|--|--------------------------------|----------------|--|
| | <u>2018</u> | <u>2017</u> | <u>2017-2018</u> |
| Revenues | | | |
| Program Revenues | | | |
| Operating Grants and Contributions | 211 | 99 | 112% |
| Charges for Services | 188 | 204 | -8% |
| Capital Grants and Contributions | 230 | 252 | -9% |
| General Revenue | | | |
| Property Tax (district allocation) | 6,531 | 6,592 | -1% |
| Mill Levy Override | 1,278 | 1,181 | 8% |
| Capital Contribution from District | 526 | 247 | 113% |
| Other | 52 | 15 | 250% |
| Total Revenues | <u>9,016</u> | <u>8,591</u> | 5% |
| Expenses | | | |
| Instructional | 7,530 | 6,959 | -8% |
| Supporting Services | 5,028 | 4,434 | -13% |
| Interest on Long-Term Debt | 1,191 | 1,208 | 1% |
| Total Expenses | <u>13,749</u> | <u>12,601</u> | -9% |
| Change in Net Position | (4,734) | (4,010) | 18% |
| Net Position, Beginning of Year | (10,003) | (5,412) | 85% |
| Net Position, End of Year | <u>(14,736)</u> | <u>(9,422)</u> | 56% |

Financial Overview

The fiscal year ending June 30, 2018 is the 21st year of operations for The Charter. Total assets were lower than liabilities by \$14.7 million (net position). This negative net position is primarily due to the required Pension Governmental Accounting Standard (GASB 68). This standard requires a portion of the total Net Pension Liability be reported on employer's balance sheets. Employers are not required to pay-off the liability or accelerate payments for this liability. The reported Net Pension Liability for the Charter was \$26.5 million with total negative impact on the net position of governmental activities related to pensions of \$20.1 million.

Assets increased by \$55 thousand over fiscal year 2017 and Liabilities increased by \$2.3 million due to the increase in the Net Pension Liability. Deferred Outflows decreased by \$2.1 million and Deferred Inflows increased by \$984 thousand which were due to Pension Accounting.

The unassigned fund balance is a useful measure of the School's net resources available for spending at the end of the fiscal year. The governmental funds reported an ending unassigned fund balance of \$2.1 million. This was an increase of \$104 thousand over the prior year.

General Fund Budgetary Highlights

The District approves a budget in June based on enrollment projections for the following school year. In October after enrollment stabilizes, adjustments are made to the budget and finalized in January.

The fiscal year 2018 Amended Budget anticipated a \$459 thousand decrease to the General Fund. There was an actual increase to the General Fund Balance of \$167 thousand which was an increase of \$626 thousand over the Amended Budget. This increase in total reserves from Amended Budget to Actual was due primarily to higher State Grant and Mil Levy Override revenue and a strict adherence to budgeted expenditures.

Capital Assets and Debt Administration

As of June 30, 2018, capital assets consisted primarily of the instructional facilities. In 2008 The Charter funded the acquisition of 12+ acres including a 160,000 square foot building and construction improvements for the instructional facility incurring long-term debt totaling \$14.23 million. This bonding effort renovated 80,000 square feet for the K-8 including a cafeteria with kitchen, gymnasium, auditorium, grass field and playground.

In 2011 The Charter expanded to include a High School and renovated an additional 50,000 square feet including a band room, choir room, full gymnasium, cafeterium, and 33 classrooms incurring long-term debt totaling \$4.78 million. The Charter also expended \$1.1 million of reserves for the purchase of 9+ acres of land for future athletic fields within walking distance of the instructional facilities. All remaining bond proceeds, as well as interest earned on the proceeds, are classified as restricted assets and as a reserved fund balance in the financial statements as their use is limited by applicable bond covenants.

In February 2013 The Charter purchased 2.4+ acres adjacent to the north parking lot to join the instructional property with the 9+ acres purchased for athletic fields. An interest only loan of \$365,000 was secured as well as a construction line of credit of \$350,000 to augment \$200,000 of Building Corporation funds to finance the build out of an additional three High School classrooms in support of enrollment growth for the 13/14 school year, and complete the High School Locker Room.

In August 2014 additional bonds were secured totaling \$21.99 million. The proceeds were used to pay off the 2008 bond, the 2013 interest only loan and the construction line of credit. Additionally, 4.22 acres of land was purchased, construction of four science labs, an additional computer lab and classroom space was completed and construction was completed for two full size soccer/play fields with a regulation track and field, field access and parking improvements.

Student Enrollment and Economic Factors

The primary factor in funding and budget development is student enrollment. The Charter enrollment was 896 students for the 2017-18 school year which was down from 941 students for the 2016-17 school year. There were 982 students for the 2015-16 school year, 1028 students for the 2014-15 school year, 1044 students for the 2013-14 school year, 1014 students for the 2012-13 school year, 937 students for the 2011-12 school year, and 707 students for the 2010-11 school year. Current economic projections are also considered in determining per pupil funding levels when developing the budgets.

Requests for Information

This financial discussion and analysis is designed to provide a general overview of The Charter. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Mary Beth Cowie
Financial Administrator
Twin Peaks Charter Academy
340 South Sunset Street
Longmont, CO 80501

BASIC FINANCIAL STATEMENTS

TWIN PEAKS CHARTER ACADEMY

STATEMENT OF NET POSITION

As of June 30, 2018

| | GOVERNMENTAL ACTIVITIES | |
|--|-------------------------|----------------|
| | 2018 | 2017 |
| ASSETS | | |
| Cash and Investments | \$ 3,695,930 | \$ 3,598,071 |
| Restricted Cash and Investments | 2,516,322 | 2,490,595 |
| Accounts Receivable | 9,437 | 250 |
| Prepaid Expenses | 61,944 | 29,435 |
| Capital Assets, Not Being Depreciated | 3,315,980 | 2,761,981 |
| Capital Assets, Depreciated, Net of Accumulated Depreciation | 19,228,337 | 19,893,130 |
| TOTAL ASSETS | 28,827,950 | 28,773,462 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred Loss on Refunding | 2,846,311 | 2,955,785 |
| Related to Pensions | 8,035,429 | 10,004,415 |
| Related to OPEB | 24,631 | |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 10,906,371 | 12,960,200 |
| LIABILITIES | | |
| Accounts Payable | 34,674 | 134,895 |
| Due to the District | 6,437 | 7,632 |
| Interest Payable | 200,351 | 203,110 |
| Accrued Salaries and Benefits | 480,192 | 404,583 |
| Unearned Revenues | 1,770 | 3,335 |
| Noncurrent Liabilities | | |
| Net Pension Liability | 26,500,520 | 24,261,991 |
| Net OPEB Liability | 605,179 | - |
| Due in One Year | 490,000 | 470,000 |
| Due in More than One Year | 25,057,698 | 25,560,123 |
| TOTAL LIABILITIES | 53,376,821 | 51,045,669 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Related to Pensions | 1,083,639 | 109,622 |
| Related to OPEB | 10,125 | - |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 1,093,764 | 109,622 |
| NET POSITION | | |
| Net Investment in Capital Assets | (487,059) | (884,417) |
| Restricted for Emergencies | 249,217 | 242,005 |
| Restricted for Working Capital | 830,722 | 807,523 |
| Unrestricted | (15,329,144) | (9,586,740) |
| TOTAL NET POSITION | \$ (14,736,264) | \$ (9,421,629) |

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

TWIN PEAKS CHARTER ACADEMY

STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

| FUNCTIONS/PROGRAMS | Expenses | PROGRAM REVENUES | | | Net (Expenses) Revenues and Changes in Net Position | |
|--|----------------------|-------------------------|--|--|--|-----------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | |
| | | | | | 2018 | 2017 |
| PRIMARY GOVERNMENT | | | | | | |
| Governmental Activities | | | | | | |
| Instructional | \$ 7,529,630 | \$ 187,647 | \$ 85,329 | \$ - | \$ (7,256,654) | \$ (6,655,494) |
| Supporting Services | 5,028,455 | - | 125,883 | 756,408 | (4,146,164) | (4,181,991) |
| Interest on Long-Term Debt | 1,191,347 | - | - | - | (1,191,347) | (1,207,531) |
| Total Governmental Activities | <u>\$ 13,749,432</u> | <u>\$ 187,647</u> | <u>\$ 211,212</u> | <u>\$ 756,408</u> | (12,594,165) | (12,045,016) |
| GENERAL REVENUES | | | | | | |
| | | | | | 6,531,255 | 6,591,651 |
| Per Pupil Revenue | | | | | 1,277,592 | 1,181,380 |
| Mill Levy Override | | | | | - | 27 |
| Other | | | | | 51,792 | 14,775 |
| Interest | | | | | | |
| SPECIAL ITEM | | | | | | |
| Capital Contribution from District | | | | | - | 247,376 |
| TOTAL GENERAL REVENUES | | | | | <u>7,860,639</u> | <u>8,035,209</u> |
| CHANGE IN NET POSITION | | | | | (4,733,526) | (4,009,807) |
| NET POSITION, Beginning, Restated | | | | | <u>(10,002,738)</u> | <u>(5,411,822)</u> |
| NET POSITION, Ending | | | | | <u>\$ (14,736,264)</u> | <u>\$ (9,421,629)</u> |

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

TWIN PEAKS CHARTER ACADEMY

BALANCE SHEET
GOVERNMENTAL FUNDS

June 30, 2018

| | GENERAL FUND | NON-MAJOR CAPITAL RESERVE FUND | TOTAL GOVERNMENTAL FUNDS | |
|--|---------------------|---|-----------------------------|---------------------|
| | | | 2018 | 2017 |
| ASSETS | | | | |
| Cash and Investments | \$ 3,695,930 | \$ - | \$ 3,695,930 | \$ 3,598,071 |
| Accounts Receivable | 9,437 | - | 9,437 | 250 |
| Due From Other Funds | - | - | - | - |
| Prepaid Expenses | 61,944 | - | 61,944 | 29,435 |
| TOTAL ASSETS | \$ 3,767,311 | \$ - | \$ 3,767,311 | \$ 3,627,756 |
| LIABILITIES AND FUND BALANCES | | | | |
| LIABILITIES | | | | |
| Accounts Payable | \$ 34,674 | \$ - | \$ 34,674 | \$ 134,895 |
| Due to the District | 6,437 | - | 6,437 | 7,632 |
| Accrued Salaries and Benefits | 480,192 | - | 480,192 | 404,583 |
| Unearned Revenues | 1,770 | - | 1,770 | 3,335 |
| TOTAL LIABILITIES | 523,073 | - | 523,073 | 550,445 |
| FUND BALANCES | | | | |
| Nonspendable | 61,944 | - | 61,944 | 29,435 |
| Restricted for Emergencies | 249,217 | - | 249,217 | 242,005 |
| Restricted for Working Capital | 830,722 | - | 830,722 | 807,523 |
| Unassigned | 2,102,355 | - | 2,102,355 | 1,998,348 |
| TOTAL FUND BALANCES | 3,244,238 | - | 3,244,238 | 3,077,311 |
| TOTAL LIABILITIES AND FUND BALANCES | \$ 3,767,311 | \$ - | | |

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

| | | |
|---|------------------------|-----------------------|
| Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. | 1,505,059 | 1,547,471 |
| Internal Service funds are used by management to charge the lease costs to governmental funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position. | 653,842 | 320,787 |
| Long-term liabilities and related assets are not due and payable in the current period and, therefore, are not reported in the funds. This liability includes net pension liability of (\$26,500,520), net OPEB liability of (\$605,179), deferred outflows related to pensions of \$8,035,429, deferred outflows related to OPEB of \$24,631, deferred inflows related to pensions of (\$1,083,639), and deferred inflows related to OPEB of (\$10,125). | (20,139,403) | (14,367,198) |
| Net position of governmental activities | \$ (14,736,264) | \$ (9,421,629) |

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

TWIN PEAKS CHARTER ACADEMY

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2018

| | GENERAL FUND | NON-MAJOR CAPITAL RESERVE FUND | TOTAL GOVERNMENTAL FUNDS | |
|---|---------------------|---|-----------------------------|---------------------|
| | | | 2018 | 2017 |
| REVENUES | | | | |
| Local Sources | \$ 8,033,000 | \$ - | \$ 8,033,000 | \$ 7,991,056 |
| State Sources | 441,145 | - | 441,145 | 351,664 |
| TOTAL REVENUES | 8,474,145 | - | 8,474,145 | 8,342,720 |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | 3,930,596 | - | 3,930,596 | 3,993,694 |
| Supporting Services | 4,376,622 | - | 4,376,622 | 4,060,685 |
| Capital Outlay | - | - | - | 20,849 |
| TOTAL EXPENDITURES | 8,307,218 | - | 8,307,218 | 8,075,228 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 166,927 | - | 166,927 | 267,492 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers Out | - | - | - | (75,793) |
| Transfers In | - | - | - | 75,793 |
| TOTAL OTHER FINANCING SOURCES (USES) | - | - | - | - |
| NET CHANGE IN FUND BALANCES | 166,927 | - | 166,927 | 267,492 |
| FUND BALANCES, Beginning | 3,077,311 | - | 3,077,311 | 2,809,819 |
| FUND BALANCES, Ending | <u>\$ 3,244,238</u> | <u>\$ -</u> | <u>\$ 3,244,238</u> | <u>\$ 3,077,311</u> |

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

TWIN PEAKS CHARTER ACADEMY

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

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

| | |
|---|-----------------------|
| Net change in fund balances - total governmental funds | \$ 166,927 |
| Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which depreciation (\$90,312) exceeded capital outlay \$47,900 for the year. | (42,412) |
| The Internal Service fund is used by management to charge the cost of lease payments to the governmental funds. The net revenue of the internal service fund is reported with the governmental activities. | 333,055 |
| Deferred Charges related to pensions are not recognized in the governmental funds. However, for the government-wide funds those amounts are capitalized and amortized. | <u>(5,191,096)</u> |
| Change in net position of governmental activities | <u>\$ (4,733,526)</u> |

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

TWIN PEAKS CHARTER ACADEMY

STATEMENT OF NET POSITION
 PROPRIETARY FUND TYPES
 June 30, 2018

| | Governmental Activities - Internal Service Fund | |
|---|--|-------------------|
| | 2018 | 2017 |
| ASSETS | | |
| Current Assets | | |
| Restricted Cash and Investments | \$ 2,516,322 | \$ 2,490,595 |
| Total Current Assets | <u>2,516,322</u> | <u>2,490,595</u> |
| Long-term Assets | | |
| Capital Assets, Not Depreciated | 3,288,455 | 2,761,981 |
| Capital Assets, Net of Accumulated Depreciation | <u>17,750,803</u> | <u>18,345,659</u> |
| Total Long-term Assets | <u>21,039,258</u> | <u>21,107,640</u> |
| TOTAL ASSETS | <u>23,555,580</u> | <u>23,598,235</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred Loss on Refunding | <u>2,846,311</u> | <u>2,955,785</u> |
| LIABILITIES | | |
| Current Liabilities | | |
| Interest Payable | 200,351 | 203,110 |
| Loan Payable - Current Portion | <u>490,000</u> | <u>470,000</u> |
| Total Current Liabilities | <u>690,351</u> | <u>673,110</u> |
| Long-Term Liabilities | | |
| Loan Payable | <u>25,057,698</u> | <u>25,560,123</u> |
| TOTAL LIABILITIES | <u>25,748,049</u> | <u>26,233,233</u> |
| NET POSITION | | |
| Net Investment in Capital Assets | (1,992,119) | (2,431,888) |
| Unrestricted | <u>2,645,961</u> | <u>2,752,675</u> |
| TOTAL NET POSITION | <u>\$ 653,842</u> | <u>\$ 320,787</u> |

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

TWIN PEAKS CHARTER ACADEMY

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND TYPES
Year Ended June 30, 2018

| | Governmental Activities - Internal Service Fund | |
|--|--|--------------------|
| | 2018 | 2017 |
| OPERATING REVENUES | | |
| Rent | \$ 1,679,323 | \$ 1,709,398 |
| TOTAL OPERATING REVENUES | <u>1,679,323</u> | <u>1,709,398</u> |
| OPERATING EXPENSES | | |
| Purchased Services | 4,777 | 35,569 |
| Depreciation | 594,856 | 594,856 |
| Amortization | <u>97,049</u> | <u>97,049</u> |
| TOTAL OPERATING EXPENSES | <u>696,682</u> | <u>727,474</u> |
| OPERATING INCOME | <u>982,641</u> | <u>981,924</u> |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Investment Income | 15,286 | 807 |
| Interest Expense | <u>(1,191,347)</u> | <u>(1,207,531)</u> |
| TOTAL NON-OPERATING REVENUES (EXPENSES) | <u>(1,176,061)</u> | <u>(1,206,724)</u> |
| INCOME (LOSS) BEFORE CONTRIBUTIONS AND TRANSFERS | <u>(193,420)</u> | <u>(224,800)</u> |
| CONTRIBUTIONS AND TRANSFERS | | |
| Capital Contribution from District | <u>526,475</u> | <u>247,376</u> |
| NET INCOME (LOSS) | 333,055 | 22,576 |
| NET POSITION, Beginning | <u>320,787</u> | <u>298,211</u> |
| NET POSITION, Ending | <u>\$ 653,842</u> | <u>\$ 320,787</u> |

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

TWIN PEAKS CHARTER ACADEMY

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPES
 Year Ended June 30, 2018
 Increase (Decrease) in Cash

| | Governmental Activities - Internal Service Fund | |
|--|--|---------------------|
| | 2018 | 2017 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash Received from Rental Operations | \$ 1,679,323 | \$ 1,709,240 |
| Cash Paid to Suppliers | (4,777) | (35,569) |
| Net Cash Provided by Operating Activities | <u>1,674,546</u> | <u>1,673,671</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Investment Income | <u>15,286</u> | <u>807</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Purchase of Capital Assets | 1 | (100,987) |
| Principal Paid on Long-term Debt | (470,000) | (465,000) |
| Interest Expense | (1,194,106) | (1,208,556) |
| Net Cash Used by Capital and Related Financing Activities | <u>(1,664,105)</u> | <u>(1,774,543)</u> |
| NET INCREASE(DECREASE) IN CASH | 25,727 | (100,065) |
| CASH, Beginning | <u>2,490,595</u> | <u>2,590,660</u> |
| CASH, Ending | <u>\$ 2,516,322</u> | <u>\$ 2,490,595</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| Operating Income | <u>\$ 982,641</u> | <u>\$ 981,924</u> |
| Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities | | |
| Depreciation Expense | 594,856 | 594,856 |
| Amortization Expense | 97,049 | 97,049 |
| Changes in Assets and Liabilities | | |
| Due To Other Funds | - | (158) |
| Total Adjustments | <u>691,905</u> | <u>691,747</u> |
| Net Cash Provided by Operating Activities | <u>\$ 1,674,546</u> | <u>\$ 1,673,671</u> |
| NONCASH ITEMS | | |
| Capital Assets contributed from the District | <u>\$ 526,475</u> | <u>\$ 247,376</u> |

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

TWIN PEAKS CHARTER ACADEMY

AGENCY FUND
 STATEMENT OF FIDUCIARY NET POSITION
 As of June 30, 2018

| | TOTAL | |
|-----------------------|-------------------|-------------------|
| | 2018 | 2017 |
| ASSETS | | |
| Cash | \$ 165,115 | \$ 146,191 |
| Prepaid Items | 1,250 | 2,725 |
| | <u>166,365</u> | <u>148,916</u> |
| TOTAL ASSETS | <u>\$ 166,365</u> | <u>\$ 148,916</u> |
| LIABILITIES | | |
| Accounts Payable | 4,330 | 6,116 |
| Due to Student Groups | 162,035 | 142,800 |
| | <u>166,365</u> | <u>148,916</u> |
| TOTAL LIABILITIES | <u>166,365</u> | <u>148,916</u> |
| TOTAL NET POSITION | <u>\$ -</u> | <u>\$ -</u> |

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

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Twin Peaks Charter Academy (the “Academy”) was formed in 1997 pursuant to the Colorado Charter Schools Act to form and operate a charter school. The accounting policies of the Academy conform to generally accepted accounting principles as applicable to governmental units. Following is a summary of the more significant policies.

Reporting Entity

The financial reporting entity consists of the Academy and organizations for which the Academy is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the Academy. In addition, any 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 provides benefits to, or imposes financial burdens on the Academy.

Based upon the application of these criteria, the following organization is included in the Academy’s reporting entity.

TPCA Building Corporation

The TPCA Building Corporation (the “Building Corporation”) is considered to be financially accountable to the Academy. The Building Corporation was formed to support and assist the Academy to perform its function and to carry out its purpose, specifically to assist in the financing and construction of the Academy’s facilities. The Building Corporation is blended into the Academy’s financial statements as an Internal Service Fund. Separate financial statements are not available for the Building Corporation.

The Academy is a component unit of the St. Vrain Valley School District (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 of the activities of the Academy. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported in a single column.

TWIN PEAKS CHARTER ACADEMY
NOTES TO THE 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 intergovernmental revenues not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported in separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the 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 period or soon enough thereafter to pay liabilities of the current period, not to exceed 60 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Intergovernmental revenues, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Academy.

Internally dedicated resources are reported as general revenues rather than as program revenues.

TWIN PEAKS CHARTER ACADEMY
NOTES TO THE 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 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 funds:

General Fund – This fund is the general operating fund of the Academy. It is used to account for all financial resources except those required to be accounted for in another fund.

Additionally, the Academy reports the following fund type:

Internal Service Fund – This fund is used to account for activities of the TPCA Building Corporation.

The *Agency Fund* is used to account of the resources used to support the Academy's student and fundraising activities. The Academy holds all resources in a purely custodial capacity.

Investments – Investments are recorded at fair value.

Capital Assets – Capital assets, which include land and construction in progress, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Academy as assets with an initial, individual cost of more than \$5,000 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 estimated fair market value at the date of donation.

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net position in the government-wide financial statements. Depreciation has been provided over the following estimated useful lives of the capital assets using the straight-line method: Buildings 40-50 years; Improvements 15-20 years; Equipment 10 years.

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Long-term Debt – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. 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 on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

Unearned Revenues – Unearned revenues include tuition revenues that have been collected in advance for the succeeding school year.

Deferred Outflows – In addition to assets, the statement of financial position and balance sheets will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position and fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred Inflows – In addition to the liabilities, the statement of financial position and balance sheets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position and fund balance that applies to a futures period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Net Position – The government-wide fund financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted. Investment in capital assets is intended to reflect the portion of net position which is associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost. Restricted net position is liquid assets, which have third party limitations on their use. Unrestricted net position represents assets that do not have any third party limitations on their use.

Fund Balance Classification – The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Academy is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent.

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The classifications used in the governmental fund financial statements are as follows:

- Nonspendable – This classification includes amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. The Academy reported prepaid expense as nonspendable fund balance as of June 30, 2018.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Academy has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies. The Academy has also classified Working Capital Reserves as restricted as is required by the bond agreements.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Academy did not have any committed resources as of June 30, 2018.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The Academy would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned fund balance.

TWIN PEAKS CHARTER ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

The Academy's policy allows employees to accumulate up to 120 hours in Paid Time Off (PTO). Compensated absences are recognized as current salary costs when paid. Accrued compensated absences are not paid upon termination, therefore no liability is reported on the financial statements.

Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Academy's financial position and operations. However, comparative data has not been presented in all statements because such inclusion would make certain statements unduly complex and difficult to understand. Also, certain amounts presented in the prior year data have been reclassified to be consistent with current year's presentation.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

A budget is adopted for the General, Capital Reserve, and Agency Fund on a basis consistent with generally accepted accounting principles.

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

NOTE 3: CASH AND INVESTMENTS

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

| | |
|--------------|---------------------|
| Cash on Hand | \$ 300 |
| Deposits | 1,748,648 |
| Investments | <u>4,628,418</u> |
| Total | <u>\$ 6,377,366</u> |

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 3: CASH AND INVESTMENTS (Continued)

The above amounts are classified in the financial statements as follows:

| | |
|--|----------------------------|
| Cash and Investments, Governmental Activities | \$ 3,695,930 |
| Restricted Cash and Investments, Governmental Activities | 2,516,322 |
| Cash and Investments, Fiduciary Funds | <u>165,114</u> |
| Total | <u>\$ 6,377,366</u> |

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At June 30, 2018, State regulatory commissioners have indicated that all financial institutions holding deposits for the Academy are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. 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 the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The Academy has no policy regarding custodial credit risk for deposits.

At June 30, 2018, the Academy had deposits with financial institutions with a carrying amount of \$1,748,648. The bank balances with the financial institutions were \$1,779,351. Of these balances, \$250,000 was covered by federal depository insurance and \$1,529,351 was covered by collateral held by authorized escrow agents in the financial institution's name (PDPA).

TWIN PEAKS CHARTER ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 3: **CASH AND INVESTMENTS** (Continued)

Investments

Interest Rate Risk

The Academy does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Colorado statutes specify in which instruments units of local government may invest, which include:

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

Fair Value

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

State statutes limit the investments in money market funds to the highest rating issued by nationally recognized statistical rating organizations (NRSRO's), with a constant share price, and that invest only in securities allowed by State statutes. At June 30, 2018, the Academy had \$2,499,590 invested in a money market fund. The fund invests only in U.S. Treasury obligations and is rated AAAM by Standard and Poor's. These investments are valued using Level 1 inputs.

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 3: *CASH AND INVESTMENTS* (Continued)

Investments

Local Government Investment Pools

The Academy had invested \$2,128,828 in the Colorado Government Liquid Asset Trust (ColoTrust) which has a credit rating of AAAm by Standard and Poor's. ColoTrust is an investment vehicle established for local government entities in Colorado to pool surplus funds and is regulated by the State Securities Commissioner. It operates similarly to a money market fund and each share is equal in value to \$1.00. Investments consist of U.S. Treasury and U.S. Agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities.

ColoTrust is not a 2a7-like external investment pool. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. The government-investor does not "look through" the pool to report a pro rata share of the pool's investments, receivables, and payables.

Investments consist of U.S. Treasury and U.S. Agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities.

Restricted Cash and Investments

Deposits and investments in money market funds totaling \$2,516,322 are restricted in the Internal Service Fund for the construction the Academy's building and payment of the Academy's debt.

TWIN PEAKS CHARTER ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 4: CAPITAL ASSETS

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

| | Balance <u>June 30, 2017</u> | <u>Additions</u> | <u>Deletions</u> | Balance <u>June 30, 2018</u> |
|---|---------------------------------|---------------------|------------------|---------------------------------|
| Governmental Activities | | | | |
| Capital Assets, Not depreciated | | | | |
| Land | \$ 2,514,605 | \$ - | \$ - | \$ 2,514,605 |
| Construction in Process | <u>247,376</u> | <u>553,999</u> | <u>-</u> | <u>801,375</u> |
| Total Capital Assets, Not depreciated | <u>2,761,981</u> | <u>553,999</u> | <u>-</u> | <u>3,315,980</u> |
| Capital Assets, Being Depreciated | | | | |
| Buildings | 19,468,709 | - | - | 19,489,709 |
| Improvements | 3,436,860 | - | - | 3,436,860 |
| Machinery and Equipment | <u>701,133</u> | <u>20,375</u> | <u>-</u> | <u>721,508</u> |
| Total Capital Assets, Being Depreciated | <u>23,627,702</u> | <u>20,375</u> | <u>-</u> | <u>23,648,077</u> |
| Accumulated Depreciation | | | | |
| Buildings | 3,102,310 | 451,580 | - | 3,553,890 |
| Improvements | 368,843 | 171,843 | - | 540,686 |
| Machinery and Equipment | <u>263,419</u> | <u>61,745</u> | <u>-</u> | <u>325,164</u> |
| Total Accumulated Depreciation | <u>3,734,572</u> | <u>685,168</u> | <u>-</u> | <u>4,419,740</u> |
| Total Capital Assets, Being Depreciated, Net | <u>19,893,130</u> | <u>(664,793)</u> | <u>-</u> | <u>19,228,337</u> |
| Net Capital Assets | <u>\$ 22,655,111</u> | <u>\$ (110,794)</u> | <u>\$ -</u> | <u>\$ 22,544,317</u> |

Depreciation expense is charged to the supporting services program of the Academy.

During the year ended June 30, 2018, the Academy received capital contributions in the amount of \$526,474. The contributions received related to capital projects managed by the District to enhance security features at the Academy's facility. The contributions received were recorded as construction in progress in the Academy's Building Corporation.

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 5: ACCRUED SALARIES AND BENEFITS

Salaries and 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, as of June 30, 2018, were \$480,192. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements of the General Fund.

NOTE 6: LONG-TERM DEBT

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

| | Balance <u>June 30, 2017</u> | <u>Additions</u> | <u>Payments</u> | Balance <u>June 30, 2018</u> | Due In <u>One Year</u> |
|---------------------|---------------------------------|--------------------|--------------------------|---------------------------------|---------------------------|
| 2011 Building Lease | \$ 4,505,000 | \$ - | \$ 55,000 | \$ 4,450,000 | \$ 60,000 |
| 2014 Building Lease | 21,185,000 | - | 415,000 | 20,770,000 | 430,000 |
| 2014 Premium | <u>340,123</u> | <u>-</u> | <u>12,425</u> | <u>327,698</u> | <u>-</u> |
| Total | <u>\$ 26,030,123</u> | <u>\$ -</u> | <u>\$ 482,425</u> | <u>\$ 25,547,698</u> | <u>\$ 490,000</u> |

2011 Building Lease

In April 2011, the Colorado Educational and Facilities Authority (CECFA) issued \$4,775,000 Charter School Revenue Bonds, Series 2011A and Series 2011B. Proceeds from the bonds were used to construct the improvements to the Academy's building. The Academy is required to make equal lease payments to the Building Corporation for the use of the building. The Building Corporation is required to make equal lease payments to the Trustee, for payment of the bonds. Interest accrues at rates ranging from 2.00% to 5.00% per year. The lease matures in March, 2043.

2014 Building Lease

In August 2014, the Colorado Educational and Facilities Authority (CECFA) issued \$21,990,000 Charter School Revenue Bonds, Series 2014. Proceeds from the bonds were used to refund the outstanding Series 2008 Bonds and to purchase an additional 4.22 acres of land and complete the construction of two full size soccer/play fields with a regulation track and field, construct access and parking improvements, and complete the construction of four science labs, an additional computer lab and classroom space. The Academy is required to make equal lease payments to the Building Corporation for the use of the building. The Building Corporation is required to make equal lease payments to the Trustee, for payment of the bonds. Interest accrues at rates ranging from 6.375% to 7.50% per year. The lease matures in March, 2044.

TWIN PEAKS CHARTER ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 6: LONG-TERM DEBT (Continued)

Future debt service requirements are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------|-----------------------------|-----------------------------|-----------------------------|
| 2019 | \$ 490,000 | \$ 1,177,212 | \$ 1,667,212 |
| 2020 | 505,000 | 1,157,463 | 1,662,463 |
| 2021 | 525,000 | 1,134,688 | 1,659,688 |
| 2022 | 550,000 | 1,110,838 | 1,660,838 |
| 2023 | 575,000 | 1,085,812 | 1,660,812 |
| 2024-2028 | 3,305,000 | 4,987,550 | 8,292,550 |
| 2029-2033 | 4,250,000 | 4,013,628 | 8,263,628 |
| 2034-2038 | 5,180,000 | 2,857,641 | 8,037,641 |
| 2039-2043 | 6,685,000 | 1,479,266 | 8,164,266 |
| 2044-2045 | <u>3,155,000</u> | <u>113,778</u> | <u>3,268,778</u> |
| Total | <u>\$ 25,220,000</u> | <u>\$ 19,117,876</u> | <u>\$ 44,337,876</u> |

Defeasance of Debt

In August 2014, the Academy defeased the Series 2008 Bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. This resulted in a net present value savings of \$996,501. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Academy's financial statements. At June 30, 2018, \$12,760,000 of bonds outstanding are considered defeased.

NOTE 7: DEFINED BENEFIT PENSION PLAN

Defined Benefit Pension Plan

Summary of Significant Accounting Policies

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

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 7: DEFINED BENEFIT PENSION PLAN

Defined Benefit Pension Plan

Summary of Significant Accounting Policies

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. Governmental accounting standards require the net pension liability and related amounts of the SCHDTF for financial reporting purposes be measured using the plan provisions in effect as of the SCHDTF's measurement date of December 31, 2017. As such, the following disclosures do not include the changes to plan provisions required by SB 18-200 with the exception of the section titled *Changes between the measurement date of the net pension liability and June 30, 2018*.

General Information about the Pension Plan

Plan description. Eligible employees of the Academy are provided with pensions through the School Division Trust Fund (SCHDTF)—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided as of December 31, 2017. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

The lifetime retirement benefit for all eligible retiring employees under the PERA benefit structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) benefit structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

As of December 31, 2017, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

TWIN PEAKS CHARTER ACADEMY
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2018

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions provisions as of June 30, 2018: Eligible employees and the Academy are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

General Information about the Pension Plan (Continued)

| | For the Year Ended December 31, 2017 | For the Year Ended December 31, 2018 |
|---|---|---|
| Employer contribution rate ¹ | 10.15% | 10.15% |
| Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) ¹ | (1.02)% | (1.02)% |
| Amount apportioned to the SCHDTF ¹ | 9.13% | 9.13% |
| Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹ | 4.50% | 4.50% |
| Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹ | 5.00% | 5.50% |
| Total employer contribution rate to the SCHDTF¹ | 18.63% | 19.13% |

¹Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the Academy is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the Academy were \$745,272 for the year ended June 30, 2018.

TWIN PEAKS CHARTER ACADEMY
NOTES TO THE 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

At June 30, 2018 the Academy reported a liability of \$26,500,520 for its proportionate share of the net pension liability. The net pension liability was measured as of 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 SCHDTF for the calendar year 2017 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2017, the Academy proportion was 0.08195%, which increase of 0.00047% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018 the Academy recognized pension expense of \$5,926,804. At June 30, 2018, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Difference between expected and actual experience | \$ 487,233 | N/A |
| Changes of assumptions or other inputs | \$ 6,766,566 | \$42,939 |
| Net difference between projected and actual earnings on pension plan investments | N/A | \$ 1,040,700 |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | \$ 404,551 | N/A |
| Contributions subsequent to the measurement date | \$ 377,079 | N/A |
| Total | \$8,035,429 | \$1,083,639 |

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE 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

\$377,079 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30, | |
|----------------------------|-------------|
| 2019 | \$4,317,914 |
| 2020 | \$2,508,911 |
| 2021 | \$138,402 |
| 2022 | (\$390,516) |

Actuarial assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

| | |
|---|--|
| Actuarial cost method | Entry age |
| Price inflation | 2.40 percent |
| Real wage growth | 1.10 percent |
| Wage inflation | 3.50 percent |
| Salary increases, including wage inflation | 3.50 – 9.70 percent |
| Long-term investment rate of return, net of pension plan investment expenses, including price inflation | 7.25 percent |
| Discount rate | 5.26 percent |
| Post-retirement benefit increases: | |
| PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic) | 2.00 percent |
| PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic) | Financed by the Annual Increase Reserve |

A discount rate of 4.78 percent was used in the roll-forward calculation of the total pension liability to the measurement date of December 31, 2017.

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE 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

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

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

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

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the SCHDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed 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.

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE 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

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

| Asset Class | Target Allocation | 30 Year Expected Geometric Real Rate of Return |
|-----------------------------------|--------------------------|---|
| 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 | 100.00% | |

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

Discount rate. The discount rate used to measure the total pension liability was 4.78 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE 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

- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE 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)

Based on the above assumptions and methods, the projection test indicates the SCHDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Bond Buyer, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.43 percent, resulting in a discount rate of 4.78 percent.

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25 percent and the municipal bond index rate of 3.86 percent were used in the discount rate determination resulting in a discount rate of 5.26 percent, 0.48 percent higher compared to the current measurement date.

Sensitivity of the Academy's proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 4.78 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.78 percent) or 1-percentage-point higher (5.78 percent) than the current rate:

Sensitivity of the Academy's proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 5.26 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.26 percent) or 1-percentage-point higher (6.26 percent) than the current rate:

| | 1% Decrease (3.78%) | Current Discount Rate (4.78%) | 1% Increase (5.78%) |
|--|------------------------|-------------------------------------|------------------------|
| Proportionate share of the net pension liability | \$33,474,657 | \$25,500,520 | \$20,817,385 |

Pension plan fiduciary net position. Detailed information about the SCHDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

TWIN PEAKS CHARTER ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2018

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

Changes Between the Measurement Date of the Net Pension Liability and June 30, 2018

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through SB 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability of the Division Trust Funds and thereby reach a 100 percent funded ratio for each division within the next 30 years.

A brief description of some of the major changes to plan provisions required by SB 18-200 are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

- Increases employer contribution rates by 0.25 percent on July 1, 2019.
- Increases employee contribution rates by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- Directs the state to allocate \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution will be allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the other divisions eligible for the direct distribution.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.
- Member contributions, employer contributions, the direct distribution from the state, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

Changes Between the Measurement Date of the Net Pension Liability and June 30, 2018 (Continued)

At June 30, 2018, the Academy reported a liability of \$26,500,520 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan’s year-end based on a discount rate of 4.78%. For comparative purposes, the following schedule presents an estimate of what the Academy’s proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SCHDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SCHDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

| Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma) | Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma) |
|--|--|
| 7.25% | \$ 11,972,703 |

Recognizing that the changes in contribution and benefit provisions also affect the determination of the discount rate used to calculate proportionate share of the net pension liability, approximately \$12,370,606 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

NOTE 8: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

Summary of Significant Accounting Policies

OPEB. The Academy participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund 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/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 8: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

General Information about the OPEB Plan

Plan description. Eligible employees of the Academy are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided. The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

Enrollment in the PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 8: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

General Information about the OPEB Plan (Continued)

PERA Benefit Structure

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; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

DPS Benefit Structure

The maximum service-based premium subsidy is \$230 per month for retirees who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for retirees who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum subsidy, in each case, is for retirees with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The retiree pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For retirees who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, the HCTF or the DPS HCTF pays an alternate service-based premium subsidy. Each individual retiree meeting these conditions receives the maximum \$230 per month subsidy reduced appropriately for service less than 20 years, as described above. Retirees who do not have Medicare Part A pay the difference between the total premium and the monthly subsidy.

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 8: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

General Information about the OPEB Plan (Continued)

Contributions. Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the Academy is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the Academy were \$38,180 for the year ended June 30, 2018.

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 liability of \$605,179 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of 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 Academy's contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the Academy's proportion was 0.04657%, which was an increase of 0.00025% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the Academy recognized OPEB expense of \$47,744. At June 30, 2018, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 8: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

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

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Difference between expected and actual experience | \$2,862 | N/A |
| Net difference between projected and actual earnings on OPEB plan investments | N/A | \$10,125 |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | \$2,695 | N/A |
| Contributions subsequent to the measurement date | \$19,074 | N/A |
| Total | \$24,631 | \$10,125 |

\$19,074 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year ended June 30: | |
|----------------------------|-----------|
| 2019 | (\$1,439) |
| 2020 | (\$1,439) |
| 2021 | (\$1,439) |
| 2022 | (\$1,438) |
| 2023 | \$1,092 |
| Thereafter | \$95 |

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 8: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

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

Actuarial assumptions. The total OPEB liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

| | |
|--|---|
| Actuarial cost method | Entry age |
| Price inflation | 2.40 percent |
| Real wage growth | 1.10 percent |
| Wage inflation | 3.50 percent |
| Salary increases, including wage inflation | 3.50 percent in aggregate |
| Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation | 7.25 percent |
| Discount rate | 7.25 percent |
| Health care cost trend rates | |
| PERA benefit structure: | |
| Service-based premium subsidy | 0.00 percent |
| PERACare Medicare plans | 5.00 percent |
| Medicare Part A premiums | 3.00 percent for 2017, gradually rising to 4.25 percent in 2023 |
| DPS benefit structure: | |
| Service-based premium subsidy | 0.00 percent |
| PERACare Medicare plans | N/A |
| Medicare Part A premiums | N/A |

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 8: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2016, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

| Year | PERACare Medicare Plans | Medicare Part A Premiums |
|-------|-------------------------|--------------------------|
| 2017 | 5.00% | 3.00% |
| 2018 | 5.00% | 3.25% |
| 2019 | 5.00% | 3.50% |
| 2020 | 5.00% | 3.75% |
| 2021 | 5.00% | 4.00% |
| 2022 | 5.00% | 4.00% |
| 2023 | 5.00% | 4.25% |
| 2024+ | 5.00% | 4.25% |

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

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

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 8: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

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

Healthy, post-retirement mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

Healthy, post-retirement mortality assumptions for the School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

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

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The following economic and demographic assumptions were specifically developed for, and used in, the measurement of the obligations for the HCTF:

- The assumed rates of PERACare participation were revised to reflect more closely actual experience.
- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2017 plan year.

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 8: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

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

- The percentages of PERACare enrollees who will attain age 65 and older ages and are assumed to not qualify for premium-free Medicare Part A coverage were revised to more closely reflect actual experience.
- The percentage of disabled PERACare enrollees who are assumed to not qualify for premium-free Medicare Part A coverage were revised to reflect more closely actual experience.
- Assumed election rates for the PERACare coverage options that would be available to future PERACare enrollees who will qualify for the “No Part A Subsidy” when they retire were revised to more closely reflect actual experience.
- Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees, who qualify for the “No Part A Subsidy” but have not reached age 65, were revised to more closely reflect actual experience.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.
- The rates of PERACare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.
- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA’s actuary, as needed.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA’s Board on October 28, 2016.

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 8: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
Continued)

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

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

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

| Asset Class | Target Allocation | 30 Year Expected Geometric Real Rate of Return |
|-----------------------------------|--------------------------|---|
| 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 | 100.00% | |

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

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 8: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

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

Sensitivity of the Academy's proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

| | 1% Decrease in Trend Rates | Current Trend Rates | 1% Increase in Trend Rates |
|-------------------------------------|----------------------------|---------------------|----------------------------|
| PERACare Medicare trend rate | 4.00% | 5.00% | 6.00% |
| Initial Medicare Part A trend rate | 2.00% | 3.00% | 4.00% |
| Ultimate Medicare Part A trend rate | 3.25% | 4.25% | 5.25% |
| Net OPEB Liability | \$588,528 | \$605,179 | \$625,234 |

Discount rate. The discount rate used to measure the total OPEB liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2017, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 8: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

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

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

Sensitivity of the Academy's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|---|------------------------|-------------------------------------|------------------------|
| Proportionate share of the net OPEB liability | \$680,411 | \$605,179 | \$540,966 |

OPEB plan fiduciary net position. Detailed information about the HCTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 9: 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 continues to carry commercial insurance for all risks and other risks of loss from Wright Specialty for property and liability and AmTrust North America for workman's compensation coverage and has a \$1,000 deductible for both property and liability and workman's compensation insurance. The Academy is fully self-insured for unemployment compensation. The Academy has had no claims exceeding the insured amounts from these risks in any of the past three years.

NOTE 10: COMMITMENTS AND CONTINGENCIES

Claims and Judgments

The Academy participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Academy may be required to reimburse the grantor government. As of June 30, 2018, significant amounts of grant expenditures have not been audited, but the Academy 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 tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The Academy believes it has complied with the Amendment. As required by the Amendment, the Academy has established a reserve for emergencies. At June 30, 2018, the reserve of \$249,217 was recorded as a reservation of fund balance in the General Fund.

NOTE 11: RESTATEMENT OF NET POSITION

The beginning net position of the governmental activities was decreased by \$581,109 as the Academy implemented Governmental Accounting Standards Board (GASB) Statement 75.

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 12: DEFICIT NET POSITION

The Net Position of the government type activities is a deficit of \$14,736,264 due to the Academy including its Net Pension Liability and Net OPEB liability per the requirements of GASB Statement Nos. 68 and 75.

REQUIRED SUPPLEMENTARY INFORMATION

TWIN PEAKS CHARTER ACADEMY

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2018

| | 2018 | | | VARIANCE Positive (Negative) | 2017 ACTUAL |
|---|---------------------|---------------------|---------------------|------------------------------------|---------------------|
| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | | |
| REVENUES | | | | | |
| Local Sources | | | | | |
| Per Pupil Revenue | \$ 6,706,473 | \$ 6,533,822 | \$ 6,531,255 | \$ (2,567) | \$ 6,591,651 |
| Mill Levy Override | 1,200,000 | 1,200,000 | 1,277,592 | 77,592 | 1,181,380 |
| Tuition and Fees | 157,338 | 153,895 | 187,647 | 33,752 | 204,030 |
| Other | - | - | - | - | 27 |
| Interest | 10,000 | 10,000 | 36,506 | 26,506 | 13,968 |
| State Sources | | | | | |
| Grants and Donations | 85,000 | 90,500 | 441,145 | 350,645 | 99,468 |
| TOTAL REVENUES | 8,158,811 | 7,988,217 | 8,474,145 | 485,928 | 8,090,524 |
| EXPENDITURES | | | | | |
| Instruction | | | | | |
| Salaries | 2,637,563 | 2,803,677 | 2,722,087 | 81,590 | 2,819,951 |
| Employee Benefits | 1,087,155 | 900,539 | 874,193 | 26,346 | 888,674 |
| Purchased Services | 135,800 | 205,950 | 193,282 | 12,668 | 106,566 |
| Supplies and Materials | 171,475 | 157,825 | 137,047 | 20,778 | 175,201 |
| Other | 3,500 | 3,500 | 3,987 | (487) | 3,302 |
| Total Instruction | 4,035,493 | 4,071,491 | 3,930,596 | 140,895 | 3,993,694 |
| Supporting Services | | | | | |
| School Administration | | | | | |
| Salaries | 1,169,106 | 1,234,796 | 1,191,176 | 43,620 | 1,204,668 |
| Employee Benefits | 443,343 | 396,615 | 367,995 | 28,620 | 351,413 |
| Purchased Services | 2,234,900 | 2,315,100 | 2,298,530 | 16,570 | 2,224,934 |
| Supplies and Materials | 266,575 | 580,425 | 489,669 | 90,756 | 271,454 |
| Property | 55,000 | 80,000 | 20,375 | 59,625 | 20,849 |
| Other | 8,050 | 9,400 | 8,877 | 523 | 8,216 |
| Total Supporting Services | 4,176,974 | 4,616,336 | 4,376,622 | 239,714 | 4,081,534 |
| TOTAL EXPENDITURES | 8,212,467 | 8,687,827 | 8,307,218 | 380,609 | 8,075,228 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | (53,656) | (699,610) | 166,927 | 866,537 | 15,296 |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Transfers In | 250,106 | 240,546 | - | (240,546) | 327,989 |
| NET CHANGE IN FUND BALANCE | 196,450 | (459,064) | 166,927 | 625,991 | 343,285 |
| FUND BALANCE, Beginning | 2,794,157 | 3,077,311 | 3,077,311 | - | 2,734,026 |
| FUND BALANCE, Ending | \$ 2,990,607 | \$ 2,618,247 | \$ 3,244,238 | \$ 625,991 | \$ 3,077,311 |

See the accompanying independent auditors' report.

TWIN PEAKS CHARTER ACADEMY

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
SCHOOL DISTRICT TRUST FUND

Years Ended December 31,

| | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|---|--------------|---------------|---------------|---------------|---------------|
| School's proportionate share of the Net Pension Liability | 0.0757% | 0.0780% | 0.0782% | 0.0815% | 0.0820% |
| School's proportionate share of the Net Pension Liability | \$ 9,657,461 | \$ 10,567,910 | \$ 11,961,891 | \$ 24,262,002 | \$ 26,500,531 |
| School's covered-employee payroll | \$ 2,975,531 | \$ 3,121,348 | \$ 3,408,437 | \$ 3,657,288 | \$ 3,768,870 |
| School's proportionate share of the Net Pension Liability as a percentage of its covered-employee payroll | 324.6% | 338.6% | 350.9% | 663.4% | 703.1% |
| Plan fiduciary net position as a percentage of the total pension liability | 64.1% | 62.8% | 59.2% | 43.1% | 44.0% |

See the accompanying independent auditors' report.

TWIN PEAKS CHARTER ACADEMY

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
SCHOOL DISTRICT TRUST FUND

Years Ended June 30,

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> |
|--|----------------|----------------|----------------|----------------|----------------|
| Statutorily required contributions | \$ 481,063 | \$ 595,814 | \$ 660,971 | \$ 731,841 | \$ 745,272 |
| Contributions in relation to the Statutorily required contributions | <u>481,063</u> | <u>595,814</u> | <u>660,971</u> | <u>731,841</u> | <u>745,272</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| School's covered-employee payroll | \$ 2,975,531 | \$ 3,322,513 | \$ 3,477,602 | \$ 3,771,923 | \$ 3,743,172 |
| Contributions as a percentage of covered-employee payroll | 16.17% | 17.93% | 19.01% | 19.40% | 19.91% |

See the accompanying independent auditors' report.

TWIN PEAKS CHARTER ACADEMY

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
HEALTH CARE TRUST FUND

Years Ended December 31,

| | <u>2016</u> | <u>2017</u> |
|---|--------------|--------------|
| School's proportionate share of the Net Pension Liability | 0.046% | 0.047% |
| School's proportionate share of the Net Pension Liability | \$ 600,527 | \$ 605,179 |
| School's covered-employee payroll | \$ 3,657,288 | \$ 3,768,870 |
| School's proportionate share of the Net Pension Liability as a percentage of its covered-employee payroll | 16.4% | 16.1% |
| Plan fiduciary net position as a percentage of the total pension liability | 16.72% | 17.53% |

See the accompanying independent auditors' report.

TWIN PEAKS CHARTER ACADEMY
 SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
 HEALTH CARE TRUST FUND

Years Ended June 30,

| | 2017 | 2018 |
|---|--------------|--------------|
| Statutorily required contributions | \$ 38,561 | \$ 38,180 |
| Contributions in relation to the Statutorily required contributions | 38,561 | 38,180 |
| Contribution deficiency (excess) | \$ - | \$ - |
| School's covered-employee payroll | \$ 3,771,923 | \$ 3,743,172 |
| Contributions as a percentage of covered-employee payroll | 1.02% | 1.02% |

See the accompanying independent auditors' report.

INDIVIDUAL FUND FINANCIAL STATEMENT

TWIN PEAKS CHARTER ACADEMY

AGENCY FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended June 30, 2018

| | 2018 | | | VARIANCE Positive (Negative) | 2017 ACTUAL |
|----------------------------|--------------------|-----------------|------------|------------------------------------|----------------|
| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | | |
| REVENUES | | | | | |
| Local Sources | | | | | |
| Student Groups | \$ 158,600 | \$ 159,225 | \$ 141,935 | \$ (17,290) | \$ 180,122 |
| TOTAL REVENUES | 158,600 | 159,225 | 141,935 | (17,290) | 180,122 |
| EXPENDITURES | | | | | |
| Student Groups | 184,750 | 235,191 | 122,700 | 112,491 | 175,293 |
| TOTAL EXPENDITURES | 184,750 | 235,191 | 122,700 | 112,491 | 175,293 |
| NET CHANGE IN FUND BALANCE | (26,150) | (75,966) | 19,235 | 95,201 | 4,829 |
| FUND BALANCE, Beginning | 58,367 | 142,800 | 142,800 | - | 137,971 |
| FUND BALANCE, Ending | \$ 32,217 | \$ 66,834 | \$ 162,035 | \$ 95,201 | \$ 142,800 |

See the accompanying independent auditors' report.

TWIN PEAKS CHARTER ACADEMY

AGENCY FUND
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 June 30, 2018

| | BALANCE JULY 1, 2017 | ADDITIONS | DELETIONS | BALANCE JUNE 30, 2018 |
|--------------------------|----------------------------|-------------------|-------------------|-----------------------------|
| ASSETS | | | | |
| Cash | \$ 146,191 | \$ 145,015 | \$ 126,091 | \$ 165,115 |
| Prepaid Items | 2,725 | 1,250 | 2,725 | 1,250 |
| TOTAL ASSETS | <u>\$ 148,916</u> | <u>\$ 146,265</u> | <u>\$ 128,816</u> | <u>\$ 166,365</u> |
| LIABILITIES | | | | |
| Accrued Liabilities | | | | |
| Accounts Payable | \$ 6,116 | \$ 4,330 | \$ 6,116 | \$ 4,330 |
| Due to Student Groups | 142,800 | 141,935 | 122,700 | 162,035 |
| TOTAL LIABILITIES | <u>\$ 148,916</u> | <u>\$ 146,265</u> | <u>\$ 128,816</u> | <u>\$ 166,365</u> |

See the accompanying independent auditors' report.