

**PROSPECT RIDGE ACADEMY**

**FINANCIAL STATEMENTS**

**June 30, 2019**



**Logan and Associates, LLC**  
CERTIFIED PUBLIC ACCOUNTANTS

## TABLE OF CONTENTS

Independent Auditor's Report	a - b
<b>Basic Financial Statements</b>	
Management's Discussion and Analysis	i - vii
Statement of Net Position	1
Statement of Activities	2
Balance Sheet - Governmental Funds	3
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position	4
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
Statement of Net Position - Proprietary Fund Type - Building Corporation	7
Statement of Revenues, Expenses and Changes in Fund Net Position - Proprietary Fund Type - Building Corporation	8
Statement of Cash Flows - Proprietary Fund Type - Building Corporation	9
Notes to Financial Statements	10 - 39
<b>Required Supplementary Information</b>	
Budgetary Comparison Schedule - General Fund	40
Schedule of Proportionate Share of the Net Pension Liability	41
Schedule of Academy Contributions	42
Schedule of Proportionate Share of the Net OPEB Liability	43
Schedule of Academy OPEB Contributions	44
Notes to Required Supplementary Information	45
<b>Supplementary Information</b>	
Budgetary Comparison Schedule - Capital Improvements Fund	46



## INDEPENDENT AUDITOR'S REPORT

Board of Directors  
Prospect Ridge Academy  
Broomfield, Colorado

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the Prospect Ridge Academy (the "Academy"), a component unit of Adams County School District No. 12, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Prospect Ridge Academy.

### *Management's Responsibility for the Financial Statements*

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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 an opinion 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 of 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 Academy'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 Academy'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 reasonable basis for our audit opinions.

### *Opinions*

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of the Prospect Ridge Academy as of June 30, 2019, and the respective changes in financial position 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 on pages i – vi, and budgetary comparison schedule, schedule of proportionate share of the net pension liability, the schedule of Academy contributions, schedule of proportionate share of the net OPEB liability and the schedule of Academy OPEB contributions and notes to required supplementary information on pages 40 – 45, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB 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.

### Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Prospect Ridge Academy's basic financial statements. The accompanying budgetary comparison schedule for the capital improvements fund is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary comparison schedule of the capital improvements fund is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule of the capital improvements fund is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*Logan and Associates, LLC*

Aurora, Colorado  
November 6, 2019

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

As management of Prospect Ridge Academy Charter School (PRA), we offer to the readers of PRA Charter School's financial statements our narrative overview and analysis of the financial activities of PRA for the fiscal year ended June 30, 2019, the 8th year of operations as a school.

### **Financial Highlights**

At the close of the eighth fiscal year FY 2018-19 PRA Charter School's governmental activities reported an ending net position of \$(16,643,200).

At the close of the seventh fiscal year FY 2017-18 PRA Charter School's governmental activities reported an ending net position of \$(20,091,080).

### **Overview of Financial Statements**

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

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

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

The statement of net position presents information on PRA Charter School'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 PRA Charter School is improving or declining.

The statement of activities presents information about changes in the School's net position during the fiscal year. Changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g. uncollected grant expenses and earned but unpaid salary and benefits).

The government-wide statement of activities distinguishes functions/programs of PRA Charter School supported primarily by Per Pupil Operating Revenue or other revenues passed through from the District (Adams 12 Five Star Schools). The governmental activities of PRA Charter School include instruction and supporting services.

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

**Fund financial statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. PRA Charter School, like other governmental units or schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental funds**

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

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

PRA Charter School reports results for two individual governmental funds, the general fund and the capital improvements fund, and one internal service fund, PRA Building Corporation.

Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in the capital improvement fund balances for the general fund and the capital improvements fund, the schools major funds. PRA Charter School adopts an annual appropriated budget for its general fund and budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget law.

The PRA Building Corporation is considered a component unit of PRA and is reported as an internal service fund. Information is presented in the statement of net position, statement of revenues, expenses and changes in net position and the statement of cash flows.

**Notes to the financial statements**

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

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

The statements of net position may serve over time as a useful indicator of the School's financial position. PRA Charter School liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$16,643,200 at the end of FY 2018-19. This net deficit was primarily the result of reporting the Academy's proportionate share of the PERA net pension liability and deferred outflows and inflows of resources related to the net pension liability. The net pension liability decreased \$17,952,460 from FY 2017-18, but was offset by the \$5,460,040 decrease in deferred outflows of resources and the \$9,171,719 increase of deferred inflows of resources. The Academy's revenue also increased by \$2,205,889, or 19% primarily related to the increased in funded pupil count, grants & contributions, and mill levy override funds received from the Adams 12 School District.

GASB 68 requires PRA to report the net pension liability of the school's proportionate share in the PERA pension plan. Beginning with the 2018-19 school year, charter schools are required to follow GASB 75, which refers to the Accounting and financial reporting for postemployment Benefits Other Than Pensions. The Academy reported a net OPEB liability of \$913,214. If the Academy excluded the net pension liability, deferred outflows and inflows of resources related to the Academy's proportionate share of the PERA pension plan and the net OPEB liability, the Academy's assets exceed our liabilities by \$5,383,378 (net position).

**PRA CHARTER SCHOOL'S NET POSITION  
GOVERNMENTAL  
ACTIVITIES**

<b>ASSETS</b>	<u>June 30, 2018</u>	<u>June 30, 2019</u>
Cash and Investments	4,903,126	3,372,402
Restricted Cash & Investments	4,269,408	2,713,664
Accounts Receivable	5,652	20,687
Prepaid Expenses	65,796	78,061
Capital Assets, Not Depreciated	9,066,528	4,758,319
capital Assets, Net of Acc. Depr	<u>23,949,192</u>	<u>30,014,372</u>
	<u>42,259,702</u>	<u>40,957,505</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>		
DEF. OUTFLOWS OF RES RELATED TO PENSIONS AND OPEB	<u>14,004,048</u>	<u>8,544,008</u>
 <b>LIABILITIES</b>		
Accounts Payable	1,221,635	61,303
Accrued Liabilities	2,113	54,732
Accrued Salaries and Benefits	489,862	524,627
Deferred Revenue	144,164	127,475
Accrued Interest Payable	356,147	483,890
Non Current Liabilities		
Due Within One Year	595,350	637,100
Due in more than one year	34,280,000	33,685,000
Net Pension Liability	36,237,262	18,284,802
Net OPEB Liability	827,506	913,214
	<u>74,154,039</u>	<u>54,772,143</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>		
Def. Inflows of res. Related to pensions	<u>2,200,791</u>	<u>11,372,510</u>
 <b>NET POSITION</b>		
Net Investment in Capital Assets	(1,050,640)	1,271,464
Restricted For:		
Emergencies	339,650	373,332
Special Education	200,005	200,005
Debt Service	1,542,722	1,425,064
Capital Improvements	367,406	-
Unrestricted	<u>(21,490,223)</u>	<u>(19,913,065)</u>
 <b>TOTAL NET POSITION</b>	 <u><u>\$ (20,091,080)</u></u>	 <u><u>\$ (16,643,200)</u></u>

**PRA Charter School's Statement of Activies  
Governmental  
Activities**

<b>REVENUES</b>	<u>June 30, 2018</u>	<u>June 30, 2019</u>
General Revenues		
Per Pupil Revenue	10,013,881	10,895,164
Other	8,250	131,497
Donations & Fundraising not restricted to specific programs	367,168	391,475
Mill Levy Override	-	862,791
Investment Income	-	58,749
Program Revenues		
Tuition & Fees	656,980	610,793
Operating Grants & Cont.	132,316	374,778
Capital Grants & Cont.	352,143	411,380
Total Revenues	<u>11,530,738</u>	<u>13,736,627</u>
 <b>EXPENSES</b>		
Instructional	13,247,970	2,258,258
Supporting Services	5,615,009	3,423,289
Interest & Fiscal Caharges	1,714,842	1,863,789
Total Expenses	<u>20,577,821</u>	<u>7,545,336</u>
 Change in Net Position	(8,972,583)	6,191,291
 <b>Net Position, Beginning as restated</b>	<u>(11,118,497)</u>	<u>(22,834,491)</u>
<b>NET POSITION, ENDING</b>	<u><b>\$ (20,091,080)</b></u>	<u><b>\$ (16,643,200)</b></u>

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

PRA Charter School uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

### **Governmental Funds**

The focus of PRA Charter School's governmental funds financial statements is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing PRA Charter School's financing requirements. In particular, Net Change in fund balance may serve as a useful measure of the School's net resources available for spending at the end of the fiscal year. At the end of the 2018-19 fiscal year, the School's General Fund reported a net change in fund balance of \$(1,627,848).

### **Capital Improvements Fund**

In November 2016, Adams 12 Five Star School District passed a \$350 Million bond measure to fund improvements to the District's schools, including charter schools. PRA Charter School received a contribution of bond proceeds from the District of \$6,360,067 in early 2017. PRA Charter School used a portion of the proceeds for capital improvements to the school's buildings and constructed a new gym as well as a track and field. During the fiscal year ended June 30, 2019, the capital improvements fund had expenditures of \$367,511 and interest earnings of \$105.

### **General Fund Budgetary Highlights**

The School typically approves a budget in May for the following school year based on enrollment projections. In October, if necessary, revisions are made to the budget based on final enrollment figures. The school's board may approve additional revisions to the budget at its discretion throughout the year if funding resources or needs change. At year-end, the school reported variances between its final budget and actual results. Recognized revenue exceeded budget by approximately \$357,837, primarily driven by exceeding fundraising and donation goals as well fees related to athletics. Expenses exceeded the budgeted amount by \$4,325.

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

PRA's investment in Capital assets increased by \$2,963,070 related to investment for the new high school gym, partially offset by depreciation on its leasehold improvements and equipment of \$1,206,099. The detail of capital assets is in Note 4 to the financial statements.

FY 2018-19 PRA's long-term debt decreased by \$553,250 as a result of principal payments made by the PRA Building Corporation leaving an ending balance of \$34,322,100 at June 30, 2019. The detail of long-term debt can be found in Note 5 to the financial statements.

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

The primary source of revenue for PRA Charter School is student enrollment. Enrollment for the FY 2018-2019 school year was 1409 funded students. Projected enrollment for the FY 2019-20 school year is 1393 students. This decrease of 16 students is attributable the elementary school moving from 4 kindergarten classes to three. With the anticipated 4th kindergarten class being offered 2020-21 school year, we anticipate an increase in our student population, from that point forward, revenue is expected to level off and eventually remain relatively stable in future years.

**Requests for Information**

This financial report is designed to provide an overview of PRA Charter School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the school's Finance & Business Director.

Joe Hall  
Finance & Business Director  
Prospect Ridge Academy Charter School  
2555 Preble Creek Parkway  
Broomfield, CO 80023

## **BASIC FINANCIAL STATEMENTS**

PROSPECT RIDGE ACADEMY

STATEMENT OF NET POSITION

June 30, 2019

	<u>GOVERNMENTAL ACTIVITIES</u>
<b>ASSETS</b>	
Cash and Investments	\$ 3,372,402
Restricted Cash and Investments	2,713,664
Accounts Receivable	20,687
Prepaid Expenses	78,061
Capital Assets, Not Depreciated	4,758,319
Capital Assets, Net of Accumulated Depreciation	<u>30,014,372</u>
<b>TOTAL ASSETS</b>	<u>40,957,505</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Outflows of Resources Related to Pensions	8,397,071
Deferred Outflows of Resources Related to OPEB	<u>146,937</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>8,544,008</u>
<b>LIABILITIES</b>	
Accounts Payable	61,303
Accrued Liabilities	54,732
Accrued Salaries and Benefits	524,627
Unearned Revenue	127,475
Accrued Interest Payable	483,890
Noncurrent Liabilities	
Due Within One Year	637,100
Due in More Than One Year	33,685,000
Net Pension Liability	18,284,802
Net OPEB Liability	<u>913,214</u>
<b>TOTAL LIABILITIES</b>	<u>54,772,143</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Inflows of Resources Related to Pensions	11,371,180
Deferred Inflows of Resources Related to OPEB	<u>1,390</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>11,372,570</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	1,271,464
Restricted for	
Emergencies	373,332
Special Education	200,005
Debt Service	1,425,064
Unrestricted	<u>(19,913,065)</u>
<b>TOTAL NET POSITION</b>	<u>\$ (16,643,200)</u>

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

PROSPECT RIDGE ACADEMY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE)
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUE AND CHANGE IN NET POSITION
PRIMARY GOVERNMENT					
<b>Governmental Activities</b>					
Instruction	\$ 2,258,258	\$ 610,793	\$ 374,778	\$ -	\$ (1,272,687)
Supporting Services	3,423,289	-	-	411,380	(3,011,909)
Interest on Long-Term Debt	1,863,789	-	-	-	(1,863,789)
Total Governmental Activities	<u>\$ 7,545,336</u>	<u>\$ 610,793</u>	<u>\$ 374,778</u>	<u>\$ 411,380</u>	<u>(6,148,385)</u>
		GENERAL REVENUES			
					10,895,164
					862,791
					391,475
					58,749
					131,497
					<u>12,339,676</u>
					6,191,291
					<u>(22,834,491)</u>
					<u>\$ (16,643,200)</u>

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

PROSPECT RIDGE ACADEMY

BALANCE SHEET  
GOVERNMENTAL FUNDS  
 June 30, 2019

	GENERAL FUND	CAPITAL IMPROVEMENTS FUND	TOTALS
<b>ASSETS</b>			
Cash and Investments	\$ 3,372,402	\$ -	\$ 3,372,402
Accounts Receivable	20,687	-	20,687
Prepaid Expenses	78,061	-	78,061
	<hr/>	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 3,471,150</u>	<u>\$ -</u>	<u>\$ 3,471,150</u>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 61,303	\$ -	\$ 61,303
Accrued Liabilities	54,732	-	54,732
Accrued Salaries and Benefits	524,627	-	524,627
Unearned Revenue	127,475	-	127,475
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES	<u>768,137</u>	<u>-</u>	<u>768,137</u>
<b>FUND BALANCES</b>			
Nonspendable	78,061	-	78,061
Restricted for:			
Emergencies	373,332	-	373,332
Special Education	200,005	-	200,005
Committed for:			
Capital Purchases	1,296,152	-	1,296,152
Working Capital Reserve	383,191	-	383,191
Unassigned	372,272	-	372,272
	<hr/>	<hr/>	<hr/>
TOTAL FUND BALANCES	<u>2,703,013</u>	<u>-</u>	<u>2,703,013</u>
	<hr/>	<hr/>	<hr/>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,471,150</u>	<u>\$ -</u>	<u>\$ 3,471,150</u>

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

PROSPECT RIDGE ACADEMY

RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION

June 30, 2019

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

Total Fund Balances of Governmental Funds	\$ 2,703,013
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.	137,154
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources - difference in projected vs actual investment earnings	996,638
Deferred outflows of resources - difference in projected vs actual investment earnings - OPEB	5,252
Deferred outflows of resources - difference in expected vs actual experience	620,241
Deferred outflows of resources - difference in expected vs actual experience - OPEB	3,315
Deferred outflows of resources - change in proportionate share of net pension liability	2,797,137
Deferred outflows of resources - change in proportionate share of net OPEB liability	101,566
Deferred outflows of resources - pension contributions from the measurement date	570,117
Deferred outflows of resources - OPEB contributions from the measurement date	30,398
Deferred outflows of resources - change in assumptions or other inputs	3,412,938
Deferred outflows of resources - change in assumptions or other inputs - OPEB	6,406
Deferred inflows of resources - difference in expected vs actual experience - OPEB	(1,390)
Deferred inflows of resources - change in assumptions or other inputs	(11,371,180)
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in the funds. This is the amount of accrued compensated absences (\$42,100), net pension liability of (\$18,284,802) and net OPEB liability (\$913,214).	(19,240,116)
An internal service fund is used by management to charge the lease costs to governmental funds. These assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.	<u>2,585,311</u>
Total Net Position of Governmental Activities	<u>\$ (16,643,200)</u>

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

PROSPECT RIDGE ACADEMY

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
 Year Ended June 30, 2019

	<u>GENERAL FUND</u>	<u>CAPITAL IMPROVEMENTS FUND</u>	<u>TOTALS</u>
REVENUES			
Local Sources	\$ 13,106,663	\$ 105	\$ 13,106,768
State Sources	559,875	-	559,875
	<u>13,666,538</u>	<u>105</u>	<u>13,666,643</u>
TOTAL REVENUES			
EXPENDITURES			
Current			
Instruction	6,497,013	-	6,497,013
Supporting Services	8,797,373	367,511	9,164,884
	<u>15,294,386</u>	<u>367,511</u>	<u>15,661,897</u>
TOTAL EXPENDITURES			
NET CHANGE IN FUND BALANCES	(1,627,848)	(367,406)	(1,995,254)
FUND BALANCES, Beginning	<u>4,330,861</u>	<u>367,406</u>	<u>4,698,267</u>
FUND BALANCES, Ending	<u>\$ 2,703,013</u>	<u>\$ -</u>	<u>\$ 2,703,013</u>

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

PROSPECT RIDGE 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, 2019

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

Net Change in Fund Balances of Governmental Funds	\$ (1,995,254)
Capital outlays to purchase or build capital assets are reported in the governmental fund as expenditures. However, for governmental activities those costs are capitalized 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 that capital outlay \$28,920 exceeded depreciation expense (\$14,702) in the current year.	14,218
In the statement of activities, certain operating expenses, pension expense, are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used or due (the amounts actually paid). This amount represent the net effect of pension and OPEB related amounts, including amortization of deferred outflows and deferred inflows of resources related to pensions and OPEB, and a special funding situation from non-employer contributions, in the statement of activities.	6,014,089
In the statement of activities, certain operating expenses, pension expense, are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used or due (the amounts actually paid). This amount represent the net effect of OPEB related amounts, including amortization of deferred outflows and deferred inflows of resources related to OPEB, in the statement of activities.	(35,745)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This includes the increase in accrued compensated absences in the current year.	3,250
The internal service fund is used by management to charge the cost of lease payments to the governmental fund. The net revenue (expense) of the internal service fund is reported with the governmental activities	<u>2,190,733</u>
Change in Net Position of Governmental Activities	<u><u>\$ 6,191,291</u></u>

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

PROSPECT RIDGE ACADEMY

STATEMENT OF NET POSITION  
PROPRIETARY FUND TYPE  
BUILDING CORPORATION  
June 30, 2019

	<u>Governmental Activities Internal Service Fund</u>
<b>ASSETS</b>	
Current Assets	
Restricted Cash and Investments	<u>\$ 2,713,664</u>
Total Current Assets	<u>2,713,664</u>
Noncurrent Assets	
Capital Assets, Not Being Depreciated	4,758,319
Capital Assets, Net of Accumulated Depreciation	<u>29,877,218</u>
Total Noncurrent Assets	<u>34,635,537</u>
TOTAL ASSETS	<u>37,349,201</u>
<b>LIABILITIES</b>	
Current Liabilities	
Building Lease Payable - Current	595,000
Accrued Interest Payable	<u>483,890</u>
Total Current Liabilities	<u>1,078,890</u>
Noncurrent Liabilities	
Building Lease Payable	<u>33,685,000</u>
TOTAL LIABILITIES	<u>34,763,890</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	1,160,247
Restricted for Debt Service	<u>1,425,064</u>
TOTAL NET POSITION	<u>\$ 2,585,311</u>

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

PROSPECT RIDGE ACADEMY

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION

PROPRIETARY FUND TYPE  
BUILDING CORPORATION  
Year Ended June 30, 2019

	Governmental Activities <u>Internal Service Fund</u>
OPERATING REVENUES	
Building Rent	\$ 2,265,506
Investment Income	<u>57,140</u>
TOTAL OPERATING REVENUES	<u>2,322,646</u>
 OPERATING EXPENSES	
Depreciation	<u>1,191,397</u>
OPERATING INCOME (LOSS)	<u>1,131,249</u>
 NON-OPERATING REVENUE (EXPENSES)	
Lease Issue Costs	(10,877)
Interest Expense and Fiscal Charges	<u>(1,863,789)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(1,874,666)</u>
INCOME (LOSS) BEFORE CONTRIBUTIONS	(743,417)
 CAPITAL CONTRIBUTIONS - OTHER FUNDS	<u>2,934,150</u>
CHANGE IN NET POSITION	2,190,733
 NET POSITION, Beginning	<u>394,578</u>
 NET POSITION, Ending	<u>\$ 2,585,311</u>

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

PROSPECT RIDGE ACADEMY

STATEMENT OF CASH FLOWS  
PROPRIETARY FUND TYPE  
BUILDING CORPORATION

Increase (Decrease) in Cash and Cash Investments  
 Year Ended June 30, 2019

	Governmental Activities <u>Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Rental Operations	\$ 2,265,506
Investment Income	57,140
	<u>2,322,646</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Lease Principal Payments	(550,000)
Lease Issue Costs	(10,877)
Interest Paid on Lease	(1,736,046)
	<u>(2,296,923)</u>
Increase in Cash and Cash Investments	25,723
CASH AND CASH INVESTMENTS, Beginning	<u>2,687,941</u>
CASH AND CASH INVESTMENTS, Ending	<u>\$ 2,713,664</u>
RECONCILIATION OF OPERATING INCOME(LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income (Loss)	\$ 1,131,249
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities	
Depreciation	1,191,397
	<u>\$ 2,322,646</u>
NON-CASH ACTIVITIES	
Capital Contributions - General Fund	\$ 367,511
Capital Contributions - Capital Improvements Fund	2,566,639
Total Capital Contributions - General and Capital Improvements Funds	<u>\$ 2,934,150</u>

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

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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

The Prospect Ridge Academy (the "Academy") was formed pursuant to the Colorado Charter Schools Act to form and operate a K-8 charter school within Adams County School District No. 12 (the "District"). The Academy is governed by a six-member Board of Directors.

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

**Reporting Entity**

The definition of the reporting entity is based primarily on financial accountability. The Academy is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if Academy officials appoint a voting majority of the organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the Academy. The Academy may also be financially accountable for organizations that are fiscally dependent upon it.

Based on the application of this criteria, the Academy will include the following organization in its reporting entity.

PRA Building Corporation

During May, 2013, the PRA Building Corporation (the "Building Corporation") was formed to provide a mechanism for financing and construction of a high school building and other facilities for use by the Academy in the future. The Building Corporation is considered to be financially accountable to the Academy and will be part of the Academy for financial reporting purposes because its resources are entirely for the direct benefit of the Academy. In addition, certain board members and an employee of the Academy are board members governing the Building Corporation. Separate financial statements are not available.

The Academy is a component unit of Adams County School District No. 12.

**Government-Wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the Academy. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by intergovernmental revenues, are reported in a single column.

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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

The statement of net position reports all financial, capital and debt resources of the Academy. The difference between the assets plus deferred outflows of resources and liabilities and deferred inflows of resources of the Academy is reported as net position.

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 as separate columns in the fund financial statements.

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the Academy considers revenues to be available if they are collected within 60 days of the end of the current year.

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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

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

When both restricted and unrestricted resources are available for use, it is the Academy's practice to use restricted resources first, then unrestricted resources as they are needed.

In the fund financial statements, the Academy reports the following major governmental fund:

*General Fund* is the Academy's primary operating fund that accounts for all financial resources of the Academy, except those required to be accounted for in another fund.

Additionally, the Academy reports the following non-major governmental fund:

*Capital Improvements Fund* is used to account for the activity of the 2016 bond funds received from the Adams 12 School District as a result of the bond election.

Additionally, the Academy reports the following fund type:

*Internal Service Fund* is used to account for the activity of the Building Corporation.

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

*Cash and Investments* – Cash equivalents include investments with original maturities of three months or less. Investments are stated at fair value.

*Prepaid Expenses* – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

*Capital Assets* - Capital assets, which include land, building and improvements, and equipment, are reported in the government-wide financial statements. Prior to July 1, 2014, 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. The limit was increased to \$10,000 after July 1, 2014. 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.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

*Unearned Revenue* – Unearned revenue include amounts received from parents to reserve full-day kindergarten slots, as well as activity fees for the upcoming school year.

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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

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

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

*Deferred Outflows/Inflows of Resources* – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement classification represents a consumption of net position that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditures) until then. The Academy has items related to pensions and other postemployment benefits that are reported as deferred outflows of resources at June 30, 2019.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement classification represents an acquisition of net position that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until then. The Academy has an item related to pensions and other postemployment benefits that are reported as deferred inflows of resources at June 30, 2019.

*Net Position* – In the government-wide financial statements, net position is restricted when constraints placed on the net position are externally imposed.

- Net Investment in Capital Assets – this classification is intended to report the portion of net position which is associated with non-liquid, capital assets less outstanding debt related to those capital assets.
- Restricted Net Position – this classification includes liquid assets which have third party limitations on their use.
- Unrestricted Net Position – this classification includes assets that do not have any third party limitation 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. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form (such as prepaid items) or

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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

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

(b) are legally or contractually required to be maintained intact. The Academy had nonspendable resources at June 30, 2019 in the form of prepaid expenses.

- 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 its use is restricted by State statute for declared emergencies. The Academy had restricted fund balance at June 30, 2019 for a special education reserve as required by the charter school agreement, a debt service reserve as required by the building lease.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Academy’s highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors. The Academy had committed resources at June 30, 2019 for working capital reserve and future capital purchases.
- Assigned – This classification includes amounts that are constrained by the Academy’s intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or changed than those imposed on committed amounts. The Academy did not have any assigned fund balance at June 30, 2019.
- Unassigned – This classification includes the remaining residual fund balance for the General Fund at June 30, 2019. 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 has not established a formal policy for its use of restricted and unrestricted fund balance. However, if both the restricted and unrestricted fund balances are available the Academy uses restricted fund balance first.

*Compensated Absences* – The Academy’s policy allows employees to accumulate paid annual leave (PAL) up to a maximum of 20 days. Upon termination, any unused days are paid out to the employees at the current substitute teachers’ daily rate. These compensated absences are recognized as current salary costs when paid in the governmental fund. A liability is reported in the government-wide financial statements for the accrued compensated absences.

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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

**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.

**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, benefit payments 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.

**Risk Management**

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

**Income Taxes**

The Academy is exempt from income tax under Section 501(c)(3) of the US Internal Revenue Code. The Academy's tax filings are subject to audit by various taxing authorities. The Academy's ending open audit periods are June 30, 2015, 2016, 2018 and 2019. The Academy believes it has no significant uncertain tax provisions for the period ended June 30, 2019.

**Subsequent Events**

The Academy has evaluated events subsequent to the year ended June 30, 2019 through November 6, 2019, the date these financial statements were issued, and has incorporated any required recognition into these financial statements.

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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

**Accountability**

The Governmental Activities had a deficit net position of \$16,643,200 at June 30, 2019. The Governmental Activities deficit is primarily related to the net pension liability and net OPEB liability reported in the Academy's financial statements as required by the GASB. Management cannot determine if this deficit net position will increase or decrease in the future.

**NOTE 3: CASH AND INVESTMENTS**

At June 30, 2019, the Academy had the following cash and investments.

Cash and Investments	\$ 3,372,402
Restricted Cash and Investments	<u>2,713,664</u>
Total	<u><b>\$ 6,086,066</b></u>

**Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires that all local government entities deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of Federal Deposit Insurance Corporation (FDIC) levels must be collateralized by eligible collateral as determined by the PDPA. The FDIC insures depositors up to \$250,000 for each financial institution. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2019, the Academy had bank deposits of \$3,451,105, of which \$250,000 was insured by the Federal Deposit Insurance Corporation (FDIC) and \$3,201,105 was collateralized with securities held by the financial institutions' agents but not in the Academy's name.

**Investments**

The Academy does not have a formal investment policy; however, the Academy follows state statutes regarding investments. The Academy generally limits its concentration risk of investments to Local Government Investment Pools, obligations of the United States and certain U. S. government agency securities, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the Academy is not subject to concentration of risk for investments that are in the possession of another party.

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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

**Investments (Continued)**

Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Trustees. Such actions are generally associated with a debt service reserve or sinking fund requirements.

State statutes specify investment instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest, which include the following.

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

At June 30, 2019, the Academy had the following investments:

	<u>Maturity</u>	<u>2019</u>
Colorado Liquid Government Asset Trust (COLOTRUST)	Weighted Average under 60 days	<u>\$ 2,713,664</u>

The Academy invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS +. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rates commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's. COLOTRUST records its investments at fair value and the Academy records its investment in COLOTRUST using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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

**Investments (Continued)**

*Interest Rate Risk* - State statutes generally limit investments to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years. The Academy does not have a policy for managing credit risk or interest rate risk.

**Restricted Cash and Investments**

Cash and investments of \$2,713,664 are restricted for the Building Corporation's project costs, bond reserves, and bond principal and interest.

**NOTE 4: CAPITAL ASSETS**

Capital asset activity for the year ended June 30, 2019, is summarized below:

	Balances 6/30/2018	Additions	Deletions	Balances 6/30/2019
<b>Governmental Activities:</b>				
Capital Assets, not being depreciated				
Land	\$ 4,758,319	\$ -	\$ -	\$ 4,758,319
Construction in Progress	4,308,209	2,934,150	7,242,359	-
Total Capital Assets, not being depreciated	<u>\$ 9,066,528</u>	<u>\$ 2,934,150</u>	<u>\$ 7,242,359</u>	<u>\$ 4,758,319</u>
Capital Assets, being depreciated				
Buildings	25,855,926	-	-	25,855,926
Buildings and Improvements	152,368	28,920	-	181,288
Athletic Facilities	-	7,242,359	-	7,242,359
Equipment	12,999	-	-	12,999
Total Capital Assets, being depreciated	<u>26,021,293</u>	<u>7,271,279</u>	<u>-</u>	<u>33,292,572</u>
Less accumulated depreciation				
Buildings	(2,029,670)	(861,864)	-	(2,891,534)
Buildings and Improvements	(29,432)	(14,702)	-	(44,134)
Athletic Facilities	-	(329,533)	-	(329,533)
Furniture and Equipment	(12,999)	-	-	(12,999)
Total accumulated depreciation	<u>(2,072,101)</u>	<u>(1,206,099)</u>	<u>-</u>	<u>(3,278,200)</u>
Total Capital Assets, being depreciated, net	<u>23,949,192</u>	<u>6,065,180</u>	<u>-</u>	<u>30,014,372</u>
Governmental Activities Capital Assets, net	<u><u>\$ 33,015,720</u></u>	<u><u>\$ 8,999,330</u></u>	<u><u>\$ 7,242,359</u></u>	<u><u>\$ 34,772,691</u></u>

Depreciation expense will be charged to the Supporting Services program of the Academy.

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

**NOTE 5: LONG-TERM DEBT**

Following is a summary of long-term debt transactions for the year ended June 30, 2019:

	Balances 6/30/2018	Additions	Deletions	Balances 6/30/2019	Due Within One Year
<b>Governmental Activities</b>					
Building Lease - 2016	\$ 21,330,000	\$ -	\$ 335,000	\$ 20,995,000	\$ 370,000
Building Lease - 2017	13,500,000	-	215,000	13,285,000	225,000
Compensated Absences	45,350	42,100	45,350	42,100	42,100
<b>Total</b>	<b>\$ 34,875,350</b>	<b>\$ 42,100</b>	<b>\$ 595,350</b>	<b>\$ 34,322,100</b>	<b>\$ 637,100</b>

Compensated absences are expected to be liquidated with revenues of the General Fund.

**Building Lease**

On March 11, 2016, the Colorado Educational and Cultural Facilities Authority (CECFA) issued the \$21,630,000 Charter School Refunding and Improvement Revenue Bonds, Series 2016 (Prospect Ridge Academy Project). These bonds were issued to refund the Charter School Revenue Bonds, Series 2013, and to loan to the Building Corporation to fund the debt service reserve and accrued interest account, pay certain issuance costs and fund the project account. The bonds mature March 15, 2023. Interest accrues at 4.85%, per annum. The bonds may be called at par on March 15, 2019, or any principal or interest payment date, thereafter.

On March 15, 2017, the Colorado Educational and Cultural Facilities Authority (CECFA) issued the \$13,500,000 Charter School Revenue Bonds, Series 2017 (Prospect Ridge Academy Project). These bonds were issued to loan to the Building Corporation in order to finance the cost of acquiring land and existing facilities where the Academy's K-8<sup>th</sup> grade school operates. In addition, the bonds will fund the capitalized interest, partial fund of the bond reserve and pay certain issuance costs. The bonds mature March 15, 2023. Interest accrues at 5.0%, per annum. The bonds may be called at par on March 15, 2019, or any principal or interest payment date, thereafter.

The Academy is obligated to make monthly lease payments to the Building Corporation for use of the buildings and facilities. The Building Corporation is required to make equal loan payments to the Trustee, for payment of the bonds.

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

**NOTE 5: LONG-TERM DEBT (Continued)**

**Future Debt Service Requirements**

Annual debt service requirements at June 30, 2019, were as follows.

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 595,000	1,682,508	\$ 2,277,508
2021	600,000	1,653,313	2,253,313
2022	630,000	1,623,853	2,253,853
2023	32,455,000	1,278,673	33,733,673
	<u>\$ 34,280,000</u>	<u>\$ 6,238,347</u>	<u>\$ 40,518,347</u>

**NOTE 6: DEFINED BENEFIT 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](http://www.copera.org/investments/pera-financial-reports).

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*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. A brief description of some of the major changes to plan provisions required by SB 18-200 for the SCHDTF are listed below. A full copy of the bill can be found online at [www.leg.colorado.gov](http://www.leg.colorado.gov).

- Increases employer contribution rates for the SCHDTF by 0.25% on July 1, 2019.
- Increases employee contribution rates for the SCHDTF by a total of 2% (to be phased in over a period of 3 years starting on July 1, 2019).
- As specified in C.R.S. § 24-51-413, the State is required to contribute \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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

SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes.

- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, increases 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.

**Benefits Provided as of December 31, 2018.** 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% and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100% 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.

In all cases the service retirement benefit is limited to 100% 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% or 100% 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.

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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

As of December 31, 2018, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs) in certain years, referred to as annual increases in the C.R.S. Pursuant to SB 18-200, there are no annual increases (AI) for 2018 and 2019 for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure will receive an annual increase, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 1.5% 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 1.5% or the average CPI-W for the prior calendar year, not to exceed 10% of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The automatic adjustment provision may raise or lower the aforementioned AI for a given year by up to ¼ of 1% based on the parameters specified in C.R.S. § 24-51-413.

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.

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, 2019.** 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.* and § 24-51-413. Eligible employees are required to contribute 8 percent of their PERA-includable salary during the period of July 1, 2018 through June 30, 2019. The employer contribution requirements are summarized in the table below:

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS  
June 30, 2019

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

	January 1, 2018 through December 31, 2018	January 1, 2019 through June 30, 2019
	(1)	(1)
Employer Contribution Rate	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)	-1.02%	-1.02%
Amount Apportioned to the SCHDTF	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. 24-51-1411	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. 24-51-1411	5.50%	5.50%
Total Employer Contribution Rate to the SCHDTF	<u>19.13%</u>	<u>19.13%</u>

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

As specified in C.R.S. § 24-51-413, the State is required to contribute \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes.

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 \$1,121,644 for the year ended June 30, 2019.

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

The net pension liability for the SCHDTF was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total pension liability to December 31, 2018. The Academy's proportion of the net pension liability was based on Academy's contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2019, the Academy reported a liability of \$18,284,802 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the Academy as its proportionate share of the net pension liability, the related support from the State

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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

as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the Academy were as follows:

Prospect Ridge Academy proportionate share of the NPL	\$ 18,284,802
The State's proportionate share of the NPL as a nonemployer contributing entity associated with Prospect Ridge Academy	<u>2,500,193</u>
Total	<u>\$ 20,784,995</u>

At December 31, 2018, the Academy's proportion was .10326%, which was a decrease of .00880% from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the Academy recognized a decrease in pension expense of \$6,001,245 and revenue of \$148,495 for support from the State as a nonemployer contributing entity.

At June 30, 2019, 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	\$ 620,241	\$ -
Changes in assumptions or other inputs	3,412,938	(11,371,180)
Net difference between projected and actual earnings on pension plan investments	996,638	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	2,797,137	-
Contributions subsequent to the measurement date	<u>570,117</u>	<u>-</u>
Total	<u>\$ 8,397,071</u>	<u>\$ (11,371,180)</u>

\$570,117 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, 2020.

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,**

2020	\$ 825,100
2021	(2,782,460)
2022	(2,132,046)
2023	545,180

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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

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

Actuarial Cost Method:	Entry age
Price inflation:	2.40%
Real wage growth:	1.10%
Wage inflation:	3.50%
Salary increases, including wage inflation:	3.50% – 9.70%
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation:	7.25%
Discount rate:	4.78%
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07:	2% compounded annually
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic):	Financed by the Annual Increase Reserve (AIR)

The revised assumptions shown below are reflected in the roll-forward calculation of the total pension liability from December 31, 2017 to December 31, 2018:

Discount rate:	7.25%
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07:	0% through 2019 and 1.5% compounded annually after
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic):	Financed by the Annual Increase Reserve (AIR)

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% factor applied to male rates and a 55% 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% factor applied to rates for ages less than 80, a 113% factor applied to rates for ages 80 and above, and further adjustments for credibility.

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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

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

For disabled retirees, the mortality assumption was changed to reflect 90% 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 by the investment consultant 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 allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
U.S. Equity - Large Cap	21.20%	4.30%
U.S. Equity - Small Cap	7.42%	4.80%
Non U.S. Equity - Developed	18.55%	5.20%
Non U.S. Equity - Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income - Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Corer 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 7.25%. The basis for the projection of liabilities and the FNP used to determine the discount rate 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%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- As specified in law, the State of Colorado, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018 and is proportioned between the State, School, Judicial and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distributions ceases when all Division Trust Funds are fully funded.

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contribution also include 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 to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve of the survivor benefits reserve, as appropriate. AIR transfers to the FNP and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25% and the municipal bond index rate was 3.43% were used in the discount rate determination resulting in a discount rate of 4.78%, 2.47% lower 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 collective net pension liability calculated using the discount rate of 7.25%, 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 (6.25%) or 1-percentage-point higher (8.25%) than the current rate:

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

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

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Net Pension Liability	<u>\$ 23,245,997</u>	<u>\$ 18,284,802</u>	<u>\$ 14,121,522</u>

**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](http://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% and then multiplied by years of service credit
- The value of the retiring employee’s member contribution account plus a 100% 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.

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.

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

**NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (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](http://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.

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.

**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

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

**NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)**

to Medicare; the maximum service-based subsidy is \$115 per month for benefitrecipients 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.

**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 \$25,805 for the year ended June 30, 2019.

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

At June 30, 2019, the Academy reported a liability of \$913,214 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2018. The Academy's proportion of the net OPEB liability was based on Academy contributions to the HCTF for the calendar year 2018 relative to the total contributions of participating employers to the HCTF.

At December 31, 2018, the Academy's proportion was 0.06712%, which was an increase of 0.00345% from its proportion measured as of December 31, 2017.

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

**NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN** (Continued)

For the year ended June 30, 2019, the Academy recognized OPEB expense of \$7,757. At June 30, 2019, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 3,314	\$ (1,390)
Changes in assumptions or other inputs	6,406	-
Net difference between projected and actual earnings on OPEB plan investments	5,252	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	101,566	-
Contributions subsequent to the measurement date	<u>30,398</u>	<u>-</u>
Total	<u>\$ 146,936</u>	<u>\$ (1,390)</u>

\$30,398 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, 2020.

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,**

2020	\$ 22,460
2021	22,460
2022	22,464
2023	26,108
2024	21,321
2025	335

**Actuarial assumptions.** The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial Cost Method:	Entry age
Price inflation:	2.40%
Real wage growth:	1.10%
Wage inflation:	3.50%
Salary increases, including wage inflation:	3.50% in aggregate
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation:	7.25%
Discount rate:	7.25%

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

**NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)**

Health care cost trend rates

PERA Benefit Structure:

Service-based premium subsidy	0.00%
PERACare Medicare plans	5.00%
Medicare Part A premiums	3.00% for 2018, gradually Rising to 5.00% in 2025

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.

The actuarial assumptions used in the December 31, 2017, 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 discussed below.

In determining the additional liability for PERACare enrollees who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following monthly costs/premiums are assumed for 2018 for the PERA Benefit Structure:

Medicare Plan	Cost for Members Without Medicare Part A	Premiums for Members Without Medicare Part A
Self-Funded Medicare Supplement Plans	\$736	\$367
Kaiser Permanente Medicare Advantage HMO	602	236
Rocky Mountain Health Plans Medicare HMO	611	251
UnitedHealthcare Medicare HMO	686	213

The 2018 Medicare Part A premium is \$422 per month.

In determining the additional liability for PERACare enrollees in the PERA Benefit Structure who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following chart details the initial expected value of Medicare Part A benefits, age adjusted to age 65 for the year following the valuation date:

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

**NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN** (Continued)

Medicare Plan	Cost for Members Without Medicare Part A
Self-Funded Medicare Supplement Plans	\$289
Kaiser Permanente Medicare Advantage HMO	300
Rocky Mountain Health Plans Medicare HMO	270
UnitedHealthcare Medicare HMO	400

All costs are subject to the health care cost trend rates, as discussed below.

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.

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
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.25%
2023	5.00%	4.50%
2024	5.00%	4.75%
2025+	5.00%	5.00%

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

**NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)**

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% factor applied to male rates and a 55% factor applied to female rates.

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% factor applied to rates for ages less than 80, a 108% 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% factor applied to rates for ages less than 80, a 109% 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% factor applied to rates for ages less than 80, a 113% 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% factor applied to rates for ages less than 80, a 106% factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

The following health care costs assumptions were updated and used in the measurement of the obligations for the HCTF:

- 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 2018 plan year.

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

**NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN** (Continued)

- 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 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 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
U.S. Equity - Large Cap	21.20%	4.30%
U.S. Equity - Small Cap	7.42%	4.80%
Non U.S. Equity - Developed	18.55%	5.20%
Non U.S. Equity - Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income - Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	<u>100.00%</u>	

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%.

**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

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

**NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN** (Continued)

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 Rate	1% Increase in Trend Rates
PERACare Medicare Trend Rate	4.00%	5.00%	6.00%
Initial Medicare Part A Trend Rate	2.25%	3.25%	4.25%
Ultimate Medicare Part A Trend Rate	4.00%	5.00%	6.00%
Net OPEB Liability	\$ 887,997	\$ 913,214	\$ 942,219

*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, 2018, 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.
- Employer contributions and the amount of total service costs for future plan members were based upon a process 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% 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%.

**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%, as well as what the

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

**NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)**

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%) or 1-percentage-point higher (8.25%) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Proportionate Share of Net OPEB Liability	\$ 1,021,807	\$ 913,214	\$ 820,377

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

**NOTE 8: COMMITMENTS AND CONTINGENCIES**

**Claims and Judgments**

The Academy participates in a number of federal and state programs that are fully or partially funded by 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, 2019, 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 an amendment to the State Constitution, Article X, Section 20 (the “Tabor Amendment”), which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government.

Fiscal year 2012 provided 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 Tabor Amendment is complex and subject to judicial interpretation. The Academy believes it has complied with the Amendment.

The Academy has established an emergency reserve, representing 3% of qualifying expenditures, as required by the Amendment. At June 30, 2019, the emergency reserve of \$373,332 was reported as a restriction of net position and fund balance in the Governmental Activities and General Fund, respectively.

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2019

**NOTE 9: RESTATEMENT**

During the ending June 30, 2019, the Academy made corrections to the defined benefit pension plan calculations for prior years and therefore has restated beginning balances as of July 1, 2018 for deferred outflows of resources related to pensions, deferred inflows of resources related to pension and net position of \$2,743,411.

Beginning Net Position, as previously reported at July 1, 2018      \$ (20,091,080)

Defined benefit pension plan corrections:

Deferred Outflows of Resources Related to Pensions	(3,750,404)
Deferred Inflows of Resources Related to Pensions	<u>1,006,993</u>

Net Position, July 1, 2018, as Restated      **\$ (22,834,491)**

**REQUIRED SUPPLEMENTARY INFORMATION**

PROSPECT RIDGE ACADEMY

GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2019

(With Comparative Actual Totals for the Year Ended June 30, 2018)

	2019			VARIANCE Positive (Negative)	2018 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
<b>REVENUES</b>					
Local Sources					
Per Pupil Revenue	\$ 11,009,662	\$ 11,009,662	\$ 10,895,164	\$ (114,498)	\$ 10,013,881
Tuition and Fees	543,615	573,615	610,793	37,178	656,980
Grants	141,117	168,005	213,439	45,434	132,316
Mill Levy Override	-	862,791	862,791	-	-
Fundraising	291,500	291,500	391,475	99,975	367,168
Investment Income	-	-	1,504	-	2,449
Other	91,888	35,000	131,497	96,497	46,079
Total Local Sources	<u>12,077,782</u>	<u>12,940,573</u>	<u>13,106,663</u>	<u>164,586</u>	<u>11,218,873</u>
State Sources					
Capital Construction	366,622	366,622	411,380	44,758	352,143
PERA-On Behalf Contribution	-	-	148,495	148,495	-
Total Local Sources	<u>366,622</u>	<u>366,622</u>	<u>559,875</u>	<u>193,253</u>	<u>352,143</u>
<b>TOTAL REVENUES</b>	<u>12,444,404</u>	<u>13,307,195</u>	<u>13,666,538</u>	<u>357,839</u>	<u>11,571,016</u>
<b>EXPENDITURES</b>					
Instruction					
Salaries and Benefits	6,061,706	6,061,706	5,783,730	277,976	5,347,836
Purchased Services	44,800	54,004	133,361	(79,357)	93,240
Supplies and Materials	463,083	463,083	505,511	(42,428)	468,696
Property	165,779	165,779	68,549	97,230	45,822
Other	-	-	5,862	(5,862)	3,191
Total Instruction	<u>6,735,368</u>	<u>6,744,572</u>	<u>6,497,013</u>	<u>253,421</u>	<u>5,958,785</u>
Supporting Services					
School Administration					
Salaries and Benefits	1,903,052	1,903,052	2,396,655	(493,603)	2,079,842
Purchased Services	3,322,377	3,322,377	3,384,427	(62,050)	966,937
Supplies and Materials	281,877	281,877	308,582	(26,705)	274,372
Property	40,000	3,016,321	2,686,429	329,892	4,364
Other	25,204	16,000	21,280	(5,280)	2,037,379
Total Supporting Services	<u>5,572,510</u>	<u>8,539,627</u>	<u>8,797,373</u>	<u>(257,746)</u>	<u>5,362,894</u>
<b>TOTAL EXPENDITURES</b>	<u>12,307,878</u>	<u>15,284,199</u>	<u>15,294,386</u>	<u>(4,325)</u>	<u>11,321,679</u>
<b>NET CHANGE IN FUND BALANCE</b>	136,526	(1,977,004)	(1,627,848)	349,156	249,337
FUND BALANCE, Beginning	<u>4,325,208</u>	<u>4,325,208</u>	<u>4,330,861</u>	<u>5,653</u>	<u>4,081,524</u>
FUND BALANCE, Ending	<u>\$ 4,461,734</u>	<u>\$ 2,348,204</u>	<u>\$ 2,703,013</u>	<u>\$ 354,809</u>	<u>\$ 4,330,861</u>

See the accompanying Independent Auditor's Report.

PROSPECT RIDGE ACADEMY

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
 PERA School Division Trust Fund Pension Plan  
 Last Ten Years\*

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Proportion of the Net Pension Liability (Asset)	0.10326%	0.11206%	0.09952%	0.08682%	0.07944%	0.04731%
Proportionate Share of the Net Pension Liability (Asset)	\$ 18,284,802	\$ 36,237,262	\$ 29,630,061	\$ 13,277,946	\$ 10,766,501	\$ 6,034,596
Covered Employee Payroll	\$ 5,863,272	\$ 5,169,342	\$ 4,466,490	\$ 3,753,503	\$ 2,890,172	\$ 2,369,201
Proportionate Share of Net Pension Liability as a Percentage of its Covered Employee Payroll	311.85%	701.00%	663.39%	353.75%	372.52%	254.71%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	57.01%	43.96%	43.13%	59.16%	62.84%	64.07%
Calculation of Collective Net Pension Liability (\$ in thousands)						
Total Pension Liability	\$ 41,184,604	\$ 57,699,176	\$ 52,354,913	\$ 37,447,062	\$ 36,473,966	\$ 35,494,976
Plan Fiduciary Net Position	23,477,550	25,362,730	22,581,046	22,152,768	22,920,607	22,740,003
Net Pension Liability	<u>\$ 17,707,054</u>	<u>\$ 32,336,446</u>	<u>\$ 29,773,867</u>	<u>\$ 15,294,294</u>	<u>\$ 13,553,359</u>	<u>\$ 12,754,973</u>

\* - The amounts presented for each fiscal year were determined as of 12/31.

NOTE: Information for the prior four years was not available to report.

See the accompanying Independent Auditor's Report.

PROSPECT RIDGE ACADEMY

SCHEDULE OF ACADEMY CONTRIBUTIONS  
 PERA School Division Trust Fund Pension Plan  
 Last Ten Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 1,121,644	\$ 963,049	\$ 809,777	\$ 733,517	\$ 581,438	\$ 391,905	\$ 334,674
Contributions in Relation to the Contractually Required Contribution	<u>1,121,644</u>	<u>963,049</u>	<u>809,777</u>	<u>733,517</u>	<u>581,438</u>	<u>391,905</u>	<u>334,674</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 5,863,272	\$ 5,169,342	\$ 4,405,750	\$ 4,137,152	\$ 3,444,538	\$ 2,452,469	\$ 2,219,324
Contributions as a Percentage of Covered Employee Payroll	19.13%	18.63%	18.38%	17.73%	16.88%	15.98%	15.08%

NOTE: Information for the prior five years was not available to report.

See the accompanying Independent Auditor's Report.

PROSPECT RIDGE ACADEMY

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
 PERA Health Care Trust Fund Plan  
 Last Ten Years\*

	<u>2018</u>	<u>2017</u>	<u>2016</u>
Proportion of the Net Pension Liability (Asset)	0.06712%	0.06367%	0.05657%
Proportionate Share of the Net Pension Liability (Asset)	\$ 913,214	\$ 827,506	\$ 733,406
Covered Employee Payroll	\$ 5,863,272	\$ 5,169,342	\$ 4,466,500
Proportionate Share of Net Pension Liability as a Percentage of its Covered Employee Payroll	15.58%	16.01%	16.42%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	17.03%	17.53%	16.72%
Calculation of Collective Net Pension Liability (\$ in thousands)			
Total Pension Liability	\$ 1,639,734	\$ 1,575,822	\$ 1,556,762
Plan Fiduciary Net Position	279,192	276,222	260,228
Net Pension Liability	<u>\$ 1,360,542</u>	<u>\$ 1,299,600</u>	<u>\$ 1,296,534</u>

\* - The amounts presented for each fiscal year were determined as of 12/31.

NOTE: Information for the prior seven years was not available to report.

See the accompanying Independent Auditor's Report.

PROSPECT RIDGE ACADEMY

SCHEDULE OF ACADEMY OPEB CONTRIBUTIONS

PERA Health Care Trust Fund Plan  
Last Ten Fiscal Years

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required Contribution	\$ 59,805	\$ 52,727	\$ 45,558
Contributions in Relation to the Contractually Required Contribution	<u>59,805</u>	<u>52,727</u>	<u>45,558</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 5,863,272	\$ 5,169,342	\$ 4,466,500
Contributions as a Percentage of Covered Employee Payroll	1.02%	1.02%	1.02%

NOTE: Information for the prior seven years was not available to report.

See the accompanying Independent Auditor's Report.

PROSPECT RIDGE ACADEMY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2019

**NOTE 1: BUDGETARY INFORMATION**

**Budgets and Budgetary Accounting**

A budget is legally adopted for the General Fund of the Academy on a basis consistent with generally accepted accounting principles (GAAP).

The Academy follows these procedures in establishing the budgetary data reflected in the financial statements:

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

**Legal Compliance**

For the year ended June 30, 2019, the Academy's Capital Improvements Fund budgeted expenditures in excess of revenues and funds available. This may be a violation of State statute.

## **SUPPLEMENTARY INFORMATION**

PROSPECT RIDGE ACADEMY

CAPITAL IMPROVEMENTS FUND  
BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2019

(With Comparative Actual Totals for the Year Ended June 30, 2018)

	2019		VARIANCE Positive (Negative)	2018 ACTUAL
	ORIGINAL AND FINAL BUDGET	ACTUAL		
REVENUES				
Local Sources				
Investment Income	\$ 129	\$ 105	\$ (24)	\$ 2,181
TOTAL REVENUES	129	105	(24)	2,181
Supporting Services				
School Administration				
Purchased Services	-	-	-	786,871
Property	542,715	367,511	175,204	3,521,338
Total Supporting Services	542,715	367,511	175,204	4,308,209
TOTAL EXPENDITURES	542,715	367,511	175,204	4,308,209
NET CHANGE IN FUND BALANCE	(542,586)	(367,406)	175,180	(4,306,028)
FUND BALANCE, Beginning	-	367,406	367,406	4,673,434
FUND BALANCE (DEFICIT), Ending	\$ (542,586)	\$ -	\$ 542,586	\$ 367,406

See the accompanying Independent Auditor's Report.