

FRONTIER ACADEMY
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019

**FRONTIER ACADEMY
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YEAR ENDED JUNE 30, 2019**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Frontier Academy
Greeley, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Frontier Academy, a component unit of Weld County School District 6, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Frontier Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and aggregate remaining fund information of Frontier 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 and analysis on pages 3-7, the budgetary comparison information and the pension and other post-employment benefit schedules on pages 44-49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Frontier Academy's basic financial statements. The budgetary comparison information for the Frontier Academy Foundation is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



CliftonLarsonAllen LLP

Broomfield, Colorado
October 14, 2019

FRONTIER ACADEMY
An Authorized Charter School of Weld County School District 6
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

This section of the financial report is a required component of the annual audit for governmental organizations and is intended to help explain the financial activity for the fiscal year ended June 30, 2019 through a brief narrative overview and analysis of financial statements. All interested persons are encouraged to read this report and to review the financial statements in conjunction with the descriptions of activity as highlighted below.

Financial Highlights

- The liabilities and deferred inflows of resources of Frontier Academy (the School) exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$23,859,981 (net position). This is largely due to the net pension related items related to the School's participation in a defined benefit pension plan. See Note 9 for further explanation.
- Total unrestricted cash and investments were \$4,310,063 at June 30, 2019, as compared to \$4,031,967 at June 30, 2018.

The School did not exceed its final operating budget for the General Fund, realizing over 99% of budgeted revenues while spending 99% of budgeted expenditures.

Overview of Financial Statements

This report generally follows the guidelines as set forth by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This rule was intended to help make reports easier to understand for oversight bodies, in particular the Weld County School District 6 Board of Education and the general public. The report consists of four parts: Management's Discussion and Analysis (this section), the Basic Financial Statements, Required Supplementary Information, and Supplementary Information. The Basic Financial Statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements which provide additional and more detailed information. Included as Required Supplementary Information is budget-to-actual information related to the School's General Fund and the Frontier Academy Facilities Corporation, a blended component unit, and pension and other postemployment benefits (OPEB) schedules as required under GASB Statement No. 68 and 75.

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

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

FRONTIER ACADEMY
An Authorized Charter School of Weld County School District 6
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

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

The government-wide financial statements include not only the School itself (known as the *primary government*), but also its component units, entities for which the School is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the School's operations. The Frontier Academy Facilities Corporation (the Facility Corporation) and the Frontier Academy Foundation (the Foundation) meet the requirements for blending. Therefore, these component units have been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 8-9 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The School reports four funds, the general fund and two special revenue funds (the Facility Corporation and the Foundation Fund), all governmental funds and one fiduciary fund for student activities.

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

The School has one fiduciary fund used to account for resources held for the benefit of parties outside of the School. Fiduciary funds are not reflected in the government-wide financial statements because these sources of funds are not available to support the School's direct educational programs. The accounting method used for fiduciary funds is much like that used for the government-wide financial statements.

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

The School adopts an annual appropriated budget for its general fund, its Facility Corporation fund, and its Frontier Academy Foundation fund. A budgetary comparison schedule has been provided for these funds.

The basic governmental fund financial statements can be found on pages 10-14 of this report.

FRONTIER ACADEMY
An Authorized Charter School of Weld County School District 6
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

Notes to Financial Statements. The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 15 of this report.

Government-Wide Financial Analysis

As previously noted, net position may serve over time as a useful indicator of a government's financial position.

	June 30,	
	2019	2018
Assets:		
Current Assets	\$ 5,872,626	\$ 5,903,710
Capital Assets	19,781,497	19,164,662
Total Assets	25,654,123	25,068,372
Deferred Outflows of Resources		
Deferred Charges on Bond Refunding	634,360	687,235
Pension Plan	6,176,025	11,773,384
OPEB	97,049	53,413
Total Assets and Deferred Outflows of Resources	32,561,557	37,582,404
Liabilities:		
Current Liabilities	1,518,824	1,204,270
Noncurrent Liabilities	21,463,372	21,939,387
OPEB Liability	944,405	863,767
Net Pension Liability	18,909,306	37,825,165
Total Liabilities	42,835,907	61,832,589
Deferred Inflows of Resources		
Pension Plan	13,584,193	1,546,718
OPEB	1,438	14,451
Total Assets and Deferred Outflows of Resources	56,421,538	63,393,758
Net Position:		
Net Investment in Capital Assets	(263,880)	(986,856)
Restricted	1,797,955	1,268,398
Unrestricted	(25,394,056)	(26,092,896)
Total Net Position	\$ (23,859,981)	\$ (25,811,354)

Current assets decreased as current assets received in the prior year were used for capital expenditures. Capital assets increased due to construction in progress funded with the proceeds from the Series 2016 Charter School Revenue Refunding Bonds. The net pension liability and associated deferred outflows of resources and inflows of resources fluctuates based on the financial position of the Public Employee's Retirement Association of Colorado (PERA). The School is required to report its proportionate share of PERA's unfunded pension liability. The School's overall net position increased by \$1,951,373 during the 2019 fiscal year.

FRONTIER ACADEMY
An Authorized Charter School of Weld County School District 6
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

	Year Ended June 30,	
	2019	2018
Program Revenues:		
Charges for Services	\$ 357,849	\$ 384,999
Operating Grants	2,327,176	1,708,055
Capital Grants	483,453	387,473
General Revenues:		
Per Pupil Funding	11,702,464	11,069,733
Interest Income	73,836	45,612
Other Revenue	278,492	241,232
Total Revenues	15,223,270	13,837,104
Expenses:		
Instruction	6,744,609	14,865,552
Support Services	5,721,003	7,352,069
Interest on Long-Term Debt	806,285	815,963
Total Expenses	13,271,897	23,033,584
Change in Net Position	1,951,373	(9,196,480)
Net Position - Beginning as Restated*	(25,811,354)	(16,614,874)
Net Position - End of Year	\$ (23,859,981)	\$ (25,811,354)

* Only the 2018 beginning balance represents restated amounts

The increase in operating grants relates to the School's recognition of its proportionate share of the on-behalf payment made to PERA by the State of Colorado. See Note 9 for additional information relating to the on-behalf payment. Instructional expenses decreased based on the change in the actuarially calculated net pension liability from fiscal year 2018 to 2019. See Note 9 for additional information relating to the changes in assumptions and change in discount rate used in the calculation of the net pension liability. Support service expenses decreased in fiscal year 2019, due to significant expenses for repair and reconstruction of part of a road adjacent to a school building included in fiscal year 2018 expenses.

General Fund

The general fund is used to capture all operating activities of the School. As of the end of the current fiscal year, the School's general fund reported an ending fund balance of \$3,485,606, an increase of \$30,556. Of this balance, approximately 14.6% is *restricted* to indicate that it is not available for spending primarily because it is required to be maintained to comply with the TABOR amendment, restrictions on mill levy revenue, and restrictions relating to a contribution received for school security improvements. An additional 3.1% is *non-spendable* as it represents amounts, which have already been spent to benefit future periods.

General Fund Budgetary Highlights

The 2019 final fiscal year budget was adopted in June 2019. Actual revenue were 99% of budgeted revenue. Expenditures were less than the final budgeted appropriations.

FRONTIER ACADEMY
An Authorized Charter School of Weld County School District 6
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2019

Capital Asset and Debt Administration

Capital Assets. The School's capital assets as of June 30, 2019, amount to \$19,781,497. The capital assets include land, construction in progress, buildings and building improvements, furniture and equipment. The total net increase in School capital assets was \$616,835 as a result of building improvements. Additional information on the School's capital assets can be found in Note 4 of this report.

Long-Term Debt. On July 1, 2016, the Colorado Educational and Cultural Facilities Authority (the Authority) refunded the Charter School Revenue bonds dated October 4, 2006. The loan agreement between the Authority and the Facilities Corporation was amended to equal the refunded Charter School Revenue Bonds. The Facility Corporation carries total bonded debt outstanding of \$20,740,000 as of June 30, 2019. Additional information on long-term debt can be found in Note 5 of this report.

Economic Factors and Next Year's Budgets

State funding is expected to increase for the 2020 school year and include additional funding for full day kindergarten programming. The school is anticipating stable enrollment, increased salary and benefit costs, and expects increased materials and utility costs. The initial operating budget projects a spending down of fund balance due to costs being paid out in fiscal year 2020 from revenue that was received in fiscal year 2019. The costs include roof repair using insurance proceeds, grants and contributions received in advance, and spending of funds restricted for mill levy override purposes.

Requests for Information

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

**FRONTIER ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2019**

	Governmental Activities
ASSETS	
Cash	\$ 4,310,063
Restricted Cash and Investments	1,407,074
Prepaid Items	101,385
Inventory	7,027
Accounts Receivable	47,077
Capital Assets, Not Depreciated	1,521,973
Capital Assets, Depreciated, Net of Accumulated Depreciation	18,259,524
Total Assets	25,654,123
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Charges on Bond Refunding	634,360
Pension	6,176,025
OPEB	97,049
Total Deferred Outflows Of Resources	6,907,434
LIABILITIES	
Accounts Payable and Accrued Expenses	398,354
Accrued Salaries and Benefits	561,265
Accrued Interest	67,413
Noncurrent Liabilities:	
Due Within One Year	491,792
Due in More Than One Year	21,463,372
Net OPEB Liability	944,405
Net Pension Liability	18,909,306
Total Liabilities	42,835,907
DEFERRED INFLOWS OF RESOURCES	
Pension	13,584,193
OPEB	1,438
Total Deferred Inflows Of Resources	13,585,631
NET POSITION	
Net Investment in Capital Assets	(263,880)
Restricted for:	
Emergencies	445,793
Educational Purposes - Mill Levy	12,501
Debt Service	1,339,661
Unrestricted	(25,394,056)
Total Net Position	\$ (23,859,981)

See accompanying Notes to Basic Financial Statements.

**FRONTIER ACADEMY
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2019**

	General	Facility Corporation	(Nonmajor) Foundation Fund	Total
ASSETS				
Cash	\$ 4,290,350	\$ -	\$ 19,713	\$ 4,310,063
Restricted Cash and Investments	-	1,407,074	-	1,407,074
Prepaid Items	101,385	-	-	101,385
Inventory	7,027	-	-	7,027
Accounts Receivable	46,463	-	614	47,077
	<u>46,463</u>	<u>-</u>	<u>614</u>	<u>47,077</u>
Total Assets	<u>\$ 4,445,225</u>	<u>\$ 1,407,074</u>	<u>\$ 20,327</u>	<u>\$ 5,872,626</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable and Accrued Expenses	\$ 398,354	\$ -	\$ -	\$ 398,354
Accrued Salaries and Benefits	561,265	-	-	561,265
Total Liabilities	<u>959,619</u>	<u>-</u>	<u>-</u>	<u>959,619</u>
FUND BALANCES				
Nonspendable	108,412	-	-	108,412
Restricted				
Emergencies	445,793	-	-	445,793
Educational Purposes - Mill Levy	12,501	-	-	12,501
School Security	51,423	-	-	51,423
Debt Service	-	1,407,074	-	1,407,074
Assigned	439,105	-	20,327	459,432
Unassigned	2,428,372	-	-	2,428,372
Total Fund Balances	<u>3,485,606</u>	<u>1,407,074</u>	<u>20,327</u>	<u>4,913,007</u>
Total Liabilities and Fund Balances	<u>\$ 4,445,225</u>	<u>\$ 1,407,074</u>	<u>\$ 20,327</u>	<u>\$ 5,872,626</u>

See accompanying Notes to Basic Financial Statements.

**FRONTIER ACADEMY
RECONCILIATION OF THE BALANCE SHEET –
GOVERNMENTAL FUNDS 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 Balance - Governmental Funds		\$ 4,913,007
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$27,018,651 and accumulated depreciation is \$7,237,154		19,781,497
Deferred loss on refunding, net of accumulated amortization		634,360
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds Payable	(20,740,000)	
Bond Premium, Net of Accumulated Amortization	(1,199,387)	
Accrued Interest on Bonds Payable	(67,413)	
Compensated absences, excluding \$36,358 reported in the governmental fund statements	(15,777)	
OPEB Liability	(944,405)	
Net Pension Liability	<u>(18,909,306)</u>	(41,876,288)
Deferred outflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Pension Plan	6,176,025	
OPEB	<u>97,049</u>	6,273,074
Deferred inflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Pension Plan	(13,584,193)	
OPEB	<u>(1,438)</u>	<u>(13,585,631)</u>
Total Net Position		<u>\$ (23,859,981)</u>

See accompanying Notes to Basic Financial Statements.

FRONTIER ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2019

	General Fund	Facility Corporation	(Nonmajor) Foundation Fund	Total
REVENUES				
Per Pupil Funding	\$ 11,702,464	\$ -	\$ -	\$ 11,702,464
Local Sources	2,277,877	-	47,970	2,325,847
Rental Income	-	1,258,336	-	1,258,336
State and Federal Sources	869,214	-	-	869,214
Other Income	64,331	-	-	64,331
Interest Income	34,900	38,936	-	73,836
Total Revenues	<u>14,948,786</u>	<u>1,297,272</u>	<u>47,970</u>	<u>16,294,028</u>
EXPENDITURES				
Current:				
Instruction	8,126,151	-	-	8,126,151
Support Services	5,932,286	29,631	56,900	6,018,817
Capital Outlay	1,191,490	385,867	-	1,577,357
Debt Service:				
Principal	-	405,000	-	405,000
Interest	-	832,338	-	832,338
Total Expenditures	<u>15,249,927</u>	<u>1,652,836</u>	<u>56,900</u>	<u>16,959,663</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(301,141)	(355,564)	(8,930)	(665,635)
OTHER FINANCING SOURCES (USES)				
Insurance Proceeds	327,861	-	-	327,861
Transfers In	3,836	-	-	3,836
Transfers Out	-	(3,836)	-	(3,836)
Total Other Financing Sources (Uses)	<u>331,697</u>	<u>(3,836)</u>	<u>-</u>	<u>327,861</u>
NET CHANGE IN FUND BALANCE	30,556	(359,400)	(8,930)	(337,774)
Fund Balance - Beginning of Year	<u>3,455,050</u>	<u>1,766,474</u>	<u>29,257</u>	<u>5,250,781</u>
FUND BALANCE - END OF YEAR	<u>\$ 3,485,606</u>	<u>\$ 1,407,074</u>	<u>\$ 20,327</u>	<u>\$ 4,913,007</u>

See accompanying Notes to Basic Financial Statements.

**FRONTIER ACADEMY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES –
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 Balance - Governmental Funds	\$ (337,774)
<p>Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and are allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.</p>	
Capital Outlay	1,577,357
Depreciation Expense	(960,522)
<p>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</p>	
Amortization of Bond Premiums	77,930
Amortization of Deferred Loss on Refunding	(52,875)
Compensated absences	(15,777)
<p>Repayment of long-term debt is an expenditure in the governmental funds, but it reduces long-term liabilities in the statement of net position and does not affect the statement of activities</p>	
	405,000
<p>Interest is paid when due in the governmental funds but recorded when payable in the statement of activities</p>	
	998
<p>Some items reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. The (increases) decreases in these activities consist of:</p>	
OPEB Expense	(23,989)
Pension Expense	1,281,025
	1,281,025
Change in Net Position	\$ 1,951,373

See accompanying Notes to Basic Financial Statements.

**FRONTIER ACADEMY
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2019**

	<u>Student Activity</u>
Assets	
Cash and Investments	<u>\$ 150,179</u>
Total Assets	<u><u>\$ 150,179</u></u>
Liabilities	
Accounts Payable	\$ 47,295
Due to Student Groups	<u>102,884</u>
Total Liabilities	<u><u>\$ 150,179</u></u>

See accompanying Notes to Basic Financial Statements.

FRONTIER ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Frontier Academy (the School) conform to accounting principles generally accepted in the United States of America as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and reporting principles. The following is a summary of the Schools' significant accounting policies:

Reporting Entity

GASB has specified the criteria to be used in defining a governmental entity for financial reporting purposes:

The basic, but not the only, criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's reporting entity for general purpose financial reports is the exercise of financial accountability over such agencies by the governmental unit's elected officials. Financial accountability is derived from the governmental unit's power and includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. Financial accountability implies that a governmental unit is dependent on another and the dependent unit should be reported as part of the other.

The School is a charter school organized under the Colorado Charter Schools Act (Colorado Revised Statutes §22-30.5-101). This Act permits school districts to contract with individuals and organizations for the operation of schools within Weld County School District 6 (the District). The statutes define these contracted schools as "charter schools." Charter schools are financed from a portion of the school district's School Finance Act revenues and from revenues generated by the charter school within limits established by the Charter School Act. Charter schools have separate governing boards; however, the school district's board of education must approve all charter school applications and budgets.

The school operates under a charter granted by the District Board of Education. The School is funded based on the level of per pupil operating revenue (PPR) as defined by the State of Colorado Legislature and the number of full-time equivalent (FTE) students. As of the designated count day (October 1, 2018), there were 1,468 FTE students. The PPR rate for the fiscal year ended June 30, 2019, was approximately \$7,977.

The accompanying financial statements present the School and its component units, entities for which the School is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the School's operations. The Frontier Academy Facilities Corporation (the Facility Corporation) and the Frontier Academy Foundation (the Foundation) meet the requirements for blending. The Facility Corporation was established for the purpose of holding title to the School facilities and to accumulate resources from the collection of rents from the School to make payments for the Facility Corporation's capital and debt service costs. The Facility Corporation is included in the School's financial statements as a special revenue fund. The Facility Corporation does not issue separate financial statements. The Foundation was formed in 2001 for the purpose of receiving, maintaining, and administering funds received as gifts for the benefit of the School. The Foundation does not have separate financial statements.

**FRONTIER ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

The School is a component unit of the District and is included in the District's Comprehensive Annual Financial Report.

Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its component units. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The statement of activities demonstrates the degree to which the direct expenses of a 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 individuals 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. Other items not included among program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Revenue from per pupil operating revenue is recognized in the fiscal year for which the funding is provided. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Revenues from donations are recognized when the funds are pledged to the School.

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. Measurable means that the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Charges for services are considered revenue once the service is rendered, and as such are considered susceptible to accrual.

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

**FRONTIER ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The accounts of the School are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The major funds presented in the accompanying basic financial statements are as follows:

Major Government Funds

General Fund: The General Fund is the School's primary operating fund. It accounts for all financial resources of the School, except those required legally or by sound financial management to be accounted for in another fund.

Special Revenue – Facility Corporation: Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The School reports a special revenue fund for the Facilities Corporation.

The School reports the following non-major funds:

Non-major Government Funds

Special Revenue – Frontier Academy Foundation Fund: Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The School reports a special revenue fund for the Foundation.

Fiduciary Fund

Agency Fund – Student Activity Fund: Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School has one agency fund, the student activity fund, which holds assets used by students for specific school activities.

Inter-fund Transfers

Transfers between the General Fund, Facilities Corporation, and Foundation are made for discretionary spending.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. The estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from these estimates.

FRONTIER ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Investments

Cash and investments may include cash on hand, demand deposits, certificates of deposit, savings accounts, money markets, and pooled investment funds. The School's investments are all in money market funds, which are measured at amortized cost.

Prepaid Items

The School reports prepaid items under the consumption method relating to expenditures for insurance services that extend across fiscal years.

Inventory

The School holds inventory in gift cards that are purchased at a discount and sold at a profit for fundraising purposes. The gross revenue is shown as other revenue and the cost of sales is shown in supporting services expenditures under the consumption method. Inventory amounts are shown at cost using the specific identification method.

Capital Assets

Capital assets purchased by the Facility Corporation, which include land, construction in progress, buildings and building improvements, and furniture and equipment are reported in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at acquisition 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. An annual capital asset inventory is performed in accordance with state law (Colorado Revised Statute §29-1-506).

All reported capital assets, except for land, are depreciated once placed in service. Depreciation on all assets is provided using the straight-line method over estimated useful lives of 3 to 39 years.

Deferred Outflows of Resources

The School's governmental activities report a separate section for deferred outflows of resources. This separate financial statement element reflects a decrease in net position that applies to a future period. The School reports deferred outflows of resources relating to its proportionate share of the net pension liability and net OPEB liability. See Note 9 and 10 for additional information. The School also reports a deferred outflow of resource relating to deferred charges on bond refunding, which results from the difference between the reacquisition price and the net carrying amount of the refunded debt.

**FRONTIER ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accrued Salaries and Benefits

Salaries of teachers and certain other employees are paid over a 12-month period ending July 31. However, most salaries are earned over the traditional school year of August through May. The difference between salary and related benefit amounts earned from July 1 through June 30 and the corresponding amounts paid during this period is shown as a liability for accrued salaries and benefits in the amount of \$524,907.

In addition, the School's policy allows employees to accumulate paid time off. A portion of this leave may be carried forward to the succeeding year or employees can elect to have the school buy out the unused paid time off in July at a rate of \$105 per day. At June 30, 2019, the current amount due and payable for accrued paid time off was \$36,358, included in accrued salaries and benefits.

Long-Term Debt

Long-term debt is reported as liabilities in the statement of net position. Deferred charges related to the bonds payable are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

Net Pension Liability

The School's governmental activities report a net pension liability as of June 30, 2019. The School is required to report their proportionate share of PERA's unfunded pension liability. See Note 9 for additional information.

On-Behalf Payments

The GAAP requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of Colorado makes direct on-behalf payments for retirement benefits to Colorado PERA. Beginning on July 1, 2018, the State of Colorado is required to make a payment to PERA each year equal to \$225 million. PERA allocates the contribution to the trust funds of the State, School, Denver Public Schools, and Judicial Division Trust Funds of PERA, as proportionate to the annual payroll of each division. This annual payment is required on July 1st of each year thereafter until there are no unfunded actuarial accrued liabilities of any division of PERA that receives the direct distribution. The amount of on-behalf payments made for the School by the State of Colorado has been recorded in the fund financial statements.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Health Care Trust Fund (HCTF) administered by the Public Employees' Retirement Association of Colorado (PERA) and additions to/deductions from the HCTF's fiduciary net position have been determined on the same basis as they are reported by the HCTF. For this purpose, the HCTF recognizes benefit payments when due and payable in accordance with benefit terms. Investments are reported at fair value.

FRONTIER ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows of Resources

The School's governmental activities report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period. The School reports deferred flows of resources relating to its proportionate share of the net pension liability and net OPEB liability. See Note 9 and 10 for additional information.

Net Position/Fund Balance

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 consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvements of those assets.

In the fund financial statements, fund equity of the School's governmental funds are classified as non-spendable, restricted, committed, assigned, or unassigned.

Non-spendable fund balances indicate amounts that cannot be spent either due to a) form; for example, inventories and prepaid amounts or b) legal or contractual requirements to be maintained intact. The School has \$108,412 of non-spendable resources as of June 30, 2019.

Restricted fund balances in the School's general fund indicate amounts constrained for specific purpose by external parties, constitutional provision, or enabling legislation. Restrictions on the School's General fund balance and Facilities Corporation fund are described in Note 8.

Committed fund balances indicate amounts constrained for a specific purpose by a government using its highest level of decision-making authority. It would require an ordinance by the School's board to remove or change the constraints placed on the resources. This action must occur prior to year-end; however, the amount can be determined in the subsequent period.

Assigned fund balances indicate amounts for governmental funds, other than the general fund, any remaining positive amounts not classified in the above categories. For the general fund, amounts constrained for the intent to be used for a specific purpose has been delegated to the Business Manager. The School has \$20,327 of assigned balance in the Foundation fund to be used in operations of the fund and future contributions to the School and \$439,105 in the General Fund for the budgeted excess of expenditures over budgeted revenues for fiscal year 2020.

Unassigned fund balances indicate amounts in the general fund that are not classified as non-spendable, restricted, committed, or assigned. The general fund is the only fund that would report a positive amount in unassigned fund balance.

The School will typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned fund balance.

FRONTIER ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 2 CASH AND INVESTMENTS

Colorado statutes govern the School's deposits of cash and investments. The Colorado Public Deposit Protection Act (PDPA) requires that all units of a local government deposit cash in eligible public depositories; eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2019, the School's carrying amount of deposits was \$4,460,242 including the fiduciary fund cash of \$150,179.

The terms of the bonds require the Facility Corporation to maintain certain cash and investment reserve accounts. These accounts are held by a trustee. Monthly payments from the School (Note 6) are deposited in the accounts and the semi-annual bond payments are made from the accounts.

At June 30, 2019, \$1,407,074 is held in reserved accounts required by the bond agreements, which is to be used for payment of principal and interest on the bonds. In addition. These accounts with the trustee are invested in money market accounts, which are shown at amortized cost.

Credit Risk – The cash and investment reserve accounts owned by the Facilities Corporation are in the custody of the trustee, these funds are used primarily to make bond principal, interest and capital outlay payments. These funds are invested by the trustee as directed by the Facility Corporation; investments are limited to investments as allowed by the state of Colorado. The statutes define the permissible rating, maturity, custodial and concentration risk criteria in which local governments may invest to include:

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

June 30, 2019, the Facilities Corporation's investments consisted of money market funds, which do not have a credit rating.

Interest Rate Risk – The trustee is required to maintain liquidity of the investment funds held so as to meet cash requirements of the principal and interest requirements of the bonds on a semiannual basis. The money market accounts held in investments have maturities of less than one year.

**FRONTIER ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 3 INTERFUND ACTIVITY

Interfund activity for the year ended June 30, 2019, consisted of the following.

Transfer from the Facility Corporation to the General Fund \$3,836

The transfer from the Facility Corporation to the General Fund was made to reimburse the General Fund for excess amounts transferred to the Facility Corporation in a prior year.

NOTE 4 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019, was as follows:

	Balance June 30, 2018	Increases	Decreases	Balance June 30, 2019
Capital Assets, not Depreciated:				
Land	\$ 1,398,334	\$ -	\$ -	\$ 1,398,334
Construction in Progress	351,361	1,099,104	1,326,826	123,639
Total Capital Assets, Not Depreciated	1,749,695	1,099,104	1,326,826	1,521,973
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	23,059,230	1,507,870	-	24,567,100
Furniture and Equipment	632,369	297,209	-	929,578
Total Capital Assets, Being Depreciated	23,691,599	1,805,079	-	25,496,678
Accumulated Depreciation:				
Buildings and Building Improvements	(5,733,676)	(917,118)	-	(6,650,794)
Furniture and Equipment	(542,956)	(43,404)	-	(586,360)
Total Accumulated Depreciation	(6,276,632)	(960,522)	-	(7,237,154)
Total Capital Assets, Being Depreciated, Net	17,414,967	844,557	-	18,259,524
Total Capital Assets	<u>\$ 19,164,662</u>	<u>\$ 1,943,661</u>	<u>\$ 1,326,826</u>	<u>\$ 19,781,497</u>

Depreciation expense of \$960,522 was charged to instructional activities for the year ended June 30, 2019.

**FRONTIER ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 5 BONDS PAYABLE

Long-term debt activity for the year ended June 30, 2018, was as follows:

	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Current
Bonds Payable - Series 2016	\$ 21,145,000	\$ -	\$ 405,000	\$ 20,740,000	\$ 415,000
Bond Premium	1,277,317	-	77,930	1,199,387	76,792
Compensated Absences	48,150	101,430	97,445	52,135	36,358
Total	<u>\$ 22,470,467</u>	<u>\$ 101,430</u>	<u>\$ 580,375</u>	<u>\$ 21,991,522</u>	<u>\$ 528,150</u>

In July 2016, the Colorado Educational and Cultural Facilities Authority (Authority) issued \$21,850,000 Charter School Revenue Bonds dated July 1, 2016. On July 1, 2016, the Corporation entered into a mortgage and lease agreement with the Weld County School District to use the bond proceeds for: a) current refunding of the Authority's Charter School Revenue Bonds Series 2006 in the original aggregate principal amount of \$17,750,000, and as of July 1, 2016, in the aggregate principal amount of \$12,590,000; b) constructing improvements to the educational facilities originally financed with proceeds of the Series 2006 Bonds; c) funding a bond reserve fund; and d) paying certain costs of issuance of the Bonds. The Bonds are subject to redemption prior to maturity, at the option of the Authority, as a whole or in part in authorized denominations on June 1, 2026, and on any date thereafter, upon direction by the Corporation and upon payment of par plus accrued interest through the date of redemption. The bonds bear annual interest ranging from 3% to 5%. Interest payments are due semi-annually on June 1 and December 1. Principal payments are due annually on June 1, through 2046.

The Authority has issued its Charter School Revenue Bonds as the Frontier Academy Project. The bonds were issued for the Frontier Academy Facilities Corporation's use in acquiring the original land and building that are the school facility and finance certain additional buildings and improvements. The Authority and Facility Corporation have entered into a loan agreement wherein the proceeds of the Authority bonds have been loaned to the Facility Corporation. The bonds are payable solely from the loan rights pledged to the Authority under the loan agreement, pledges of funds and revenue by the trustee to the Authority, and the assignment of the Authority's mortgage on the facility and the security interest in the pledged revenues of the Facility Corporation. The bonds do not constitute a debt of the Authority and are considered the obligation of the Facility Corporation.

The Facility Corporation has granted the Authority a mortgage lien on the real estate and a security interest in the lease revenues from the School. The Authority's rights under the agreement have been assigned to the trustee.

The lease revenues, which are the basis of the pledged revenues, are described in Note 6. The lease revenue over the term of the agreement is equal to the expected principal and interest payments to be made over the life of the bonds, approximately \$34,787,504. One hundred percent of lease revenues have been pledged under the agreement. Lease revenue was approximately equal to the debt service requirements of the bond for the year ended June 30, 2019, approximately \$1,258,553.

**FRONTIER ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 5 BONDS PAYABLE (CONTINUED)

Annual debt service requirements to maturity for the long-term debt transactions are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 415,000	\$ 820,188	\$ 1,235,188
2021	430,000	803,588	1,233,588
2022	450,000	786,388	1,236,388
2023	470,000	768,388	1,238,388
2024	485,000	749,588	1,234,588
2025-2029	2,770,000	3,423,138	6,193,138
2030-2034	3,530,000	2,674,938	6,204,938
2035-2039	4,470,000	1,746,713	6,216,713
2040-2044	5,325,000	919,750	6,244,750
2045-2046	2,395,000	117,488	2,512,488
Total	<u>\$ 20,740,000</u>	<u>\$ 12,810,167</u>	<u>\$ 33,550,167</u>

NOTE 6 LEASES

The School leases its building from the Facilities Corporation. The lease requires monthly payments, which approximate the Facilities Corporation's required payments on the bonds (Note 5) and may be terminated in any year by non-appropriation of funds. The Facilities Corporation has pledged the lease payments to pay bond principal and interest. Rent expense was \$1,258,553 for the year ended June 30, 2019, and is included in support services expenditures in the General Fund.

The School also has an operating lease agreement to share certain facilities, including an auditorium, track and baseball field with University Schools. The lease commenced December 2002 with automatic renewal each year unless terminated through June 2031. The two schools equally share the cost, management, and profits of the shared facilities. Rent expense was \$83,417 for the year ended June 30, 2019 and is included in support services expenditures in the General Fund.

Future payments on the operating lease are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ 83,186
2021	83,419
2022	83,492
2023	83,386
2024	83,411
2025-2029	417,479
2030-2031	243,911

FRONTIER ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 7 RISK MANAGEMENT

The school is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School carries commercial insurance for these and other risks of loss. Settled claims have not exceeded this coverage in the past three years.

NOTE 8 RESTRICTION OF NET POSITION/DESIGNATIONS OF FUND BALANCE

On November 3, 1992, the voters of the State approved an amendment to the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR limits the ability of the state and local governments such as the School to increase revenues, debt, and spending and restricts property, income and other taxes. In addition, the amendment requires government entities to create an emergency "reserve" of 3% of annual spending excluding bonded debt service. In November 1998, voter approval was given to Weld County School District 6 to remove the restriction on growth in revenue. The 3% emergency reserve is still required both at the District and the School level. At June 30, 2019, management believes the School has complied with the requirements to include emergency reserves in its budgetary basis fund balance in the amount of \$445,793.

The School reports \$12,501 restricted fund balance in the General Fund related to remaining mill levy override funding that is restricted for use for approved educational purposes. The School report \$51,423 in remaining funds for a contribution to the School restricted for school security improvements.

The Facilities Corporation is required to hold funds in escrow accounts related to its bond obligations as identified in Note 2, net position/fund balance are restricted attributable to the restrictions on its cash and investments. At June 30, 2019, \$1,407,074 of fund balance is restricted as required by bond covenants for debt service.

NOTE 9 DEFINED BENEFIT PENSION PLAN

The School 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.

FRONTIER ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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.

- 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 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.

General Information about the Pension Plan

Plan Description

Eligible employees of the School 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 are 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.

FRONTIER ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Benefits Provided

PERA provides retirement, disability, and survivor benefits. Retirements are determined by the amount of service credit earned and/or purchases, highest average salary, the benefit structure 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 five years of service credit has been obtained and the benefit structure under which contributions were made.

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 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 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 will receive the lesser of an annual increase of 1.5 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The automatic adjustment provision may raise or lower the aforementioned AI for a given year by up to one-quarter of 1 percent based on the parameters specified 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.

**FRONTIER ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 9 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

Contributions

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

	January 1, 2018 Through December 31, 2018	January 1, 2019 Through June 30, 2019
Employer Contribution Rate ¹	10.15 %	10.15 %
Amount of Employer Contribution Apportioned to the Health Care Trust Fund as Specified in C.R.S. §24-51-208(1)(f) ¹	(1.02)	(1.02)
Amount Apportioned to the SCHDTF ¹	9.13	9.13
Amortization Equalization Disbursement (AED) as Specified in C.R.S. §24-51-411 ¹	4.50	4.50
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. §24-51-411 ¹	5.50	5.50
Total Employer Contribution Rate to the SCHDTF ¹	19.13 %	19.13 %

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 School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF for the School for the year ended June 30, 2019 were \$1,189,849.

**FRONTIER ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 9 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2019, the School reported a liability of \$18,909,306 for its proportionate share of the net pension liability. The net pension liability 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 School's proportion of the net pension liability was based on the School's contributions to the SCHDTF for the calendar year 2018 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2019, the School reported a liability of \$18,909,306 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 School as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with School were as follows:

School's Proportionate Share of the Net Pension Liability	18,909,306
State's Proportionate Share of the Net Pension Liability Associated with the School	2,585,585
Total	<u>21,494,891</u>

At December 31, 2018, the School's proportion was 0.1067896794%, which was a decrease of 0.0101841064 % from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the School recognized pension expense of (\$1,214,703) and revenue of \$13,283 for the support provided by the state as a non-employer contribution entity. At June 30, 2019, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 641,425	\$ -
Changes of Assumptions or Other Inputs	3,529,505	11,759,555
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	1,030,675	-
Changes in Proportion and Differences Between Contributions Recognized and Proportionate Share of Contributions	369,154	1,824,638
Contributions Subsequent to the Measurement Date	605,266	-
Total	<u>\$ 6,176,025</u>	<u>\$ 13,584,193</u>

**FRONTIER ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 9 DEFINED BENEFIT PENSION PLAN (CONTINUED)

\$605,265 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:

<u>Year Ending June 30,</u>	<u>Amount</u>
2020	\$ (1,152,675)
2021	(4,422,336)
2022	(3,002,222)
2023	563,799

Actuarial Assumptions

The December 31, 2017 actuarial valuation used 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 - 9.70%
Long-Term Investment Rate of Return, Net of Pension Plan Investment Expenses, Including Price Inflation	7.25%
Discount rate	4.78%
Future Post Retirement Benefit Increases:	
PERA Benefit Structure Hired Prior to January 1, 2007; and DPS Benefit Structure (Automatic)	2.00% Compounded Annually Annually
PERA Benefit Structure hired after December 31, 2006 (Ad Hoc, Substantively Automatic)	Financed by the Annual Increase Reserve

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

Discount rate	7.25%
Future Post Retirement Benefit Increases:	
PERA Benefit Structure Hired Prior to January 1, 2007; and DPS Benefit Structure (Automatic)	0% through 2019 and 1.5% Compounded Annually, Thereafter
PERA Benefit Structure hired after December 31, 2006 (Ad Hoc, Substantively Automatic)	Financed by the Annual Increase Reserve

FRONTIER ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

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

The actuarial assumptions used in the December 31, 2017 valuation 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 PERA's 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.

**FRONTIER ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 9 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

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

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

FRONTIER ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 9 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 contributions 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 0.5% 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.
- As specified in law, the State of Colorado, as a non-employer contributing entity, will provide an annual direct distribution of \$225,000,000, commencing July 1, 2018, and is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The Annual Increase Reserve (AIR) balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the GASB Statement No. 67 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 rate determination does not use the municipal bond index 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 of 3.43% were used in the discount rate determination resulting in a discount rate of 4.78%.

**FRONTIER ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 9 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the proportionate share of the net pension liability calculated using the discount rate of 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 one percentage-point lower (6.25%) or one percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate Share of the Net Pension Liability	\$ 24,039,948	\$ 18,909,306	\$ 14,603,833

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.

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

General Information about the OPEB Plan

Plan Description

Eligible employees of the School are provided with OPEB through the Health Care Trust Fund (HCTF) - a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan administered by the Public Employees' Retirement Association of Colorado (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. PERA issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided

The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four divisions (State Division, School Division, Local Government Division and Judicial Division Trust Funds), 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.

FRONTIER ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

Eligibility to enroll in PERACare is voluntary and includes, among others, benefit recipients and their eligible dependents, as well as certain surviving spouses, divorced spouses and guardians. 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 to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5% 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% 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 School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from School were \$63,442 for the year ended June 30, 2019.

**FRONTIER ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

At June 30, 2019, the School reported a liability of \$944,405 for its proportionate share of the net OPEB liability. The net OPEB liability 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 School's proportion of the net OPEB liability was based on the School's 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 School's proportion was 0.0694138486%, which was an increase of 0.0029497863% from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the School recognized OPEB expense of \$27,991. At June 30, 2019, the School 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	\$ 3,428	\$ 1,438
Changes of Assumptions or Other Inputs	6,625	-
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	5,431	-
Changes in Proportion and Differences Between Contributions Recognized and Proportionate Share of Contributions	49,293	-
Contributions Subsequent to the Measurement Date	32,272	-
Total	<u>\$ 97,049</u>	<u>\$ 1,438</u>

\$32,272 reported as deferred outflows of resources related to OPEB resulting from School contributions subsequent to the measurement date will be recognized as a reduction in 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:

<u>Year Ended June 30,</u>	<u>Amount</u>
2020	\$ 12,842
2021	12,842
2022	12,844
2023	16,614
2024	7,898
Thereafter	299

**FRONTIER ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Actuarial Assumptions

The total OPEB liability in the December 31, 2017 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 % in the aggregate
Long-Term Investment Rate of Return, Net of OPEB Plan	
Investment Expenses, Including Price Inflation	7.25%
Discount rate	7.25%
Health Care Cost Trend Rates	
Service-based Premium Subsidy	0.00%
PERACare Medicare Plans	5.00%
Medicare Part A Premiums	3.25% 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.

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.

**FRONTIER ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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:

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, 2017, 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.

**FRONTIER ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

<u>Year</u>	<u>PERACare Medicare Plans</u>	<u>Medicare Part A Premiums</u>
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%

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

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

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

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

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

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

FRONTIER ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

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

The following economic and demographic 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.
- 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 of 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 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.

FRONTIER ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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><u>100.00 %</u></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 School's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the School's proportionate share of the net OPEB liability, as well as what the School's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rates</u>	<u>1% Increase in Trend Rates</u>
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%
Proportionate Share of the Net OPEB Liability	\$ 918,326	\$ 944,405	\$ 974,400

FRONTIER ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Discount Rate

The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate 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 used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the HCTF'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 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. There was no change in the discount rate from the prior measurement date.

**FRONTIER ACADEMY
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2019**

NOTE 10 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Sensitivity of the School's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the School's proportionate share of the net OPEB liability, as well as what the School's 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 discount rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate Share of the Net OPEB Liability	\$ 1,056,706	\$ 944,405	\$ 848,397

OPEB Plan Fiduciary Net Position

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

FRONTIER ACADEMY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Per Pupil Funding	\$ 11,500,000	\$ 11,700,000	\$ 11,702,464	\$ 2,464
Local Sources	1,747,000	2,125,533	2,277,877	152,344
State and Federal Sources	731,000	1,183,855	869,214	(314,641)
Other Income	-	-	64,331	64,331
Interest Income	1,200	30,000	34,900	4,900
Total Revenues	<u>13,979,200</u>	<u>15,039,388</u>	<u>14,948,786</u>	<u>(90,602)</u>
EXPENDITURES				
Current				
Instruction	8,103,950	8,145,900	8,126,151	19,749
Support Services	5,437,500	6,351,400	5,932,286	419,114
Capital Outlay	-	922,015	1,191,490	(269,475)
Total Expenditures	<u>13,541,450</u>	<u>15,419,315</u>	<u>15,249,927</u>	<u>169,388</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	437,750	(379,927)	(301,141)	78,786
OTHER FINANCING SOURCES (USES)				
Insurance Proceeds	-	-	327,861	327,861
Transfers Out	-	(25,000)	-	25,000
Transfers In	15,000	-	3,836	(3,836)
Total Other Financing Sources (Uses)	<u>15,000</u>	<u>(25,000)</u>	<u>331,697</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	452,750	(404,927)	30,556	78,786
Fund Balance - Beginning of Year	<u>2,479,200</u>	<u>3,455,050</u>	<u>3,455,050</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u><u>\$ 2,931,950</u></u>	<u><u>\$ 3,050,123</u></u>	<u><u>\$ 3,485,606</u></u>	<u><u>\$ (435,483)</u></u>

See accompanying Notes to the Required Supplementary Information.

FRONTIER ACADEMY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – FRONTIER ACADEMY FACILITIES CORPORATION
YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Interest Income	\$ -	\$ 36,000	\$ 38,936	\$ 2,936
Rental Income	1,265,000	1,262,000	1,258,336	(3,664)
Total Revenues	<u>1,265,000</u>	<u>1,298,000</u>	<u>1,297,272</u>	<u>(728)</u>
EXPENDITURES				
Current:				
Support Services	25,000	37,662	29,631	8,031
Capital Outlay	300,000	386,000	385,867	133
Debt Service:				
Principal	405,000	405,000	405,000	-
Interest	832,338	832,338	832,338	-
Total Expenditures	<u>1,562,338</u>	<u>1,661,000</u>	<u>1,652,836</u>	<u>8,164</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(297,338)	(363,000)	(355,564)	7,436
OTHER FINANCING (USES)				
Transfers Out	(150)	(150)	(3,836)	(3,686)
Total Other Financing (Uses)	<u>(150)</u>	<u>(150)</u>	<u>(3,836)</u>	<u>(3,686)</u>
NET CHANGE IN FUND BALANCE	(297,488)	(363,150)	(359,400)	3,750
Fund Balance - Beginning of Year	<u>-</u>	<u>1,766,474</u>	<u>1,766,474</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ (297,488)</u>	<u>\$ 1,403,324</u>	<u>\$ 1,407,074</u>	<u>\$ 3,750</u>

See accompanying Notes to the Required Supplementary Information.

**FRONTIER ACADEMY
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS ***

Fiscal Year	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Plan Measurement Date	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013
School's Proportion of the Net Pension Liability	0.106789679%	0.116973786%	0.113510677%	0.108303324%	0.103591535%	0.100855387%
School's Proportionate Share of the Net Pension Liability	\$ 18,909,306	\$ 37,825,165	\$ 33,796,518	\$ 16,564,229	\$ 14,040,133	\$ 12,864,077
State's Proportionate Share of the Net Pension Liability associated with the the School **	2,585,585	-	-	-	-	-
Total	\$ 21,494,891	\$ 37,825,165	\$ 33,796,518	\$ 16,564,229	\$ 14,040,133	\$ 12,864,077
School's Covered Payroll	5,870,801	5,395,862	5,016,822	4,656,927	4,289,138	4,027,208
School's Proportionate Share of the Net Pension Liability as a Percentage of its its Covered Payroll	366.1%	701.0%	673.7%	355.7%	327.3%	319.4%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	57.01%	43.96%	43.1%	59.2%	62.8%	64.1%

* The amounts presented for each fiscal year were determined as of December 31, based on the measurement date of the Plan. Information earlier than 2014 was not available.

** A direct distribution provision to allocate funds from the State of Colorado to Colorado PERA on an annual basis began in July 2018 based on the Senate Bill 18-200.

See accompanying Notes to the Required Supplementary Information.

FRONTIER ACADEMY
SCHEDULE OF PENSION CONTRIBUTIONS AND RELATED RATIOS
LAST 10 FISCAL YEARS *

Fiscal Year	2019	2018	2017	2016	2015	2014
Contractually Required Contribution	\$ 1,189,849	\$ 1,054,143	\$ 955,259	\$ 875,855	\$ 765,399	\$ 663,784
Contributions in Relation to the Contractually Required Contribution	<u>1,189,849</u>	<u>1,054,143</u>	<u>955,259</u>	<u>875,855</u>	<u>765,399</u>	<u>663,784</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 6,219,801	\$ 5,582,760	\$ 5,200,186	\$ 4,872,559	\$ 4,554,299	\$ 4,107,649
Contributions as a Percentage of Covered Payroll	19.1%	18.9%	18.4%	18.0%	16.8%	16.2%

* The amounts presented for each fiscal year were determined as of June 30. Information earlier than 2014 was not available.

See accompanying Notes to the Required Supplementary Information.

**FRONTIER ACADEMY
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
LAST 10 FISCAL YEARS ***

Fiscal Year	2019	2018	2017
Plan Measurement Date	December 31, 2018	December 31, 2017	December 31, 2016
School's Proportion (Percentage) of the Collective Net OPEB Liability	0.0694138486%	0.0664640623%	0.0645208311%
School's Proportionate Share of the Collective Net OPEB Liability	\$ 944,405	\$ 863,767	\$ 836,535
Covered payroll	\$ 5,870,800	\$ 5,395,862	\$ 5,016,822
School's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	16.09%	16.01%	16.67%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	17.03%	17.53%	16.72%

*The amounts presented for each fiscal year were determined as of December 31 based on the measurement date of the plan. Information earlier than 2017 was not available.

**FRONTIER ACADEMY
SCHEDULE OF OPEB CONTRIBUTIONS AND RELATED RATIOS
LAST 10 FISCAL YEARS ***

Fiscal Year	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Statutorily Required Contributions	\$ 63,442	\$ 56,944	\$ 53,042	\$ 49,700	\$ 46,454	\$ 41,898
Contributions in Relation to the Statutorily Required Contribution	<u>63,442</u>	<u>56,944</u>	<u>53,042</u>	<u>49,700</u>	<u>46,454</u>	<u>41,898</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	6,219,801	5,582,760	5,200,186	\$ 4,872,559	\$ 4,554,299	\$ 4,107,649
Contribution as a Percentage of Covered Payroll	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%

* The amounts presented for each fiscal year were determined as of June 30. Information earlier than 2014 was not available.

**FRONTIER ACADEMY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2019**

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING

The School conducts all necessary budgeting procedures maintaining separate budgets for each fund.

The School adheres to the following procedures in establishing the budgetary data reflected in the financial statements.

- a) Budgets for all funds are required by the District. During June, the proposed budget is submitted to the Board for consideration and approval at a public hearing. The budget includes proposed expenditures and the means of financing them.
- b) The Public hearings are conducted by the School's Board of Directors to obtain parents and other members of the public comment and recommendations.
- c) Prior to June 30, the budget is adopted by formal resolution.
- d) The School's contract with the District requires submission of the approval and amended budgets to the District.
- e) Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budgeted amounts between funds, reallocation of budget line items and revisions that alter the total appropriations of any fund must be approved by the School's Board of Directors. Appropriations are based on total funds expected to be available in each budget year, which may include beginning fund balances and reserves as established by the board of directors.
- f) Budgets for all fund types are adopted on a basis consistent with accounting principles generally accepted in the United States of America.
- g) Budgeted amounts reported in the accompanying supplemental information are as originally adopted and as amended by the board of directors throughout the year. Budgeted amounts included in the financial statements are based on the final budget for the General Fund as adopted by the School's board of directors on June 27, 2019, and the final Facilities Corporation's budget approved by the board on June 27, 2019. The Frontier Academy Foundation's final budget was also adopted by the board on June 27, 2019 and is shown as supplementary information.
- h) All appropriations lapse at the end of each fiscal year.

FRONTIER ACADEMY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – FRONTIER ACADEMY FOUNDATION
YEAR ENDED JUNE 30, 2019

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Local Sources	\$ 13,000	\$ 46,000	\$ 47,970	\$ 1,970
Total Revenues	<u>13,000</u>	<u>46,000</u>	<u>47,970</u>	<u>1,970</u>
EXPENDITURES				
Current:				
Support Services	12,600	56,900	56,900	-
Total Expenditures	<u>12,600</u>	<u>56,900</u>	<u>56,900</u>	<u>-</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	400	(10,900)	(8,930)	1,970
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	400	(10,900)	(8,930)	1,970
Fund Balance - Beginning of Year	<u>-</u>	<u>29,257</u>	<u>29,257</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 400</u>	<u>\$ 18,357</u>	<u>\$ 20,327</u>	<u>\$ 1,970</u>