PROSPECT RIDGE ACADEMY

FINANCIAL STATEMENTS

June 30, 2017

Logan and Associates, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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Logan and Associates, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Prospect Ridge Academy
Broomfield, Colorado

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the Prospect Ridge Academy, a component unit of Adams County School District No. 12, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Prospect Ridge Academy.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund and the aggregate remaining fund information of the Prospect Ridge Academy as of June 30, 2017, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion on pages i – vi, and budgetary comparison schedule, schedule of proportionate share of the net pension liability, the schedule of Academy contributions and notes to required supplementary information on pages 30 – 33, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Logan and Associates, LLC

Aurora, Colorado
October 4, 2017

Management's Discussion and Analysis

As management of Prospect Ridge Academy Charter School (PRA), we offer readers of PRA Charter School's financial statements our narrative overview and analysis of the financial activities of PRA for the fiscal year ended June 30, 2017, the sixth year of operations as a school.

Financial Highlights
At the close of the fifth fiscal year FY2015-16 PRA Charter School's governmental activities reported an ending net position of $(9,330,135).

At the close of the sixth fiscal year FY2016-17 PRA Charter School's governmental activities reported an ending net position of $(10,410,270).

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

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

The statement of net position presents information on PRA Charter School's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of PRA Charter School is improving or declining.

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

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

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

Fund financial statements
A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. PRA Charter School, like other governmental

units or schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

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

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

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

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

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

Notes to the financial statements

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

Government-wide Financial Analysis

The statements of net position may serve over time as a useful indicator of the School's financial position. PRA Charter School liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $10,410,270 at the end of FY2016-17. This net deficit was primarily the result of approximately $16.3 million increase of the Academy's proportionate share of the PERA net pension liability. GASB 68 requires PRA to report the net pension liability of the school's proportionate share in the PERA pension plan. If the Academy excluded the net pension liability, deferred outflows and inflows of resources related to the Academy's proportionate share of the PERA pension plan, the Academy's assets exceeded liabilities by $5,466,686 (net position).

PRA Charter School's Net Position
Governmental
Activities

	June 30, 2016	June 30, 2017
ASSETS		
Cash and investment	$ 3,582,215	4,589,004
Restricted Cash & Investments	6,625,614	7,371,802
Accounts Receivable	28	35,192
Prepaid Expenses	139,160	16,246
Capital Assets, Not Depreciated	3,967,251	4,758,319
Capital Assets, Net of Acc Depr	8,347,917	24,779,288
	----------------	----------------
Total Assets	$ 22,662,185	$ 41,549,851
DEFERRED OUTFLOWS OF RESOURCES		
Def. Outflows of Res related to Pensions	4,281,004	13,869,878
LIABILITIES		
Accounts Payable	500,209	305,327
Accrued Liabilities	2,616	1,886
Accrued Salaries and Benefits	373,421	414,705
Deferred Revenue	43,525	137,000
Accrued Interest Payable	223,410	352,147
Noncurrent Liabilities		
Due Within One Year	34,050	42,100
Due in More than one Year	21,630,000	34,830,000
Net Pension Liability	13,277,946	29,630,061
	--------------	----------------
Total Liabilities	$ 36,085,177	$ 65,713,226
DEFERRED INFLOWS OF RESOURCES		
Def. Inflows of Res related to Pensions	188,147	116,773
NET Position		
Net Investment in Capital Assets	(4,894,508)	(4,837,177)
Restricted For		
Emergencies	257,285	284,970
Special Education	200,005	200,005
Debt Service	1,532,776	1,566,133
Capital Improvements	-	4,673,434
Unrestricted	(6,425,693)	(12,297,635)
	----------------	----------------
TOTAL NET POSITION	**$ (9,330,135)**	**$ (10,410,270)**
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PRA Charter School's Statement of Activities
Governmental
Activities

	June 30, 2016	June 30, 2017
REVENUES		
General Revenues		
Per Pupil Revenue	$ 7,976,059	$ 8,824,553
Other	92,654	110,838
Donations & Fundraising not Restricted to Specific programs	359,084	399,963
Contribution from Adams 12	0	6,378,973
Program Revenues		
Tuition & Fees	549,979	582,942
Operating Grants and Cont.	284,337	137,019
Capital Grants & Cont.	369,060	337,076
	--------------	--------------
Total Revenues	9,631,173	16,771,364
EXPENSES		
Instructional	6,596,463	10,930,650
Supporting Services	4,967,708	5,723,389
Interest & Fiscal Charges	760,180	1,197,460
	---------------	---------------
Total Expenses	12,324,351	17,851,499
Change in Net Position	(2,693,178)	(1,080,135)
Net Position, Beginning, As Restated	$ (6,636,957)	$ (9,330,135)
Net Position, Ending	$ (9,330,135)	$ (10,410,270)

Financial Analysis of the Government's Funds
PRA Charter School uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds
The focus of PRA Charter School's governmental funds financial statements is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing PRA Charter School's financing requirements. In particular, Net Change in fund balance may serve as a useful measure of the School's net resources available for spending at the end of the fiscal year. At the end of the 2016-17 fiscal year, the School's General Fund reported a net change in fund balances of $830,788.

Capital Improvements Fund
In November 2016, Adams 12 Five Star School District passed a $350 Million bond measure to fund improvements to the District's schools, including charter schools. PRA Charter School received a contribution of bond proceeds from the District of $6,360,067 in early 2017. PRA Charter School used a portion of the funds for the purchase of its K-8 building. The remaining funds will be used for capital improvements to the school's buildings and construction of a track and field. As of June 30, 2017, the capital improvements fund had expenditures of $1,706,018 and interest earnings of $509.

The Internal service fund and refunding- In 2016-2017 the PRA Building Corporation issued $13,500,000 in charter school revenue bonds through the Colorado Educational and Cultural Facilities Authority, CECFA, to fund the purchase of land and PRA's existing K-8 facilities.

General Fund Budgetary Highlights
The School typically approves a budget in May for the following school year based on enrollment projections. In October, if necessary, revisions are made to the budget based on final enrollment figures. The school's board may approve additional revisions to the budget at its discretion throughout the year if funding resources or needs change. At year-end, the school reported some variances between its final budget and actual results. Recognized revenue exceeded budget by approximately $124,700, primarily driven by exceeding fund raising and donation goals. Additionally, expenses were below the budgeted amount by $416,821 primarily due to savings in purchased services.

Capital assets & Long-Term Debt
PRA's investment in Capital assets increased by $17,810,197 of investment for the purchase of its K-8 building and land at its existing site, partially offset by depreciation on its leasehold improvements and equipment of $587,758. The detail of capital assets is in Note 4 to the financial statements.

In March 2016, the Colorado Educational and Cultural Facilities Authority (CECFA) issued $13,500,000 of Charter School Revenue Bonds, Series 2017, on behalf of PRA Building Corporation to purchase the school's K-8 facilities, which were previously leased by the school. The bonds mature on March 15, 2023. The School is required to make monthly lease payments to the Building Corporation for the use of the building. The Building Corporation is responsible for making the required loan payments to the Bond Trustee for payment of the bond interest and principal obligations that are due semi-annually.

The bonds accrue interest at 5.0% per annum. The details of long-term debt are in Note 5 to the financial statements.

Economic Factors and Next Year's Budget

The primary factor driving revenue for PRA Charter School has historically been expansion of student enrollment as a function of adding grade levels. Enrollment for the FY2016-2017 school year was 1214 funded students. Projected enrollment for the FY2017-18 school year is 1353 students. The year-over-year growth is attributable to the addition of the 12th grade class, which represents the last class in PRA's expansion plan. As a result, revenue growth is expected to slow in future years.

Requests for Information

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

Cameron Mascoll
Director of Finance
Prospect Ridge Academy Charter School
2555 Preble Creek Parkway
Broomfield, CO 80023

BASIC FINANCIAL STATEMENTS

PROSPECT RIDGE ACADEMY

STATEMENT OF NET POSITION
June 30, 2017

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Investments	$ 4,589,004
Restricted Cash and Investments	7,371,802
Accounts Receivable	35,192
Prepaid Expenses	16,246
Capital Assets, Not Depreciated	4,758,319
Capital Assets, Net of Accumulated Depreciation	24,779,288
TOTAL ASSETS	41,549,851
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows of Resources Related to Pensions	13,869,878
LIABILITIES	
Accounts Payable	5,327
Accrued Liabilities	1,886
Accrued Salaries and Benefits	414,705
Unearned Revenue	137,000
Accrued Interest Payable	352,147
Noncurrent Liabilities	
Due Within One Year	342,100
Due in More Than One Year	34,830,000
Net Pension Liability	29,630,061
TOTAL LIABILITIES	65,713,226
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources Related to Pensions	116,773
NET POSITION	
Net Investment in Capital Assets	(4,837,177)
Restricted for	
Emergencies	284,970
Special Education	200,005
Debt Service	1,566,133
Capital Improvements	4,673,434
Unrestricted	(12,297,635)
TOTAL NET POSITION	$ (10,410,270)

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

PROSPECT RIDGE ACADEMY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	PROGRAM REVENUES: CAPITAL GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION: GOVERNMENTAL ACTIVITIES
PRIMARY GOVERNMENT					
Governmental Activities					
Instruction	$ 10,930,650	$ 582,942	$ 137,019	$ -	$ (10,210,689)
Supporting Services	5,723,389	-	-	337,076	(5,386,313)
Interest on Long-Term Debt	1,197,460	-	-	-	(1,197,460)
Total Governmental Activities	$ 17,851,499	$ 582,942	$ 137,019	$ 337,076	(16,794,462)

GENERAL REVENUES	
Per Pupil Revenue	8,824,553
Donations and Fundraising not Restricted to Specific Programs	399,963
Contribution from Adams 12 School District	6,378,973
Investment Income	18,062
Other	92,776
TOTAL GENERAL REVENUES	15,714,327
CHANGE IN NET POSITION	(1,080,135)
NET POSITION, Beginning	(9,330,135)
NET POSITION, Ending	$ (10,410,270)

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

PROSPECT RIDGE ACADEMY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	GENERAL FUND	CAPITAL IMPROVEMENTS FUND	TOTALS
ASSETS			
Cash and Investments	$ 4,589,004	$ -	$ 4,589,004
Cash and Investments - Restricted	-	4,673,434	4,673,434
Accounts Receivable	35,192	-	35,192
Prepaid Expenses	16,246	-	16,246
TOTAL ASSETS	$ 4,640,442	$ 4,673,434	$ 9,313,876
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	$ 5,327	$ -	$ 5,327
Accrued Liabilities	1,886	-	1,886
Accrued Salaries and Benefits	414,705	-	414,705
Unearned Revenue	137,000	-	137,000
TOTAL LIABILITIES	558,918	-	558,918
FUND BALANCES			
Nonspendable	16,246	-	16,246
Restricted for:			
Emergencies	284,970	-	284,970
Special Education	200,005	-	200,005
Capital Improvments	-	4,673,434	4,673,434
Committed for:			
Capital Purchases	3,000,000	-	3,000,000
Working Capital Reserve	474,951	-	474,951
Unassigned	105,352	-	105,352
TOTAL FUND BALANCES	4,081,524	4,673,434	8,754,958
TOTAL LIABILITIES AND FUND BALANCES	$ 4,640,442	$ 4,673,434	$ 9,313,876

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

PROSPECT RIDGE ACADEMY

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

June 30, 2017

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

Total Fund Balances of Governmental Funds	$ 8,754,958
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.	91,168
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources - difference in projected vs actual investment earnings	857,868
Deferred outflows of resources - difference in expected vs actual experience	354,487
Deferred outflows of resources - change in proportionate share of net pension liability	2,608,487
Deferred outflows of resources - pension contributions from the measurement date	434,700
Deferred outflows of resources - change in assumptions or other inputs	9,614,336
Deferred inflows of resources - difference in expected vs actual experience	(208)
Deferred inflows of resources - change in assumptions or other inputs	(116,565)
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in the funds. This is the amount of accrued compensated absences ($42,100) and net pension liability of ($29,630,061).	(29,672,161)
An internal service fund is used by management to charge the lease costs to governmental funds. These assets and liabilities of the internal service fund are included in the governmental activities in the statement of net postion.	(3,337,340)
Total Net Position of Governmental Activities	$ (10,410,270)

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

PROSPECT RIDGE ACADEMY

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2017

	GENERAL FUND	CAPITAL IMPROVEMENTS FUND	TOTALS
REVENUES			
Local Sources	$ 9,990,621	$ 509	$ 9,991,130
State Sources	337,076	-	337,076
TOTAL REVENUES	10,327,697	509	10,328,206
EXPENDITURES			
Current			
Instruction	5,302,689	30	5,302,719
Supporting Services	4,194,220	1,706,018	5,900,238
TOTAL EXPENDITURES	9,496,909	1,706,048	11,202,957
EXCESS REVENUES OVER (UNDER) EXPENDITURES	830,788	(1,705,539)	(874,751)
OTHER FINANCING SOURCES			
Contribution from Adams 12 School District	-	6,378,973	6,378,973
NET CHANGE IN FUND BALANCES	830,788	4,673,434	5,504,222
FUND BALANCES, Beginning	3,250,736	-	3,250,736
FUND BALANCES, Ending	$ 4,081,524	$ 4,673,434	$ 14,259,180

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

PROSPECT RIDGE ACADEMY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

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

Net Change in Fund Balances of Governmental Funds	$ 5,504,222
Capital outlays to purchase or build capital assets are reported in the governmental fund as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount of depreciation expense ($8,632) in the current year.	(8,632)
In the statement of activities, certain operating expenses, pension expense, are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used or due (the amounts actually paid). This amount represent the net effect of pension related amounts, including amortization of deferred outflows and deferred inflows of resources related to pensions, in the statement of activities.	(6,691,867)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This includes the increase in accrued compensated absences in the current year.	(8,050)
The internal service fund is used by management to charge the cost of lease payments to the governmental fund. The net revenue (expense) of the internal service fund is reported with the governmental activities	124,192
Change in Net Position of Governmental Activities	$ (1,080,135)

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

PROSPECT RIDGE ACADEMY

STATEMENT OF NET POSITION
PROPRIETARY FUND TYPE
BUILDING CORPORATION
June 30, 2017

	Governmental Activities Internal Service Fund
ASSETS	
Current Assets	
Restricted Cash and Investments	$ 2,698,368
Total Current Assets	2,698,368
Noncurrent Assets	
Capital Assets, Not Being Depreciated	4,758,319
Capital Assets, Net of Accumulated Depreciation	24,688,120
Total Noncurrent Assets	29,446,439
TOTAL ASSETS	32,144,807
LIABILITIES	
Current Liabilities	
Building Lease Payable - Current	300,000
Accrued Interest Payable	352,147
Total Current Liabilities	652,147
Noncurrent Liabilities	
Building Lease Payable	34,830,000
TOTAL LIABILITIES	35,482,147
NET POSITION	
Net Investment in Capital Assets	(4,903,473)
Restricted for Debt Service	1,566,133
TOTAL NET POSITION	$ (3,337,340)

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

PROSPECT RIDGE ACADEMY

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND TYPE
BUILDING CORPORATION
Year Ended June 30, 2017

	Governmental Activities Internal Service Fund
OPERATING REVENUES	
Building Rent	$ 449,685
Investment Income	16,310
TOTAL OPERATING REVENUES	465,995
OPERATING EXPENSES	
Depreciation	579,126
OPERATING INCOME (LOSS)	(113,131)
NON-OPERATING REVENUE (EXPENSES)	
Other Non-Operating Revenue	47,875
Bond Issue Costs	(319,111)
Interest Expense and Fiscal Charges	(1,197,460)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(1,468,696)
INCOME (LOSS) BEFORE CONTRIBUTIONS	(1,581,827)
CAPITAL CONTRIBUTIONS - GENERAL FUND	1,706,019
CHANGE IN NET POSITION	124,192
NET POSITION, Beginning	(3,461,532)
NET POSITION, Ending	$ (3,337,340)

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

PROSPECT RIDGE ACADEMY

STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
BUILDING CORPORATION
Increase (Decrease) in Cash and Cash Investments
Year Ended June 30, 2017

	Governmental Activities Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Rental Operations	$ 449,685
Investment Income	16,310
Net Cash Provided by Operating Activities	465,995
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchases of Capital Assets	(16,553,282)
Lease Proceeds	13,500,000
Cash Received from Non-Operating Activities	47,875
Lease Issue Costs	(319,111)
Interest Paid on Lease	(1,068,723)
Net Cash Used by Capital and Related Financing Activities	(4,393,241)
Decrease in Cash and Cash Investments	(3,927,246)
CASH AND CASH INVESTMENTS, Beginning	6,625,614
CASH AND CASH INVESTMENTS, Ending	$ 2,698,368
RECONCILIATION OF OPERATING INCOME(LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income (Loss)	$ (113,131)
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities	
Depreciation	579,126
Net Cash Provided by Operating Activities	$ 465,995
NON-CASH ACTIVITIES	
Capital Constributions - General Fund	$ 1,706,019

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

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

PRA Building Corporation

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements

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

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

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to students or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted intergovernmental revenues not properly included among program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

Additionally, the Academy reports the following fund type:

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

Assets, Liabilities and Net Position/Fund Balances

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

Accounts Receivable – Accounts receivable is reported at gross value, and where appropriate, is reduced by the estimated portion that is expected to be uncollectible.

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

Capital Assets - Capital assets, which include land, building and improvements, and equipment, are reported in the government-wide financial statements. Prior to July 1, 2014, capital assets are defined by the Academy as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. The limit was increased to $10,000 after July 1, 2014. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement classification represents a consumption of net position that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditures) until then. The Academy has items related to pensions that is reported as deferred outflows of resources at June 30, 2017.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement classification represents an acquisition of net position that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until then. The Academy has an item related to pensions that is reported as deferred inflows of resources at June 30, 2017.

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

- Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form (such as prepaid items) or (b) are legally or contractually required to be maintained intact. The Academy had nonspendable resources at June 30, 2017 in the form of prepaid expenses.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Academy has classified emergency reserves as being restricted because its use is restricted by State statute for declared emergencies. The Academy had restricted fund balance at June 30, 2017 for a special education reserve as required by the charter school agreement, a debt service reserve as required by the building lease, and capital improvements from Adams 12 School District bond proceeds given to the Academy.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Academy's highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors. The Academy had committed resources at June 30, 2017 for working capital reserve and future capital purchases.
- Assigned – This classification includes amounts that are constrained by the Academy's intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or changed than those imposed on committed amounts. The Academy did not have any assigned fund balance at June 30, 2017.
- Unassigned – This classification includes the remaining residual fund balance for the General Fund at June 30, 2017. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of assigned fund balance amounts.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Academy has not established a formal policy for its use of restricted and unrestricted fund balance. However, if both the restricted and unrestricted fund balances are available the Academy uses restricted fund balance first.

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

Pensions

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

Risk Management

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

Income Taxes

The School is exempt from income tax under Section 501(c)(3) of the US Internal Revenue Code. The School's tax filings are subject to audit by various taxing authorities. The Schools ending open audit periods are June 30, 2014, 2015, 2016 and 2017. The School believes it has no significant uncertain tax provisions for the period ended June 30, 2017.

Subsequent Events

The Academy has evaluated events subsequent to the year ended June 30, 2017 through October 4, 2017, the date these financial statements were issued, and has incorporated any required recognition into these financial statements.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Accountability

The Governmental Activities and the Internal Service Fund - Building Corporation has deficit net position of $10,410,270 and $3,337,340, respectively, at June 30, 2017. The Governmental Activities deficit is primarily related to the net pension liability reported in the Academy's financial statements as required by the GASB. Management does not expect this deficit net position to decrease in the future. The Internal Service Fund – Building Corporation deficit is primarily from the debt issuance costs and accrued interest expense related to the lease agreement issued to purchase and improve land and building. Management expects this deficit balance to be eliminated as the debt principal is paid.

NOTE 3: CASH AND INVESTMENTS

At June 30, 2017, the Academy had the following cash and investments.

Cash and Investments	$ 4,589,004
Restricted Cash and Investments	7,371,802
Total	$ 11,960,806

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all local government entities deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of Federal Deposit Insurance Corporation (FDIC) levels must be collateralized by eligible collateral as determined by the PDPA. The FDIC insures depositors up to $250,000 for each financial institution. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

At June 30, 2017, the Academy had bank deposits of $9,306,671, of which $250,000 was insured by the Federal Deposit Insurance Corporation (FDIC) and $9,056,674 was collateralized with securities held by the financial institutions' agents but not in the Academy's name.

Investments

The Academy is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk.

NOTE 3: CASH AND INVESTMENTS (Continued)

Investments (Continued)

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

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

Local Government Investment Pool - At June 30, 2017, the School had $2,698,368 invested in the Colorado Local Government Liquid Asset Trust Plus (Colotrust Plus). Colotrust Plus is an investment vehicle established by State statutes for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating Colotrust Plus. Colotrust Plus operates in conformity with the Securities and Exchange Commission's Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Colotrust Plus+ is rated AAAm by Standard and Poor's. Investments of Colotrust Plus are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

The School measures and records its investments using fair market value measurement guidelines established by generally accepted accounting principles. These guidelines recognize a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investment in active markets;
- Level 2: Observable inputs other than quoted market prices; and,
- Level 3: Unobservable inputs.

Restricted Cash and Investments

Cash and investments of $7,371,802 are restricted as follows: $2,698,368 for the Building Corporation's project costs, bond reserves, and bond principal and interest; and $4,673,434 in the Capital Improvements Fund for future capital improvements.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, is summarized below:

	Balances 6/30/2016	Additions	Deletions	Balances 6/30/2017
Governmental Activities:				
Capital Assets, not being depreciated				
Land	$ 2,243,094	$ 2,515,225	$ -	$ 4,758,319
Construction in Progress	1,724,157	-	1,724,157	-
Total Capital Assets, not being depreciated	$ 3,967,251	$ 2,515,225	$ 1,724,157	$ 4,758,319
Capital Assets, being depreciated				
Buildings	8,836,797	17,019,129	-	25,855,926
Buildings and Improvements	109,083	-	-	109,083
Equipment	12,999	-	-	12,999
Total Capital Assets, being depreciated	8,958,879	17,019,129	-	25,978,008
Less accumulated depreciation				
Buildings	(588,680)	(579,126)	-	(1,167,806)
Buildings and Improvements	(14,482)	(6,032)	-	(20,514)
Furniture and Equipment	(7,800)	(2,600)	-	(10,400)
Total accumulated depreciation	(610,962)	(587,758)	-	(1,198,720)
Total Capital Assets, being depreciated, net	8,347,917	16,431,371	-	24,779,288
Governmental Activities Capital Assets, net	**$ 12,315,168**	**$ 18,946,596**	**$ 1,724,157**	**$ 29,537,607**

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

NOTE 5: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended June 30, 2017:

	Balances 6/30/2016	Additions	Deletions	Balances 6/30/2017	Due Within One Year
Governmental Activities					
Building Lease - 2016	$ 21,630,000	$ -	$ -	$ 21,630,000	$ 300,000
Building Lease - 2017		13,500,000		13,500,000	-
Compensated Absences	34,050	42,100	34,050	42,100	42,100
Total	**$ 21,664,050**	**$ 13,542,100**	**$ 34,050**	**$ 35,172,100**	**$ 342,100**

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

NOTE 5: LONG-TERM DEBT (Continued)

Building Lease

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

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

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

Future Debt Service Requirements

Annual debt service requirements at June 30, 2017, were as follows.

Year Ended June 30,	Principal	Interest	Total
2018	$ 300,000	$ 1,707,180	$ 2,007,180
2019	550,000	1,709,505	2,259,505
2020	595,000	1,682,508	2,277,508
2021	600,000	1,653,313	2,253,313
2022	630,000	1,623,853	2,253,853
Thereafter	32,455,000	1,592,923	34,047,923
	$ 35,130,000	$ 9,969,282	$ 45,099,282

NOTE 6: DEFINED BENEFIT PENSION PLAN

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

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

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

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

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

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

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% or the average of the Consumer Price Index for Urban Wage

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2% or the average CPI-W for the prior calendar year, not to exceed 10% of PERA's Annual Increase Reserve for the SCHDTF.

Disability benefits are available for eligible employees once they reach 5 years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

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

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

	For the Year Ended December 31, 2016	For the Year Ended December 31, 2017
	(1)	(1)
Employer Contribution Rate	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. 24-51-208(1)(f)	-1.02%	-1.02%
Amount Apportioned to the SCHDTF	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. 24-51-1411	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. 24-51-1411	4.50%	5.00%
Total Employer Contribution Rate to the SCHDTF	18.13%	18.63%

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the Academy is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from Academy were $809,777 for the year ended June 30, 2017.

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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

At June 30, 2017, the Academy reported a liability of $29,630,061 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The Academy's proportion of the net pension liability was based on Academy contributions to the SCHDTF for the calendar year 2016 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2016, the Academy's proportion was 0.09952%, which was an increase of 0.0127% from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, the Academy recognized pension expense of $6,691,867. At June 30, 2017, the Academy 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	$ 354,487	$ (208)
Changes in assumptions or other inputs	9,614,336	(116,565)
Net difference between projected and actual earnings on pension plan investments	857,868	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	2,608,487	
Contributions subsequent to the measurement date	434,700	-
Total	$ 13,869,878	$ (116,773)

$434,700 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, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2018	$ 5,900,051
2019	5,027,796
2020	2,380,674
2021	9,882

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

Actuarial Assumptions. The total pension liability in the December 31, 2013 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.80%
Real wage growth	1.10%
Wage inflation	3.90%
Salary increases, including wage inflation	3.90% – 10.10%
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.50%
Discount rate	7.50%
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07;	2.00%
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Based on the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA's Board on November 18, 2016 and were effective as of December 31, 2016. These revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016:

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:	5.26%
Post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07:	2.00%
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic):	Financed by the Annual Increase Reserve

Mortality rates used in the December 31, 2015 valuation were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years. Active member mortality was based

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

upon the same mortality rates but adjusted to 55% of the base rate for males and 40% of the base rate for females. For disable retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

The actuarial assumptions used in the December 31, 2015 valuation were based on the results of an actuarial experience study for the period January 1, 2008 through December 31, 2011, adopted by PERA's Board on November 13, 2012, and an economic assumption study, adopted by PERA's Board on November 15, 2013 and January 17, 2014.

As a result of the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rate were adopted by PERA's Board on November 18, 2016 to more closely reflect PERA's actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability roll-forward procedures.

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

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

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

For disabled retirees, the mortality assumption was changed to reflect 90% of the RP-2014 Disabled Retiree Mortality Table.

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016 as follows:

- Investment rate of return assumption decreased from 7.50% per year, compounded annually, net of investment expenses to 7.25% per year, compounded annually, net of investment expenses.
- Price inflation assumption decreased from 2.80% per to 2.40% per year.
- Real rate of investment return assumption increased from 4.70% per year, net of investment expenses, to 4.85% per year, net of investment expenses.
- Wage inflation assumption decrease from 3.90% per year to 3.50% per year.

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

As of the November 18, 2016 adoption of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	10 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 7.50%.

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

Discount Rate. The discount rate used to measure the total pension liability was 5.26%. The projection of cash flows used to determine the discount rate, the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016.
- 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 current contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve of the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above actuarial cost method and assumptions, the SCHDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25% on pension plan investments was applied to all periods through 2041 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.86%, resulting in a discount rate of 5.26%.

As of the prior measurement date, the projection test indicated the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments of 7.50 percent was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use a municipal bond index rate and the discount rate was 7.50 percent, 2.24 percent higher compared to the current measurement date.

Sensitivity of the Academy Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 5.26%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.26%) or 1-percentage-point higher (6.26%) than the current rate:

	1% Decrease (4.26%)	Current Discount Rate (5.26)	1% Increase (6.26%)
Net Pension Liability	$ 37,258,850	$ 29,630,061	$ 23,416,689

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 7: POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description The Academy contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment health care plan administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy The Academy is required to contribute at a rate of 1.02% of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Academy are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208 of the C.R.S., as amended. For the years ending June 30, 2014, 2016 and 2017, the Academy's contributions to the HCTF were $35,104, $42,171 and $49,026, respectively, equal to their required contributions for each year.

NOTE 8: COMMITMENTS AND CONTINGENCIES

Building Lease Commitment

In August 2011, the Academy entered into an operating sublease agreement for a building with Prospect Ridge Academy Project Development LLC. The Academy moved into the new building in February 2012. In May 2012, the sublease was amended to include the final building project costs from which the annual base rent payment is calculated. The sublease required an annual base rent payment of $1,122,618, payable in monthly installments through January 31, 2032. Starting on February 1, 2015, the annual base rent payment escalated by 3% of the previous year's annual base rent payment

In March 2016, ten (10) months prior to the first purchase option date of January 13, 2017, the Academy approved to exercise the option to purchase the leased property. The Building Corporation issued debt (See NOTE 5) and purchased the property in March 2017.

Total rent payments for the year ended June 30, 2017 was $872,813.

NOTE 8: COMMITMENTS AND CONTINGENCIES (Continued)

Claims and Judgments

The Academy participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Academy may be required to reimburse the grantor government. As of June 30, 2017, significant amounts of grant expenditures have not been audited, but the Academy believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Academy.

Tabor Amendment

In November 1992, Colorado voters passed an amendment to the State Constitution, Article X, Section 20 (the "Tabor Amendment"), which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government.

Fiscal year 2012 provided the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The Tabor Amendment is complex and subject to judicial interpretation. The Academy believes it has complied with the Amendment.

The Academy has established an emergency reserve, representing 3% of qualifying expenditures, as required by the Amendment. At June 30, 2017, the emergency reserve of $284,970 was reported as a restriction of net position and fund balance in the Governmental Activities and General Fund, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

PROSPECT RIDGE ACADEMY

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Per Pupil Revenue	$ 9,130,886	$ 8,818,872	$ 8,824,553	$ 5,681
Tuition and Fees	538,495	546,090	582,942	36,852
Grants	120,000	143,528	137,019	(6,509)
Donations	-	-	-	-
Fundraising	366,100	323,915	399,963	76,048
Investment Income	-	476	1,243	
Other	9,140	40,336	44,901	4,565
Total Local Sources	10,164,621	9,873,217	9,990,621	116,637
State Sources				
Capital Construction	340,322	329,013	337,076	8,063
TOTAL REVENUES	10,504,943	10,202,230	10,327,697	124,700
EXPENDITURES				
Instruction				
Salaries and Benefits	4,802,404	4,690,116	4,684,802	5,314
Purchased Services	52,856	45,578	118,719	(73,141)
Supplies and Materials	460,769	320,364	402,590	(82,226)
Property	155,447	155,447	93,623	61,824
Other	-	-	2,955	(2,955)
Total Instruction	5,471,476	5,211,505	5,302,689	(88,229)
Supporting Services				
School Administration				
Salaries	1,835,905	1,779,599	1,727,497	52,102
Purchased Services	2,046,492	2,104,680	1,702,039	402,641
Supplies and Materials	287,085	313,390	262,256	51,134
Property	23,500	23,500	7,820	15,680
Other	827,286	478,101	494,608	(16,507)
Total Supporting Services	5,020,268	4,699,270	4,194,220	505,050
TOTAL EXPENDITURES	10,491,744	9,910,775	9,496,909	416,821
NET CHANGE IN FUND BALANCE	13,199	291,455	830,788	539,333
FUND BALANCE, Beginning	3,250,736	3,250,736	3,250,736	-
FUND BALANCE, Ending	$ 3,263,935	$ 3,542,191	$ 4,081,524	$ 539,333

See the accompanying Independent Auditor's Report.

PROSPECT RIDGE ACADEMY

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

	2016	2015	2014	2013
Proportion of the Net Pension Liability (Asset)	0.09952%	0.08682%	0.07944%	0.04731%
Proportionate Share of the Net Pension Liability (Asset)	$ 29,630,061	$ 13,277,946	$ 10,766,501	$ 6,034,596
Covered Employee Payroll	$ 4,466,490	$ 3,753,503	$ 2,890,172	$ 2,369,201
Proportionate Share of Net Pension Liability as a Percentage of its Covered Employee Payroll	663.39%	353.75%	372.52%	254.71%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	43.13%	59.16%	62.84%	64.07%
Calculation of Collective Net Pension Liability ($ in thousands)				
Total Pension Liability	$ 52,354,913	$ 37,447,062	$ 36,473,966	$ 35,494,976
Plan Fiduciary Net Position	22,581,046	22,152,768	22,920,607	22,740,003
Net Pension Liability	$ 29,773,867	$ 15,294,294	$ 13,553,359	$ 12,754,973

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

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

See the accompanying Independent Auditor's Report.

PROSPECT RIDGE ACADEMY

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

	2017	2016	2015	2014	2013
Contractually Required Contribution	$ 809,777	$ 733,517	$ 581,438	$ 391,905	$ 334,674
Contributions in Relation to the Contractually Required Contribution	809,777	733,517	581,438	391,905	334,674
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Covered employee payroll	$ 4,405,750	$ 4,137,152	$ 3,444,538	$ 2,452,469	$ 2,219,324
Contributions as a Percentage of Covered Employee Payroll	18.38%	17.73%	16.88%	15.98%	15.08%

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

See the accompanying Independent Auditor's Report.

PROSPECT RIDGE ACADEMY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2017

NOTE 1: BUDGETARY INFORMATION

Budgets and Budgetary Accounting

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

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

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

Legal Compliance

For the year ended June 30, 2017, the Academy did not approve a budget for the Capital Improvement Fund. This may be a violation of State statute.