

PEAK TO PEAK CHARTER SCHOOLS, INC.

FINANCIAL STATEMENTS

June 30, 2015

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Peak to Peak Charter Schools, Inc.
Lafayette, 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 Peak to Peak Charter Schools, Inc., a component unit of Boulder Valley School District, as of and for the year ended June 30, 2015, which collectively comprise Peak to Peak Charter Schools, Inc.'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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Peak to Peak Charter Schools, Inc. as of June 30, 2015, 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.

Emphasis of Matters

Adoption of New Accounting Standard

As described in Note 9 to the financial statements, Peak to Peak Charter Schools, Inc. adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, an amendment of GASB Statement No. 68. As a result of the implementation of GASB Statement No. 68, Peak to Peak Charter Schools, Inc. reported a restatement for the change in accounting principle. Our opinions were not modified with respect to the restatement.

Separate Charter School

Peak to Peak Charter Schools, Inc. has a separate charter school contract with Boulder Valley School District. The Colorado Department of Education requires each School to provide separate audited financial statements. As described in Note 1, the majority of the School's funding is provided by the District. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iii – vi and budgetary comparison information on page 22 and the pension schedules on pages 23 and 24 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.



CliftonLarsonAllen LLP

Broomfield, Colorado
November 20, 2015

PEAK TO PEAK CHARTER SCHOOLS, INC.

Management's Discussion and Analysis

Fiscal Year Ended June 30, 2015

As management of Peak to Peak Charter Schools, Inc. (Peak to Peak), we offer this narrative and analysis of the financial activities of Peak to Peak for the year ended June 30, 2015. We encourage readers to consider the information presented here in conjunction with additional information provided in the financial statements.

Financial Highlights

The year ended June 30, 2015 is the fifteenth year of operations for Peak to Peak.

- The fund balance in the general fund increased \$750,326 to \$3,870,609.
- Total unrestricted cash and investments increased \$876,894 to \$4,861,561.
- Peak to Peak's net position increased \$1,885,245.

Overview of Financial Statements

This report follows the guidelines 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 Boulder Valley School District, which authorizes Peak to Peak; and the general public. The report consists of four parts: Management's Discussion and Analysis, 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 the financial statements, which provide additional and more detailed information. Included as required Supplementary Information is budget-to-actual information related to the Peak to Peak's General Fund, and the pension schedules as required under GASB Statement No. 68, further discussed in note 9.

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

The *statement of net position* presents information on all Peak to Peak'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 Peak to Peak is improving or deteriorating.

The *statement of activities* presents information showing how Peak to Peak net position has changed during the most recent 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 the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future periods (for example, salaries and benefits earned but unpaid as of year-end).

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. Peak to Peak uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Peak to Peak reports three funds, the general fund and two special revenue funds (the Prairie View building corporation and the Friends of Peak to Peak fundraising organization), all governmental funds. 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 Peak to Peak's near-term financing requirements.

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 basic governmental fund financial statements can be found on pages 3-6 of this report.

Notes to 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.

The notes to the financial statements can be found starting on page 7 of this report.

PEAK TO PEAK CHARTER SCHOOL		
Comparative Summary Statement of Net Position		
	2015	2014
Assets:		
Current Assets	\$ 4,873,151	\$ 6,723,066
Noncurrent Assets	20,031,127	16,360,847
Total assets	24,904,278	23,083,913
Deferred outflows of resources:		
Loss on refunding	3,613,616	3,651,949
Contributions subsequent to measurement date	625,828	-
Change in investment earnings	465,347	-
Total deferred outflows of resources	4,704,791	3,651,949
Liabilities:		
Current Liabilities	1,681,458	1,239,722
Noncurrent Liabilities	18,686,281	19,718,076
Net pension liability	20,235,346	-
Total liabilities	40,603,085	20,957,798
Deferred inflows of resources:		
Change in experience	1,511	-
Change in proportionate share	480,401	-
Total deferred inflows of resources	481,912	-
Net position:		
Net investment in capital assets	994,392	355,944
Restricted	3,714,836	2,752,350
Unrestricted	(16,185,156)	2,669,770
Total net position*	\$ (11,475,928)	\$ 5,778,064

* Net position for 2014 was not restated for the 2014 column as presented above and below for implementation of GASB Statement No. 68 and No. 71.

PEAK TO PEAK CHARTER SCHOOL		
Comparative Schedule of Revenues, Expenses, and Changes in Net Position		
	2015	2014
Program revenues:		
Charges for services	\$ 1,338,089	\$ 1,344,049
Operating grants	456,284	342,706
Capital grants	239,346	108,315
General revenues:		
Per pupil funding	9,790,565	9,261,281
District mill levy	3,193,074	3,085,441
Grants and contributions not restricted to specific programs	451,635	382,160
Interest income	32,463	12,871
Other revenue	1,883,905	211,223
Total revenues	17,385,361	14,748,046
Expenses:		
Instruction	8,507,394	8,009,468
Support services	6,436,985	5,433,807
Interest on long-term debt	555,737	1,176,424
Total expenses	15,500,116	14,619,699
Change in net position	1,885,245	128,347
Net position - beginning (restated for 2015, see Note 2)*	(13,361,173)	5,649,717
Net position - ending	<u>\$ (11,475,928)</u>	<u>\$ 5,778,064</u>

Government-Wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of Peak to Peak's financial position. For the year ended June 30, 2015, Peak to Peak's assets and deferred outflows of resources were exceeded by liabilities and deferred inflows of resources by \$11,475,928, due to the implementation of GASB No. 68. The change in net position in fiscal year 2014-15 from the previous year was higher by \$1,885,245.

Financial Analysis of the School's Funds

The focus of Peak to Peak's governmental funds is to provide information on near-term inflows, outflows, and balances of resources. Such information is useful in assessing Peak to Peak's financing requirements.

As of the end of the current fiscal year, Peak to Peak's governmental funds reported a combined ending fund balance of \$7,523,390, an overall increase of \$1,662,264. The general fund increased \$750,326 to \$3,870,609. The Prairie View fund decreased \$207,225 to \$2,464,646. The Friends of Peak to Peak fund increased \$1,119,163 to \$1,188,135, after the transfer of donated funds to Peak to Peak for operating expenditures.

General Fund Budgetary Highlights

Peak to Peak's budgeted general fund revenue for 2014-15 was \$15,294,124, while actual revenue was \$15,367,818, resulting in a surplus of \$73,694. Peak to Peak's 2014-15 budget for general fund expenditures was \$15,249,447, while actual expenditures were \$14,970,513, resulting in a surplus of \$278,934. There was a net increase in fund balance of \$750,326, with a final fund balance of \$3,870,609.

Capital Asset and Debt Administration

Capital Assets. Peak to Peak's capital assets as of June 30, 2015, amounted to \$16,476,012, net of accumulated depreciation. Peak to Peak's capital assets include land (35 acres) and buildings (138,000 square feet) located at 800 Merlin Drive, Lafayette, Colorado.

Long-Term Debt. As of June 30, 2015, Peak to Peak had outstanding debt of \$17,880,000. Peak to Peak refinanced its existing bond debt in July, 2014, lowering total bonds payable from \$19,305,000 to 17,880,000 over a twenty year repayment term. Long-term debt is detailed in Note 5 to the financial statements. The school currently holds a "BBB+" credit rating with Standard and Poor's.

Economic Factors and Next Year's Budget

Peak to Peak's student enrollment for the 2014-15 school year was 1,413.6 full-time equivalent (FTE) students. Which matches the maximum enrollment allowed by Peak to Peak's contract with Boulder Valley School District. Peak to Peak's enrollment has been at the maximum allowable, per contract, for several years.

State funding for public schools is expected to increase in 2015-16. The state economy appears to be improving as evidenced by a 5.7% increase in per pupil funding for 2014-15 and a 3.7% increase in 2015-16. Combined with conservative financial management, and the availability of reserved funds; Peak to Peak expects to be able to continue to deliver exceptional education well into the future without reducing staff or services to students, and increasing salaries.

In 2014-15, Peak to Peak experienced several significant financial events listed below:

- Peak to Peak started an endowment fund dedicated solely to providing college scholarships to graduating seniors who might not otherwise be able to attend college. In its inaugural year, over \$1 million in donations were received.
- Peak to Peak re-negotiated its contract with BVSD, which resulted in a net savings of \$800,000 in purchased services annually, and increased the term of the contract to ten years, commencing in July, 2015.
- BVSD allocated \$10.2 million to Peak to Peak from its successful 2014 bond issue to add 42,000 sf to the campus. Additions include elementary and middle school classrooms, college counseling center, tutoring center, varsity gymnasium and additional cafeteria space. Construction began in July 2015.
- The refinance of existing bonds resulted in annual debt service savings over \$120,000/year.

Requests for Information

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

Sam Todd, Executive Director of Operations
Peak to Peak Charter School
800 Merlin Drive, Lafayette, CO 80026
sam.todd@bvsd.org

BASIC FINANCIAL STATEMENTS

PEAK TO PEAK CHARTER SCHOOLS, INC.
STATEMENT OF NET POSITION
June 30, 2015

	<u>Governmental Activities</u>
ASSETS	
Cash	\$ 4,861,561
Restricted cash and investments	3,555,115
Prepaid items	7,728
Accounts receivable	3,862
Capital assets, not being depreciated	2,200,576
Capital assets, depreciated, net of accumulated depreciation	<u>14,275,436</u>
TOTAL ASSETS	<u>24,904,278</u>
DEFERRED OUTFLOWS OF RESOURCES	
Loss on refunding	3,613,616
Contributions subsequent to measurement date	625,828
Change in investment earnings	<u>465,347</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>4,704,791</u>
LIABILITIES	
Accounts payable	108,939
Accrued salaries and benefits	761,041
Unearned revenues	34,896
Accrued interest	303,994
Noncurrent liabilities	
Due within one year	472,588
Due in more than one year	18,686,281
Net pension liability	<u>20,235,346</u>
TOTAL LIABILITIES	<u>40,603,085</u>
DEFERRED INFLOWS OF RESOURCES	
Change in experience	1,511
Change in proportionate share	<u>480,401</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>481,912</u>
NET POSITION	
Net investment in capital assets	994,392
Restricted	
Advanced placement testing	9,972
Scholarships	1,080,497
Emergencies	463,715
Debt service	1,910,639
Repair and maintenance	250,013
Unrestricted	<u>(16,185,156)</u>
TOTAL NET POSITION	<u><u>\$ (11,475,928)</u></u>

The accompanying notes are an integral part of the financial statements

PEAK TO PEAK CHARTER SCHOOLS, INC.
STATEMENT OF ACTIVITIES
June 30, 2015

	Program Revenues				Net (Expenses)
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions		Revenue and Changes in Net Position
Governmental activities					
Instructional	\$ 8,507,394	\$ 421,548	\$ 383,565	\$ -	\$ (7,702,281)
Support Services:					
Pupil and instruction	237,962	-	-	-	(237,962)
General administration	3,647,257	529,803	-	-	(3,117,454)
Business services	303,045	-	-	-	(303,045)
Maintenance and operations	1,426,426	-	-	239,346	(1,187,080)
Food services	459,529	386,738	72,719	-	(72)
Other supporting services	362,766	-	-	-	(362,766)
Interest on long-term debt	555,737	-	-	-	(555,737)
	\$ 15,500,116	\$ 1,338,089	\$ 456,284	\$ 239,346	(13,466,397)
GENERAL REVENUES					
					9,790,565
					3,193,074
					451,635
					32,463
					1,883,905
					15,351,642
					1,885,245
					(13,361,173)
					\$(11,475,928)

The accompanying notes are an integral part of the financial statements

PEAK TO PEAK CHARTER SCHOOLS, INC.
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2015

	<u>General</u>	<u>Prairie View, Inc.</u>	<u>Friends of Peak to Peak, Inc.</u>	<u>Total</u>
ASSETS				
Cash and investments	\$ 4,763,895	\$ -	\$ 97,666	\$ 4,861,561
Restricted cash and investments	-	2,464,646	1,090,469	3,555,115
Prepaid expense	7,728	-	-	7,728
Accounts receivable	3,862	-	-	3,862
TOTAL ASSETS	<u>\$ 4,775,485</u>	<u>\$ 2,464,646</u>	<u>\$ 1,188,135</u>	<u>\$ 8,428,266</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 108,939	\$ -	\$ -	\$ 108,939
Accrued salaries and benefits	761,041	-	-	761,041
Unearned revenues	34,896	-	-	34,896
TOTAL LIABILITIES	<u>904,876</u>	<u>-</u>	<u>-</u>	<u>904,876</u>
FUND BALANCES				
Nonspendable	7,728	-	9,972	17,700
Restricted	463,715	2,464,646	1,080,497	4,008,858
Assigned	-	-	97,666	97,666
Unassigned	3,399,166	-	-	3,399,166
TOTAL FUND BALANCES	<u>3,870,609</u>	<u>2,464,646</u>	<u>1,188,135</u>	<u>7,523,390</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 4,775,485</u>	<u>\$ 2,464,646</u>	<u>\$ 1,188,135</u>	<u>\$ 8,428,266</u>

The accompanying notes are an integral part of the financial statements

PEAK TO PEAK CHARTER SCHOOLS, INC.
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
Year Ended June 30, 2015

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total fund balance - governmental funds		\$ 7,523,390
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund. The cost of the assets is \$22,546,480 and accumulated depreciation is \$6,070,468.		16,476,012
Deferred loss on refunding, net of accumulated amortization		3,613,616
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:		
Accrued interest	(303,994)	
Bonds payable	(17,880,000)	
Bond premium, net of accumulated amortization	(1,215,236)	
Compensated absences	(63,633)	
Net pension liability	<u>(20,235,346)</u>	(39,698,209)
Deferred outflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Contributions subsequent to measurement date	625,828	
Change in investment earnings	<u>465,347</u>	1,091,175
Deferred inflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Change in experience	(1,511)	
Change in proportionate share	<u>(480,401)</u>	<u>(481,912)</u>
Total net position		<u><u>\$ (11,475,928)</u></u>

The accompanying notes are an integral part of the financial statements

PEAK TO PEAK CHARTER SCHOOLS, INC.
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	<u>General Fund</u>	<u>Prairie View, Inc.</u>	<u>Friends of Peak to Peak, Inc.</u>	<u>Total</u>
REVENUES				
Per pupil funding	\$ 9,790,565	\$ -	\$ -	\$ 9,790,565
District mill levy	3,193,074	-	-	3,193,074
Rental income	-	1,241,483	-	1,241,483
Intergovernmental				
State sources	625,607	-	-	625,607
Federal sources	70,023	-	-	70,023
Donations	-	-	1,539,881	1,539,881
Other income	1,682,083	-	30	1,682,113
Interest income	6,466	410	25,587	32,463
TOTAL REVENUES	<u>15,367,818</u>	<u>1,241,893</u>	<u>1,565,498</u>	<u>18,175,209</u>
EXPENDITURES				
Current:				
Instruction	8,018,139	-	-	8,018,139
Support services:				
Pupil and instruction	237,962	-	-	237,962
General administration	4,843,149	-	45,591	4,888,740
Business services	-	303,045	-	303,045
Maintenance and operations	1,089,956	-	-	1,089,956
Food services	459,529	-	-	459,529
Other supporting services	321,778	-	40,988	362,766
Debt service:				
Issuance costs and fiscal agent fees	-	30,416	-	30,416
Interest	-	976,588	-	976,588
TOTAL EXPENDITURES	<u>14,970,513</u>	<u>1,310,049</u>	<u>86,579</u>	<u>16,367,141</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	359,817	6,796	-	366,613
Refunding bond proceeds	-	17,880,000	-	17,880,000
Refunding bond premium	-	1,279,196	-	1,279,196
Payment to escrow agent	-	(19,305,000)	-	(19,305,000)
Transfers out	(6,796)	(61)	(359,756)	(366,613)
TOTAL OTHER FINANCING SOURCES (USES)	<u>353,021</u>	<u>(139,069)</u>	<u>(359,756)</u>	<u>(145,804)</u>
NET CHANGE IN FUND BALANCE	750,326	(207,225)	1,119,163	1,662,264
FUND BALANCE, Beginning	<u>3,120,283</u>	<u>2,671,871</u>	<u>68,972</u>	<u>5,861,126</u>
FUND BALANCE, Ending	<u>\$ 3,870,609</u>	<u>\$ 2,464,646</u>	<u>\$ 1,188,135</u>	<u>\$ 7,523,390</u>

The accompanying notes are an integral part of the financial statements

PEAK TO PEAK CHARTER SCHOOLS, INC.
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

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

Net change in fund balance - governmental fund		\$ 1,662,264
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay (132,062) was less than depreciation expense (\$468,532).		(336,470)
The effect of donated and contributed capital assets is to increase net position.		451,635
Issuance of long-term debt provided current financial resources to governmental funds; however, issuing debt increased long-term liabilities in the government-wide statement of net position. Also, governmental funds report the effect of premiums when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:		
Refunding bond proceeds	(17,880,000)	
Payment to escrow agent	19,305,000	
Premium on long-term debt	<u>(1,279,196)</u>	145,804
Interest is paid when due in the governmental funds but recorded when payable in the statement of activities		73,788
Governmental funds report the effect of premiums and loss on refundings when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.		
Premium amortization	415,812	
Loss on refunding amortization	<u>(38,333)</u>	377,479
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:		
Change in accrued compensated absences	(2,409)	
Change in contributions subsequent to measurement date	63,392	
Pension expense	(1,755,805)	
Pension expense (first year amortization)	177,927	
Employer contribution expense	<u>1,027,640</u>	<u>(489,255)</u>
Change in net position		<u>\$ 1,885,245</u>

The accompanying notes are an integral part of the financial statements

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Peak to Peak Charter Schools, Inc. (the School) conform to accounting principles generally accepted in the United States of America. The following is a summary of the School's significant accounting policies:

Reporting Entity

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 Boulder Valley School District (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.

Peak to Peak Charter Schools, Inc. was formed on May 12, 1998 and began operations as an incorporated school in 2000. The School has been granted 501(c)(3) status by the Internal Revenue Service. The School operates under a charter granted by the Boulder Valley School District RE-2 (the District) Board of Education.

The accompanying financial statements present the School and two non-profit organizations considered to be blended component units. Blended component units, although legally separate entities, are, in substance, part of the School's operations. Prairie View, Inc. and Friends of Peak to Peak, Inc. (the Foundation) meet the requirements for blending.

Prairie View, Inc. was established for the purpose of financing and constructing the school facilities and to accumulate resources from the collection of rents from the School to make payments for Prairie View, Inc.'s capital and debt service costs. Prairie View, Inc. does not issue separate financial statements.

The Foundation was established to aid in development of the School and is responsible for raising funds to be used for the expansion of the School and its educational objectives. The Foundation does not issue separate financial statements.

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 activities of the School. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported in a single column.

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.

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 a liability is incurred, regardless of the time 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.

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. Measureable 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.

Charges for services are considered revenue once the service is rendered, and as such are considered susceptible to accrual. All other revenue items are considered to be measureable and available only when cash is received by the government.

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.

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 Governmental 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 Fund – Prairie View, Inc.: 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 Prairie View, Inc.

Special Revenue Fund – Friends of Peak to Peak, Inc.: 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 one special revenue fund for Friends of Peak to Peak, Inc.

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles 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.

Cash and Investments

Cash and investments may include cash on hand, demand deposits, certificates of deposit, savings accounts and pooled investment funds. Investments are carried at fair value.

Capital Assets

Capital assets purchased by Prairie View, Inc., which include land, buildings and building improvements, 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 estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. 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 10 to 50 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 an increase in net position that applies to a future period. The School has two types of items classified as deferred outflows of resources related to the implementation of GASB No. 68 and GASB No. 71: 1) contributions subsequent to measurement date; and 2) change in investment earnings. See Note 9 for additional information.

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 September 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 \$761,041.

Long-Term Debt

Long-term debt is reported as liabilities in the statement of net position. Bond premiums and discounts are amortized over the life of debt using the effective interest 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, 2015. Due to the implementation of GASB No. 68, the School is required to report their proportionate share of PERA's unfunded pension liability. See Note 9 for additional information.

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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 a decrease in net position that applies to a future period. The School had two items, which are classified as a deferred inflow of resources due to the implementation of GASB No. 68: 1) change in experience; and 2) change in proportionate share of the net pension liability See Note 9 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 nonspendable, restricted, committed, assigned or unassigned.

Nonspendable fund balances indicate amounts that cannot be spent either a) due to form; for example, inventories and prepaid amounts or b) due to legal or contractual requirements to be maintained intact.

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 are described in Note 8, and are described in Note 3 for the Friends of Peak to Peak, Inc. fund balance.

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.

Unassigned fund balances indicate amounts in the general fund that are not classified as nonspendable, restricted, committed, or assigned. The general fund is the only fund that would report a positive amount in unassigned fund balance. When both unassigned and committed or assigned resources are available for use, it is the School's policy to use committed, then assigned resources first, then unassigned resources as needed.

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 2 – RESTATEMENT OF NET POSITION AND CORRECTION OF AN ERROR

For the year ended June 30, 2015, the School adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions (GASB No. 68)*, and the related GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, an amendment of GASB Statement No. 68, which are effective for financial statements for periods beginning after June 15, 2014. GASB No. 68 revises and establishes new financial reporting requirements for most governments that provide their employees with pension benefits. GASB 68 requires cost-sharing employer participating in the PERA program, to record their proportionate share, as defined in GASB No. 68, of PERA’s unfunded pension liability.

For the School, the effect of implementing this standard was to change how it accounts and reports the net pension liability. Implementation of the standard resulted in a restatement of the prior period net position as shown below.

	Governmental Activities
Net Position, June 30, 2014, as previously reported	\$ 5,778,064
Cumulative Effect of Application of GASB No. 68, Net Pension Liability	(19,701,673)
Cumulative Effect of Application of GASB No. 71, Deferred Outflow of Resources for contributions made to the Plan during fiscal year ending June 30, 2014	562,436
Net Position, June 30, 2014, as Restated	\$ (13,361,173)

NOTE 3 – 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 percent of the uninsured deposits. At June 30, 2015, the School’s carrying amount of deposits was \$1,329,714 and the bank balance was \$1,378,305.

Prairie View, Inc.

The bonds require Prairie View, Inc. to maintain certain cash and investment reserve accounts. These accounts are held by a trustee. Monthly rent 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, 2015, \$791,955 is held in reserved accounts required by the bond agreements, which is to be used for payment of principal and interest on the bonds. An additional \$1,422,678 is held in a reserve account and another \$250,013 is held in a repair and replacement account required by the bond agreements.

Credit Risk –The cash and investment reserve accounts owned by Prairie View, Inc. are in the custody of the Trustee, these funds are used primarily to make bond principal and interest payments. These funds are invested by the Trustee as directed by Prairie View, Inc.; 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:

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

- 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

At June 30, 2015, the General Fund, Friends of Peak to Peak, Inc. and Prairie View, Inc.'s investments consisted of cash and money market funds, the money market funds do not have a credit rating. Unrestricted investments in the General Fund totaled \$3,531,847 at June 30, 2015. Friends of Peak to Peak, Inc.'s investments consisted of restricted endowment for \$1,080,497 held with the Community First Foundation, which does not have a credit rating, and \$9,525 held in a nonspendable restricted bond fund that does not have a credit rating, and \$447 held in a nonspendable restricted money market fund that does 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.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2015, was as follows:

	<u>Balance</u> <u>June 30, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>June 30, 2015</u>
Capital assets, not depreciated				
Land	\$ 1,657,966	\$ -	\$ -	\$ 1,657,966
Construction in progress	98,689	443,921	-	542,610
Total capital assets, not depreciated	<u>1,756,655</u>	<u>443,921</u>	<u>-</u>	<u>2,200,576</u>
Capital assets, being depreciated				
Land improvements	2,584,364	-	-	2,584,364
Buildings and building improvements	17,333,260	36,646	-	17,369,906
Equipment	288,504	103,130	-	391,634
Total capital assets, being depreciated	<u>20,206,128</u>	<u>139,776</u>	<u>-</u>	<u>20,345,904</u>
Accumulated depreciation				
Land improvements	(1,004,413)	(89,221)	-	(1,093,634)
Buildings and building improvements	(4,534,786)	(340,796)	-	(4,875,582)
Equipment	(62,737)	(38,515)	-	(101,252)
Total accumulated depreciation	<u>(5,601,936)</u>	<u>(468,532)</u>	<u>-</u>	<u>(6,070,468)</u>
Total capital assets, being depreciated, net	<u>14,604,192</u>	<u>(328,756)</u>	<u>-</u>	<u>14,275,436</u>
Total capital assets	<u>\$ 16,360,847</u>	<u>\$ 115,165</u>	<u>\$ -</u>	<u>\$ 16,476,012</u>

Depreciation expense of \$468,532 was charged to the maintenance and operations function/program of the School.

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 5 – BONDS PAYABLE

In April, 2004, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$23,300,000 Charter School Revenue and Refunding Bonds, Series 2004. Proceeds of the bonds were used to advance refund CECFA's outstanding Charter School Revenue Bonds, Series 2001. Proceeds of the Series 2001 bonds were used to construct Peak to Peak's educational facilities. Peak to Peak is obligated under a lease agreement to make monthly lease payments to Prairie View, Inc., for use of the facilities. Prairie View, Inc., was required to make equal loan payments to the Trustee, for payment of the bonds. Interest accrued at rates ranging from 3% to 5.25% per annum, and was payable semi-annually on August 15 and February 15. Principal payments were due annually on August 15, through 2034.

On July 15, 2014, the CECFA issued \$17,880,000 Charter School Refunding Revenue Bonds, Series 2014. Proceeds were used to refund the outstanding Series 2004 Bonds discussed above. Interest accrues at rates ranging from 2% to 5% per annum, and is payable semi-annually on August 15 and February 15. Principal payments are due annually on August 15, through 2034. This refunding reduced total debt service payments over the next nineteen years by \$2,434,417 and has an amount of \$1,769,452 in present value savings.

Prairie View, Inc. 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 \$28,340,000. 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, 2015, approximately \$1,240,000.

Bonds payable consisted of the following at June 30, 2015:

Charter School Refunding Revenue Bonds dated July 15, 2014, due in annual installments ranging from \$470,000 to \$1,350,000 through August 2034; interest (rate ranging from 2.00% to 5.00%) payable semi-annually on August 15 and February 15. Revenue from the rental of the building (Note 5) has been pledged to pay principal and interest.	\$ 17,880,000
Plus bond premium	<u>1,215,236</u>
	19,095,236
Less current portion	<u>(470,000)</u>
Total	<u><u>\$ 18,625,236</u></u>

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 5 – BONDS PAYABLE (CONTINUED)

The following schedule represents the School's debt service requirements to maturity for outstanding revenue bonds at June 30, 2015:

<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2016	\$ 470,000	\$ 878,204	\$ 1,348,204
June 30, 2017	620,000	801,250	1,421,250
June 30, 2018	640,000	782,650	1,422,650
June 30, 2019	655,000	763,450	1,418,450
June 30, 2020	680,000	737,750	1,417,750
June 30, 2021-2025	3,850,000	3,256,750	7,106,750
June 30, 2026-2030	4,815,000	2,283,500	7,098,500
June 30, 2031-2035	6,150,000	952,000	7,102,000
	<u>\$ 17,880,000</u>	<u>\$ 10,455,554</u>	<u>\$ 28,335,554</u>

Changes in bonds payable for the year ended June 30, 2015 were as follows:

	<u>Balance</u> <u>June 30, 2014</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2015</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Bonds payable - series 2004	\$ 19,305,000	\$ -	\$ (19,305,000)	\$ -	\$ -
Bonds payable - series 2014	-	17,880,000	-	17,880,000	470,000
Premium - series 2004	351,852	-	(351,852)	-	-
Premium - series 2014	-	1,279,196	(63,960)	1,215,236	-
Compensated Absences	61,224	133,540	(131,131)	63,633	2,588
Total	<u>\$ 19,718,076</u>	<u>\$ 19,292,736</u>	<u>\$ (19,851,943)</u>	<u>\$ 19,158,869</u>	<u>\$ 472,588</u>

NOTE 6 – LEASES

The School leases its building from Prairie View, Inc. The lease requires monthly payments, which approximate Prairie View, Inc.'s required payments on the bonds (Note 5) and may be terminated in any year by non-appropriation of funds. Prairie View, Inc. has pledged the lease payments to pay bond principal and interest.

Rent expense was approximately \$1,240,000 for the year ended June 30, 2015, and is included in general administration expenditures.

The lease between the School (lessee) and Prairie View, Inc. (lessor) includes certain restrictive covenants related to expenditures and unrestricted cash balances. The School is in compliance with the covenants.

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.

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

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. At June 30, 2015, management believes the School has complied with the requirements to include emergency reserves in its budgetary basis fund balance.

Prairie View, Inc. is required to hold funds in escrow accounts related to its bond obligations as identified in Note 3, net position/fund balance are restricted attributable to the restrictions on its cash and investments.

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/deletions 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.

General Information about the Pension Plan

Plan description. Eligible employees of the School are provided with pensions through the 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.

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(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 9 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

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

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 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the SCHDTF.

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

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 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 9 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

	For the Year Ended December 31, 2014	For the Year Ended December 31, 2015
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	3.80%	4.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	3.50%	4.00%
Total Employer Contribution Rate to the SCHDTF ¹	16.43%	17.33%

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF for the School for the years ended June 30, 2015, 2014 and 2013 were \$1,130,807, \$1,029,501 and \$986,961 respectively.

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

At June 30, 2015, the School reported a liability of \$20,235,346 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. Standard update procedures were used to roll forward the total pension liability to December 31, 2014.

The School's proportion of the net pension liability was based on the School's contributions to the SCHDTF for the calendar year 2014 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2014, the School's proportion was 0.1493013359%, which was a decrease of 0.1544626795% from its proportion measured as of December 31, 2013.

For the year ended June 30, 2015, the School recognized pension expense of \$1,577,878. At June 30, 2015, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ -	\$ 1,511
Net difference between projected and actual earnings on pension plan investments	465,347	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	480,401
Contributions subsequent to the measurement date	<u>625,828</u>	<u>-</u>
Total	\$ <u>1,091,175</u>	\$ <u>481,912</u>

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 9 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

\$625,628 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, 2016. 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, 2015		
2016	\$	(62,149)
2017		(62,149)
2018		(8,604)
2019		116,337
2020		-
Thereafter		-

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

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

Mortality rates 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.

The actuarial assumptions used in the December 31, 2013 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.

The SCHDTF’s long-term expected rate of return on pension plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 9 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

As of the most recent analysis of the long-term expected rate of return, presented to the PERA Board on November 15, 2013, 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	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity-Developed	22.06%	5.29%
Non U.S. Equity-Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	<u>7.00%</u>	7.15%
Total	<u>100.00%</u>	

*In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.50%.

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Based on those assumptions, 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 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. There was no change in the discount rate from the prior measurement date.

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 7.50 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$ 26,682,152	\$ 20,235,346	\$ 14,839,260

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.

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO FINANCIAL STATEMENTS
June 30, 2015

NOTE 10 - POSTEMPLOYMENT HEALTHCARE BENEFITS

Health Care Trust Fund

Plan Description – The School contributes to the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer healthcare trust 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 School is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the School 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(1)(f) of the C.R.S., as amended. For the years ending June 30, 2015, 2014 and 2013, the School's contributions to the HCTF were \$64,199, \$63,046, and \$62,979 respectively, equal to their required contributions for each year.

REQUIRED SUPPLEMENTARY INFORMATION

PEAK TO PEAK CHARTER SCHOOLS, INC.
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – GENERAL FUND
Year ended June 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES				
Per pupil revenue	\$ 9,793,276	\$ 9,794,383	\$ 9,790,565	\$ (3,818)
District mill levy	3,186,257	3,186,257	3,193,074	6,817
Intergovernmental				
State sources	776,457	769,238	625,607	(143,631)
Federal sources	-	-	70,023	70,023
Other income	1,560,746	1,544,246	1,682,083	137,837
Interest income	-	-	6,466	6,466
TOTAL REVENUES	<u>15,316,736</u>	<u>15,294,124</u>	<u>15,367,818</u>	<u>73,694</u>
EXPENDITURES				
Current				
Instruction	8,184,947	8,147,563	8,018,139	129,424
Support services:				
Pupil and instruction	376,647	378,682	237,962	140,720
General administration	4,949,596	4,939,145	4,843,149	95,996
Maintenance and operations	990,463	1,002,080	1,089,956	(87,876)
Food services	437,472	442,542	459,529	(16,987)
Other supporting services	355,450	339,435	321,778	17,657
TOTAL EXPENDITURES	<u>15,294,575</u>	<u>15,249,447</u>	<u>14,970,513</u>	<u>278,934</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	138,368	309,458	359,817	50,359
Transfers out	(528)	(2,458)	(6,796)	(4,338)
TOTAL OTHER FINANCING SOURCES (USES)	<u>137,840</u>	<u>307,000</u>	<u>353,021</u>	<u>46,021</u>
NET CHANGE IN FUND BALANCE	160,001	351,677	750,326	398,649
FUND BALANCE, Beginning	<u>3,120,283</u>	<u>3,120,283</u>	<u>3,120,283</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 3,280,284</u>	<u>\$ 3,471,960</u>	<u>\$ 3,870,609</u>	<u>\$ 398,649</u>

See accompanying Notes to the Required Supplementary Information.

PEAK TO PEAK CHARTER SCHOOLS, INC.
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
Last 10 Fiscal Years *

	<u>2014</u>	<u>2013</u>
School's proportion (percentage) of the collective net pension liability (asset)	0.1493013359%	0.1544626795%
School's proportionate share of the collective pension liability (asset)	20,235,346	19,701,673
Covered-employee payroll	6,715,234	6,491,195
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	301.33%	303.51%
Plan fiduciary net pension as a percentage of the total pension liability	62.80%	64.06%

*The amounts presented for each fiscal year were determined as of December 31 based on the measurement date of the Plan. Information earlier than 2013 was not available.

See accompanying Notes to the Required Supplementary Information.

PEAK TO PEAK CHARTER SCHOOLS, INC.
SCHEDULE OF CONTRIBUTIONS AND RELATED RATIOS
Last 10 Fiscal Years *

As of June 30,	<u>2015</u>	<u>2014</u>
Statutorily required contributions	\$ 1,066,608	\$ 966,455
Contributions in relation to the statutorily required contribution	<u>1,066,608</u>	<u>966,455</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered-employee payroll	6,899,325	6,638,128
Contribution as a percentage of covered-employee payroll	15.46%	14.56%

*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.

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2015

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 GAAP.
- 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 as adopted by the School's Board of Directors on October 1, 2014.
- h) There was no legally adopted budget for Prairie View, Inc.
- i) All appropriations lapse at the end of each fiscal year.

PEAK TO PEAK CHARTER SCHOOLS, INC.
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – FRIENDS OF PEAK TO PEAK, INC.
June 30, 2015

	<u>Original and Budget</u>	<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES			
Donations	\$ 401,000	\$ 1,539,881	\$ 1,138,881
Other income	-	30	30
Interest Income	-	25,587	25,587
TOTAL REVENUES	<u>401,000</u>	<u>1,565,498</u>	<u>1,164,498</u>
EXPENDITURES			
General administration	94,000	45,591	48,409
Other supporting services	-	40,988	(40,988)
TOTAL EXPENDITURES	<u>94,000</u>	<u>86,579</u>	<u>7,421</u>
OTHER FINANCING SOURCES (USES)			
Transfers out	(307,000)	(359,756)	(52,756)
TOTAL OTHER FINANCING SOURCES (USES)	<u>(307,000)</u>	<u>(359,756)</u>	<u>(52,756)</u>
NET CHANGE IN FUND BALANCE	-	1,119,163	1,104,321
FUND BALANCE, Beginning	<u>68,972</u>	<u>68,972</u>	<u>-</u>
FUND BALANCE, Ending	<u><u>\$ 68,972</u></u>	<u><u>\$ 1,188,135</u></u>	<u><u>\$ 1,104,321</u></u>