

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

BASIC FINANCIAL STATEMENTS

June 30, 2016

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FINANCIAL SECTION



JOHN CUTLER & ASSOCIATES

Board of Directors
Rocky Mountain Academy of Evergreen
Evergreen, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of Rocky Mountain Academy of Evergreen (the "Academy"), component unit of Jefferson County School District No. R-1, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Academy, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Rocky Mountain Academy of Evergreen as of June 30, 2016, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, schedule of the school's proportionate share, and schedule of the school's contributions on pages 26-28 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.

John Luttler & Associates, LLC

November 3, 2016

Management's Discussion and Analysis (MD&A)

Required Supplementary Information (RSI)

June 30, 2016

The Subsequent Management Discussion and Analysis (MD&A) of Rocky Mountain Academy of Evergreen Financial performance provides an overall review of financial activities for the fiscal year ended June 30, 2016. The intent of this narrative overview and analysis is to review the school's financial performance as a whole.

FINANCIAL HIGHLIGHTS

The period from July 1, 2015 through June 30, 2016 is the twelfth year of Rocky Mountain Academy of Evergreen. As of June 30, 2016, net position is (\$5,196,317). Basic school operations are primarily supported by funding provided in the Colorado State School Finance Act. Tax revenue for the year July 1, 2014 – June 30, 2015 was \$3,500,863.

The year ended June 30, 2015 is the tenth year of operations for RMAE. As of June 30, 2015, net position decreased to (\$134,383) based on the implementation of new regulations under the Governmental Accounting Standards Board Statement (GASB) Number 68. Based on the timing of implementing the regulation in 2014, the Beginning Net Position of the Government Type Activities was restated for FY2015. Further information about GASB 68 is provided in Note 7 of the financial statements.

Overview of Financial Statements

This financial review is intended to serve as an introduction to Rocky Mountain Academy of Evergreen basic financial statements. The basic 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

Government-wide financial statements are prepared to provide interested parties with a broad overview of the school's financial reporting in similar format to private-sector business. The statement of net position presents information related to assets, deferred outflows, and liabilities and remaining assessment of financial value. With historical data, increases or decreases in net position may serve as a useful indicator of whether the financial position of the school is improving or deteriorating.

Fund Financial Statements

A fund is a grouping of related activities that is used to maintain control over resources that have been segregated for specific activities or objectives, as designated by Colorado State Statute. Rocky Mountain Academy of Evergreen monitors these funds to ensure and demonstrate compliance with finance-related legal requirements.

Rocky Mountain Academy of Evergreen adopts an annual budget for the general fund. A budgetary comparison has been provided for the general fund to demonstrate compliance with this budget as part of the required supplementary information included in the audited financial statements.

Governmental-wide Financial Analysis

For the year ending June 30, 2016, the net position of Rocky Mountain Academy of Evergreen totaled \$5,196,317.

Table I: Net Position

	2015 Activities	2016
ASSETS		
Capital Assets, Net	\$3,607,993	\$3,408,984
Other Assets	\$1,315,400	\$1,562,414
Total Assets	\$4,923,393	\$4,971,398
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Refunding	\$355,325	\$875,201
LIABILITIES		
Long Term Liabilities	\$9,919,029	\$10,550,456
Other Liabilities	\$370,883	\$376,946
Total Liabilities	\$10,289,912	\$10,927,402
NET POSITION		
Net Investment in Capital Assets	(\$690,952)	(\$782,673)
Restricted for Emergencies	\$90,757	\$101,905
Unrestricted	\$4,461,739	\$4,515,549
TOTAL NET POSITION	(\$5,061,934)	(\$5,196,317)

Table II: Changes in Net Position

	2015	2016
REVENUES		
<i>General Revenues</i>		
Per Pupil Revenue	\$2,376,164	\$2,677,114
Mill Levy Override	\$388,875	\$521,452
Investment Earnings	\$0	\$0
Other	\$52,047	\$27,497
Total General Revenues	\$2,817,086	\$3,226,063
<i>Program Revenues</i>		
Charges for Services	\$503,184	\$570,187
Operating Grants and Contributions	\$121,866	\$36,308
Capital Grants and Contributions	\$58,727	\$97,163
Total Program Revenues	\$683,777	\$703,658
TOTAL REVENUE	\$3,500,863	\$3,929,721
EXPENSES		
Instruction	\$2,330,867	\$1,958,985
Supporting Services	\$857,897	\$1,779,640
Interest on Long Term Debt	\$347,267	\$325,479
TOTAL EXPENDITURES	\$3,536,031	\$4,064,104
Changes in Net Position	(\$35,168)	(\$134,383)
Net Position, Beginning	(\$5,026,766)	(\$5,061,934)
Prior Period Adjustment		
Net Position, Ending	(\$5,061,934)	(\$5,196,317)

Fund Financial Statements**General Fund**

Income – Total gross revenue for the period of July 1, 2015 – June 30, 2016 was \$3,929,721. The majority of income was received in the form of Per Pupil Revenue allocated to Rocky Mountain Academy of Evergreen from the state of Colorado through the charter authorizer Jefferson County School District. Donations were received through Parent Teacher organization and other parent donations in the amount of \$11,427.

Expenditures – Total expenditures for the period of July 1, 2015 – June 30, 2016 were \$4,064,104. Salaries were \$1,886,714 benefits were \$462,573, purchased/contracted services were \$786,754, and materials and supplies were \$101,934.

Economic Factors and Next Year's Budget

The primary factor driving the budget for the school is student enrollment. Enrollment for the 15-16 school year October count is 391. Student growth, facility costs and additional considerations specific to the school were all considered in the strategic 5 year budgeting process for the period 2013/2014 – 2018/19.

Request for Information

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

Rocky Mountain Academy of Evergreen
2959 Royale Elk Way
Evergreen, CO 80439

BASIC FINANCIAL STATEMENTS

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

STATEMENT OF NET POSITION

As of June 30, 2016

	Governmental Activities	
	2016	2015
ASSETS		
Cash and Investments	\$ 895,074	\$ 661,671
Restricted Cash and Investments	667,340	649,598
Accounts Receivable	-	4,131
Capital Assets, Not Depreciated	79,925	79,925
Capital Assets, Depreciated, Net of Accumulated Depreciation	3,329,059	3,528,068
TOTAL ASSETS	4,971,398	4,923,393
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Refunding Related to Pensions	91,550	96,368
	783,651	258,957
TOTAL DEFERRED OUTFLOWS OF RESOURCES	875,201	355,325
LIABILITIES		
Accounts Payable	11,920	20,556
Accrued Salaries	174,211	163,566
Accrued Interest	53,895	55,602
Unearned Revenues	16,920	21,159
Noncurrent Liabilities		
Bonds		
Due in One Year	120,000	110,000
Due in More Than One Year	4,637,092	4,747,786
Net Pension Liability	5,913,364	5,171,243
TOTAL LIABILITIES	10,927,402	10,289,912
DEFERRED INFLOW OF RESOURCES		
Related to Pensions	115,514	50,740
NET POSITION		
Net Investment in Capital Assets	(782,673)	(690,952)
Restricted for Emergencies	101,905	90,757
Unrestricted	(4,515,549)	(4,461,739)
TOTAL NET POSITION	\$ (5,196,317)	\$ (5,061,934)

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

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES			Net (Expense) Revenue and Change in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
PRIMARY GOVERNMENT					2016	2015
Governmental Activities						
Instruction	\$ 1,958,985	\$ 570,187	\$ 24,881	\$ -	\$ (1,363,917)	\$ (1,792,575)
Supporting Services	1,779,640	-	11,427	97,163	(1,671,050)	(712,412)
Interest on Long-Term Debt	325,479	-	-	-	(325,479)	(347,267)
 Total Governmental Activities	 <u>\$ 4,064,104</u>	 <u>\$ 570,187</u>	 <u>\$ 36,308</u>	 <u>\$ 97,163</u>	 (3,360,446)	 (2,852,254)
		GENERAL REVENUES				
					2,677,114	2,376,164
					521,452	388,875
					27,497	52,047
					<u>3,226,063</u>	<u>2,817,086</u>
					CHANGE IN NET POSITION	(134,383) (35,168)
					NET POSITION, Beginning, As Restated	(5,061,934) (5,026,766)
					NET POSITION, Ending	<u>\$ (5,196,317)</u> <u>\$ (5,061,934)</u>

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

ROCKY MOUNTAIN ACADEMY EVERGREEN

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2016

	GENERAL	BUILDING	TOTALS	
	FUND	CORPORATION	2016	2015
ASSETS				
Cash and Investments	\$ 895,074	\$ -	\$ 895,074	\$ 661,671
Restricted Cash and Investments	101,905	565,435	667,340	649,598
Accounts Receivable	-	-	-	4,131
TOTAL ASSETS	<u>\$ 996,979</u>	<u>\$ 565,435</u>	<u>\$ 1,562,414</u>	<u>\$ 1,315,400</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 11,920	\$ -	\$ 11,920	\$ 20,556
Accrued Salaries and Benefits	174,211	-	174,211	163,566
Unearned Revenues	16,920	-	16,920	21,159
TOTAL LIABILITIES	<u>203,051</u>	<u>-</u>	<u>203,051</u>	<u>205,281</u>
FUND BALANCES				
Restricted for Emergencies	101,905	-	101,905	90,757
Restricted for Debt Service	-	565,435	565,435	558,841
Unassigned	692,023	-	692,023	460,521
TOTAL FUND BALANCES	<u>793,928</u>	<u>565,435</u>	<u>1,359,363</u>	<u>1,110,119</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 996,979</u>	<u>\$ 565,435</u>		
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.			3,408,984	3,607,993
Long-term liabilities and related assets are not due and payable in the current period and, therefore, are not reported in the funds. This amount is comprised of the bonds payable (\$4,990,000), accrued interest (\$53,895), bond discount of \$232,908, and deferred loss on refunding \$91,550			(4,719,437)	(4,817,020)
Long-term liabilities and related assets are not due and payable in the current period and, therefore, are not reported in the funds. This amount is comprised net pension liability of (\$5,913,364), deferred outflows related to pensions of \$783,651, and deferred inflows related to pensions of (\$115,514).			(5,245,227)	(4,963,026)
Net Position of governmental activities			<u>\$ (5,196,317)</u>	<u>\$ (5,061,934)</u>

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

ROCKY MOUNTAIN ACADEMY EVERGREEN

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2016

	GENERAL	BUILDING	TOTALS	
	FUND	CORPORATION	2016	2015
REVENUES				
Local Sources	\$ 3,363,897	\$ 443,780	\$ 3,807,677	\$ 3,407,028
State Sources	122,044	-	122,044	93,835
TOTAL REVENUES	3,485,941	443,780	3,929,721	3,500,863
EXPENDITURES				
Current				
Instruction	1,752,978	-	1,752,978	2,199,983
Supporting Services	1,490,313	-	1,490,313	774,602
Debt Service				
Principal	-	110,000	110,000	100,000
Interest	-	327,186	327,186	334,463
TOTAL EXPENDITURES	3,243,291	437,186	3,680,477	3,409,048
NET CHANGE IN FUND BALANCES	242,650	6,594	249,244	91,815
FUND BALANCES, Beginning	551,278	558,841	1,110,119	1,018,304
FUND BALANCES, Ending	\$ 793,928	\$ 565,435	\$ 1,359,363	\$ 1,110,119

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

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

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

Net Changes in Fund Balances - Total Governmental Funds	\$ 249,244
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense (\$204,325) exceeded capital outlay \$5,316 for the current year.	(199,009)
Some expenses reported in the statement of activities do not require current financial resources and are not reported in the funds. These include amortization of bond discount (\$9,306), amortization of deferred loss on refunding (\$4,818), decrease in accrued interest \$1,707, and principal payments \$110,000.	97,583
Deferred charges related to pensions are not recognized in the governmental funds. However, for the government-wide funds that amount is capitalized and amortized.	<u>(282,201)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (134,383)</u></u>

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

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Rocky Mountain Academy of Evergreen (the “Academy”) was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Jefferson County School District No. R-1 of the State of Colorado.

The accounting policies of the Academy conform to generally accepted accounting principles as applicable to governmental units. Following is a summary of the more significant policies.

Reporting Entity

The financial reporting entity consists of the Academy and organizations for which the Academy is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the Academy. In addition, any legally separate organizations for which the Academy is financially accountable are considered part of the reporting entity. Financial accountability exists if the Academy appoints a voting majority of the organization’s governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on the Academy.

The Academy includes the RMAE Building Corporation (the “Building Corporation”) within its reporting entity. The Building Corporation was formed to support and assist the Academy to perform its function and to carry out its purpose, specifically to assist in the financing of the Academy’s facilities. The Building Corporation is blended into the Academy’s financial statements as a debt service fund. Separate financial statements are not available for this entity. The Academy is a component unit of Jefferson County School District No. R-1.

Government-Wide and Fund Financial Statements

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

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

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period, not to exceed 60 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

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

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

The Academy reports the following major governmental funds:

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

Building Corporation – This fund is used to account for the debt service activities of the Academy.

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Balance/Net Position

Investments – Investments are recorded at fair value.

Capital Assets – Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Academy as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital Assets are depreciated using the straight line method over an estimated useful life of 30 years.

Long-term Debt – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

Deferred Outflows/Inflows of Resources

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

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

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Balance/Net Position

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

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

- Nonspendable – This classification includes amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. The Academy does not report any non-spendable fund balances at June 30, 2016.
- 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 and funds held for debt service as being restricted because their use is restricted by State Statute for declared emergencies and debt service requirements.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Academy did not have any committed resources as of June 30, 2016.

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

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

Compensated Absences

The Academy's policy allows employees to accumulate personal time off (PTO) up to a maximum limit of 30 days. In addition, employees may accumulate days in a sick leave bank. Upon termination of employment, unused PTO will be paid out at \$25 per day. No financial compensation is paid for unused PTO. At June 30, 2016, the PTO liability was not material to the governmental activities, therefore no liability for accumulated PTO is reported in the financial statements.

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 District carries commercial insurance for these risks of loss, and bills the Academy for its portion of coverage. Settled claims have not exceeded insured amounts in the last three years.

Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Academy's financial position and operations. However, complete comparative data in accordance with generally accepted accounting principles has not been presented since its inclusion would make the financial statements unduly complex and difficult to read.

Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

A budget is adopted for the General Fund on a basis consistent with generally accepted accounting principles.

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

NOTE 3: CASH AND INVESTMENTS

A reconciliation of the cash and investment components on the balance sheet to the cash and investments categories in this footnote are as follows:

Petty Cash	\$ 278
Pooled Cash with the District	996,701
Investments	<u>565,435</u>
Total Cash and Investments	<u>\$ 1,562,414</u>

Cash and Investments are reported in the financial statements as follows:

Cash and Investments	\$ 895,074
Restricted Cash and Investments	<u>667,340</u>
Total	<u>\$ 1,562,414</u>

Pooled Cash with the District

Cash deposits are pooled with the District cash and investments which were held by several banking institutions. Pooled investments represent investments in local government investment pools or in money market funds. At June 30, 2016 the Academy's balance in equity in both restricted and unrestricted pooled cash of the District totaled \$996,701.

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 3: CASH AND INVESTMENTS (Continued)

Investments

Interest Rate Risk

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

Credit Risk

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

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

State statutes limit investments in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by a nationally recognized statistical rating organization ("NRSRO"). At June 30, 2016, the Academy had \$565,435, invested in a money market fund. The fund invests only in U.S. Treasury obligations and is rated AAAM by Standard and Poor's.

The Academy has no policy for managing credit risk or interest rate risk.

Restricted Cash and Investments

Cash and Investments of \$565,435 are restricted in the Building Corporation Fund for project costs and bond reserves. Cash in the amount of \$101,905 is also restricted in the General Fund as an emergency reserve related to the TABOR amendment.

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 4: CAPITAL ASSETS

Capital Assets activity for the year ended June 30, 2016 is summarized below.

	Balance <u>June 30, 2015</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2016</u>
Governmental Activities				
Capital Assets, not depreciated				
Land	\$ 79,925	\$ -	\$ -	\$ 79,925
Capital Asset, depreciated				
Building	4,838,245	5,316	-	4,843,561
Improvements	<u>302,844</u>	<u>-</u>	<u>-</u>	<u>302,844</u>
Total Capital Assets, Depreciated	<u>5,141,089</u>	<u>5,316</u>	<u>-</u>	<u>5,146,405</u>
Accumulated Depreciation				
Building	1,596,401	178,595	-	1,774,996
Improvements	<u>16,620</u>	<u>25,730</u>	<u>-</u>	<u>42,350</u>
Total Accumulated Depreciation	<u>1,613,021</u>	<u>204,325</u>	<u>-</u>	<u>1,817,346</u>
Capital Assets, depreciated, net	<u>3,528,068</u>	<u>(199,009)</u>	<u>-</u>	<u>3,329,059</u>
Total Capital Assets	<u>\$ 3,607,993</u>	<u>\$ (199,009)</u>	<u>\$ -</u>	<u>\$ 3,408,984</u>

Depreciation has been charged to the Supporting Services Program of the Academy.

NOTE 5: 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 nine months. The salaries and benefits earned, but unpaid, as of June 30, 2016, were \$174,211 in the General Fund.

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 6: LONG-TERM DEBT

Following is a summary of the Academy's long-term debt transactions for the year ended June 30, 2016:

	Balance <u>June 30, 2015</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>June 30, 2016</u>	Due In <u>One Year</u>
2010 Building Lease	\$ 5,100,000	\$ -	\$ 110,000	\$ 4,990,000	\$ 120,000
Bond Discount	<u>(242,214)</u>	<u>-</u>	<u>(9,306)</u>	<u>(232,908)</u>	<u>-</u>
Total	<u>\$ 4,857,786</u>	<u>\$ -</u>	<u>\$ 100,694</u>	<u>\$ 4,757,092</u>	<u>\$ 120,000</u>

Building Lease

In December, 2010, the Colorado Educational and Facilities Authority (CECFA) issued \$5,085,000 Charter School Refunding & Improvement Revenue Bonds, Series 2010A and \$300,000 of Series 2010B. These bonds were issued to fully refund the 2008B Charter School Revenue Bonds and construct additional facility improvement. The Academy is obligated under a lease agreement to make monthly lease payments to the Building Corporation for use of the facilities. The Building Corporation is obligated under the loan agreement to make similar payments to the trustee, for payment of the bonds. For the Series 2010A bonds, interest accrues at rates ranging from 6.45% to 6.9% and the bonds mature on November 1, 2040. For the Series 2010B bonds interest accrues at 8% and the bonds mature on November 2, 2019.

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 120,000	\$ 320,388	\$ 440,388
2018	125,000	311,866	436,866
2019	135,000	302,823	437,823
2020	145,000	293,056	438,056
2021	105,000	284,606	389,606
2022 – 2026	635,000	1,309,189	1,944,189
2027 – 2031	870,000	1,067,798	1,937,798
2032 – 2036	1,200,000	736,913	1,936,913
2037 - 2041	<u>1,655,000</u>	<u>280,414</u>	<u>1,935,414</u>
Total	<u>\$ 4,990,000</u>	<u>\$ 4,907,053</u>	<u>\$ 9,897,053</u>

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 7: FUNDS PAYABLE TO EXCEL ACADEMY

The Colorado General Assembly enacted the Charter School Capital Facilities Financing Act to encourage school districts to include their charter schools' capital construction in a district ballot question seeking approval of bonded indebtedness. The Board of Education subsequently submitted to voters of the Jefferson County School District a ballot question (3B) seeking voter authorization to increase the School Districts' bonded indebtedness to be used for charter school and district facilities and grounds. The voters approved this ballot question in 2005. Excel Academy could not utilize their portion of the proceeds due to the fact that they did not have any capital needs related to its facilities or ground at that time.

In order to make funds available for the benefit of the Academy, the Executive Boards of Excel and the Academy entered into a letter of agreement which stated that the Academy would receive Excel's 3B portion of bond funds in order to acquire land and build a new facility. In return, the Academy agreed to repay Excel in quarterly installments, over a ten year period. This agreement also includes a stipulation for the payment of 1.5% APR interest to be calculated retroactively if the principal balance is not repaid within three years, or 3% APR interest to be calculated retroactively if the principal balance is not repaid within five years. This interest is to be paid when the Academy pays the full amount of the agreement, but not later than the tenth year. The repayment is subject to annual appropriation by the Academy and is nontransferable. As a result, the payable to Excel has not been recorded in the financial statements. Instead, the payments will be recorded as expense when paid. During the fiscal year ended June 30, 2016, the Academy made principal and interest payments in the amount of \$38,500 and \$33,190, respectively that has been recorded by the Academy as other expense.

NOTE 8: DEFINED BENEFIT PENSION PLAN

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.

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 8: DEFINED BENEFIT PENSION PLAN(Continued)

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.

General Information about the Pension Plan

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.

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

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned.

If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 8: **DEFINED BENEFIT PENSION PLAN**(Continued)

General Information about the Pension Plan (Continued)

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

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

The employer contribution requirements are summarized in the table below:

	For the Year Ended December 31, 2015	For the Year Ended December 31, 2016
Employer Contribution Rate ¹	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) ¹	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF ¹	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	4.20%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	4.00%	4.50%
Total Employer Contribution Rate to the SCHDTF ¹	17.33%	18.13%

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the Academy is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF Academy were \$305,871 for the year ended June 30, 2016.

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

At June 30, 2016 the Academy reported a liability of \$5,913,364 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The Academy's proportion of the net pension liability was based on the Academy's contributions to the SCHDTF for the calendar year 2015 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2015, the Academy's proportion was 0.03866%, which was an increase of 0.00051% from its proportion measured as of December 31, 2014.

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

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

For the year ended June 30, 2016 the Academy recognized pension expense of \$282,201. At June 30, 2016, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 78,087	\$ 243
Net difference between projected and actual earnings on pension plan investments	\$ 501,612	N/A
Changes in Assumptions and other inputs	N/A	\$ 83,566
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$ 50,050	\$ 31,705
Contributions subsequent to the measurement date	\$ 153,902	N/A
Total	\$ 783,651	\$ 115,514

\$153,902 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,	
2017	\$ 130,925
2018	\$ 136,561
2019	\$ 143,642
2020	\$ 103,107

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 8: DEFINED BENEFIT PENSION PLAN(Continued)

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

Actuarial assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions and other inputs:

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%	
Future post-retirement benefit increases:		
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00%	
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.

Changes to assumptions or other inputs since the December 31, 2013 actuarial valuation are as follows:

The following programming changes were made:

- Valuation of the full survivor benefit without any reduction for possible remarriage.
- Reflection of the employer match on separation benefits for all eligible years.
- Reflection of one year of service eligibility for survivor annuity benefit.
- Refinement of the 18 month annual increase timing.
- Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 8: DEFINED BENEFIT PENSION PLAN(Continued)

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

The following methodology changes were made:

- Recognition of merit salary increases in the first projection year.
- Elimination of the assumption that 35% of future disabled members elect to receive a refund.
- Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
- Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

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.

As of the November 15, 2013 adoption of the long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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	7.00%	7.15%
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%.

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 8: DEFINED BENEFIT PENSION PLAN(Continued)

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

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 applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.90%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted).

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 8: DEFINED BENEFIT PENSION PLAN(Continued)

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

- When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan’s fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above actuarial cost method and 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 Academy’s proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50%, 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	\$ 7,665,448	\$ 5,913,364	\$ 4,455,957

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.

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 8: **DEFINED BENEFIT PENSION PLAN** (Continued)

Other Post-Employment 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, 2016, 2015 and 2014, the Academy's employer contribution to the HCTF was \$17,286, \$16,066, and \$16,087, respectively, equal to their required contribution for each year.

NOTE 9: **COMMITMENTS AND CONTINGENCIES**

Claims and Judgments

The Academy participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Academy may be required to reimburse the grantor government. As of June 30, 2016, 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.

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2016

NOTE 9: COMMITMENTS AND CONTINGENCIES (Continued)

Facility Use Agreement

The Academy has entered into an operating lease with the neighboring church to use a portion of the facility for the preschool program. Under the terms of the lease, the Academy is required to pay an annual use fee of \$30,000 payable in ten monthly installments (August to May). In May 2016 the lease was renewed. Under the terms of the renewed agreement, the annual use fee is \$30,900. The current agreement expires on July 31, 2017. The Academy has the option to renew the lease at the end of the initial lease term for two additional one-year periods.

Total rent expense for the year ended June 30, 2016 for this lease was \$32,500.

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The Academy believes it has complied with the Amendment. As required by the Amendment, the Academy has established a reserve for emergencies. At June 30, 2016, the reserve of \$101,905 was recorded as a reservation of fund balance in the General Fund. The District also holds \$101,905 in pooled cash on behalf of the Academy for this reserve.

NOTE 10: DEFICIT NET POSITION

The Net Position of the government type activities is in a deficit position of \$5,196,317 due to the Academy including the Net Pension Liability per GASB No. 68 the Academy's capital assets depreciating at a rate faster than the payment of long-term debt principal debt.

REQUIRED SUPPLEMENTARY INFORMATION

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2016

	2016			VARIANCE Positive (Negative)	2015 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Local Sources					
Per Pupil Revenue	\$ 2,690,400	\$ 2,670,926	\$ 2,233,334	\$ (437,592)	\$ 1,934,987
Mill Levy Override	370,120	521,452	521,452	-	388,875
Charges for Services	549,500	533,500	570,187	36,687	503,184
Donations	82,000	1,000	11,427	10,427	86,758
Other	4,500	35,500	27,497	(8,003)	52,047
State Sources					
Grants and Donations	170,410	89,210	122,044	32,834	93,835
TOTAL REVENUES	3,866,930	3,851,588	3,485,941	(365,647)	3,059,686
EXPENDITURES					
Salaries	1,745,010	1,831,622	1,886,714	(55,092)	1,728,016
Employee Benefits	368,250	428,219	462,573	(34,354)	410,861
Purchased Services	1,243,522	1,245,064	786,754	458,310	743,496
Supplies and Materials	89,400	158,800	101,934	56,866	92,212
Property	-	-	5,316	(5,316)	-
TOTAL EXPENDITURES	3,446,182	3,663,705	3,243,291	420,414	2,974,585
NET CHANGE IN FUND BALANCE	420,748	187,883	242,650	54,767	85,101
FUND BALANCE, Beginning	372,072	390,326	551,278	160,952	466,177
FUND BALANCE, Ending	<u>\$ 792,820</u>	<u>\$ 578,209</u>	<u>\$ 793,928</u>	<u>\$ 215,719</u>	<u>\$ 551,278</u>

See the accompanying independent auditors' report.

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

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

Years Ended December 31,

	<u>2013</u>	<u>2014</u>	<u>2015</u>
School's proportionate share of the Net Pension Liability	0.039%	0.038%	0.039%
School's proportionate share of the Net Pension Liability	\$ 4,935,624	\$ 5,171,243	\$ 5,913,364
School's covered-employee payroll	\$ 1,530,447	\$ 1,573,848	\$ 1,645,765
School's proportionate share of the Net Pension Liability as a percentage of its covered-employee payroll	322.5%	328.6%	359.3%
Plan fiduciary net position as a percentage of the total pension liability	64.1%	62.8%	59.2%

See the accompanying independent auditors' report.

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
SCHOOL DISTRICT TRUST FUND

Years Ended June 30,

	<u>2014</u>	<u>2015</u>	<u>2016</u>
Statutorily required contributions	\$ 270,747	\$ 285,537	\$ 305,871
Contributions in relation to the Statutorily required contributions	<u>270,747</u>	<u>285,537</u>	<u>305,871</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered-employee payroll	\$ 1,577,125	\$ 1,575,106	\$ 1,694,716
Contributions as a percentage of covered-employee payroll	17.17%	18.13%	18.05%

See the accompanying independent auditors' report.