

Crown Pointe Academy

Financial Statements

June 30, 2018

Crown Pointe Academy

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June 30, 2018

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**HINKLE &
COMPANY**
Strategic PC
Business Advisors

Independent Auditors' Report

Board of Directors
Crown Pointe Academy
Westminster, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Crown Pointe Academy as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of Crown Pointe 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.

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 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 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, the business-type activities, each major fund, and the aggregate remaining fund information of Crown Pointe Academy as of June 30, 2018, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 9 to the financial statements, in the year ended June 30, 2018, Crown Pointe Academy adopted new accounting guidance as required by Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is 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 and the required supplementary information listed in the table of contents 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 information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Crown Pointe Academy's basic financial statements. The supplementary information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling the information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Hick & Company, PC

Greenwood Village, Colorado
October 15, 2018



Management's Discussion and Analysis

As management of the Crown Pointe Academy (the School), we offer readers of the Crown Pointe Academy's financial statements this narrative overview and analysis of the financial activities of the Crown Pointe Academy for the fiscal year ended June 30, 2018.

Financial Highlights

At the close of its 21st year of operations, the liabilities of the Crown Pointe Academy exceeded its assets by \$7,765,143 (a negative net position). The reason for the large negative balance is due to the implementation of the Governmental Accounting Standards Board Statement 68 (GASB), a new pension plan liability required to be reported beginning in 2015. The School participates in the state wide defined benefit pension plan for schools called PERA or Public Employees Retirement Association. The government wide impact of this disclosure and GASB 75 (Post-Employment Benefits other Than Pensions, OPEB), is \$10,035,786 and if removed the government wide net position would be a positive \$1,047,111.

At the close of the fiscal year Crown Pointe Academy's governmental fund (the General Fund) reported an ending fund balance of \$1,069,477, an increase of \$206,445 or 23.9%. The operations of the School are funded primarily by tax revenue received under the State's School Finance Act (the Act). State categorical revenue for the year was \$3,343,494.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Crown Pointe Academy's basic financial statements. The Crown Pointe Academy's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Crown Pointe Academy's finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of

related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected grant expenses and earned but unpaid salaries and benefits).

The government-wide financial statement of activities distinguishes functions/programs of the Crown Pointe Academy supported primarily by per pupil revenue (PPR) or property, income, and sales taxes passed through from the Charter School Institute (CSI) received from the County and State. The governmental activities of the Crown Pointe Academy include instruction and supporting services expenses.

The government-wide financial statements can be found on pages 3-4 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Crown Pointe Academy, like other governmental units or charter schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Crown Pointe Academy can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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 the School's near-term financing requirements.

Because the focus of 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 School'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.

Crown Pointe Academy maintains one governmental fund, the general fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the General Fund.

Crown Pointe Academy adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget and is presented on page 33.

Proprietary Funds. The Crown Pointe Academy Building Corporation, considered a component unit of the School, has one fund, an enterprise fund. It is presented with a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. The fund ended the year with a net position of \$1,223,532, an increase of \$50,783 or 4.3% due to contributed capital (building/trellis and turf addition) from the School.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the School. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the School's own programs. Total assets and liabilities of the student activity agency fund were \$110,883 for the period ending June 30, 2018.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This information is provided in pages 12-30.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial condition. Crown Pointe Academy's net position is a negative (\$7,765,143). The negative balance is due primarily to the adoption of GASB Statement No. 68 and 75 resulting in a liability of \$13,169,415 which represents the School's proportionate share of PERA's net pension and OPEB liability.

The School adopted the standards of GASB 75 for the year ended June 30, 2018. Beginning net assets were restated as a result. Information presented for the year ended June 30, 2017, has not been restated because comparable information is not available.

Crown Pointe Academy's Net Position Governmental and Business-Type Activities for the period ending June 30, 2018 and 2017 respectively:

	June 30, 2018	June 30, 2017
Cash and Investments	\$1,007,150	\$ 953,792
Restricted Cash and Investments	988,473	987,589
Other Assets	232,342	69,411
Capital Assets, Net	7,001,568	7,107,708
Total Assets	<u>9,229,533</u>	<u>9,118,500</u>
Deferred Outflows of Resources	3,829,260	4,890,533
Accrued Salaries, Benefits, and A/P	167,282	158,485
Accrued Interest	151,342	154,275
Noncurrent Liabilities	6,640,266	6,781,842
Net Pension/OPEB Liability	<u>13,169,415</u>	<u>12,080,679</u>

Total Liabilities	20,128,305	19,175,281
Deferred Inflows of Resources	695,631	53,919
Net Position		
Net Investment in Capital Assets	887,073	849,020
Restricted for		
Emergencies Tabor	117,500	112,000
Debt Service	189,959	175,721
Repair & Replacement	146,500	148,008
Unrestricted	(9,106,175)	(6,504,916)
Total Net Position	<u>\$ (7,765,143)</u>	<u>\$ (5,220,167)</u>

The largest portion of the Crown Pointe Academy's Governmental and Business Type assets (75.9%) is in net capital assets. 21.6% percent of total assets represent cash and all investments. 2.5% represents accounts receivable and prepaid assets. The government-wide net position reflects a decrease of 41% or \$(2,256,832) over the prior year.

Crown Pointe Academy's Change in Net Position Governmental and Business-Type Activities for the period ending June 30, 2018 and 2017 respectively:

	June 30, 2018	June 30, 2017
Program Revenue:		
Charges for Services	\$ 98,329	\$ 80,826
Operating Grants and Contributions	357,564	347,409
Total Program Revenue	<u>455,893</u>	<u>428,235</u>
General Revenue:		
Per Pupil Operating Revenue	3,343,494	3,275,999
Capital Construction Revenue	118,781	126,112
At Risk Funding & Supplemental Aid	213,955	103,906
Contributions - Unrestricted	11,577	14,927
Interest Income	1,357	(5,647)
Other	5,916	7,378
Total General Revenue	<u>3,695,080</u>	<u>3,522,675</u>
Total Revenue	<u>4,150,973</u>	<u>3,950,910</u>
Expenses:		
Current:		
Instruction	4,159,021	3,851,556
Supporting Services	1,625,307	1,408,392
Food Service	111,969	112,791
Interest, Fiscal Charges, Depreciation	511,508	505,376

Total Expenses	6,407,805	5,878,115
Increase (Decrease) in Net Position	(2,256,832)	(1,927,205)
Beginning Net Position, June 30 as restated	(5,508,311)	(3,292,962)
Ending Net Position, June 30	\$ (7,765,143)	\$ (5,220,167)

Financial Analysis of the Government's Funds

As noted earlier, the Crown Pointe Academy uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds. The focus of the Crown Pointe's governmental fund is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Crown Pointe's financing requirements. In particular, unrestricted, unassigned fund balance may serve as a useful measure of the School's net resources available for spending at the end of the fiscal year. Operationally Crown Pointe assumed the financial responsibility for the Food Service program. Prior to FY15 the District, Westminster 50, financed the program and retained the State and Federal subsidies. The program operated close to break-even but required internal support of approximately \$2,829 or 2.5% of total food service expenditures.

As of the end of the current fiscal year, June 30, 2018, the School's governmental fund reported an ending fund balance of \$1,069,477, an increase of \$206,445. The increase represents 23.9% of the beginning fund balance. Because of the School's substantial reserves, future budgets will focus on a break-even approach and possibly decrease if capital improvements are made. The unreserved portion of ending fund balance was \$862,240 which represents approximately 80 days of available operating reserves.

General Fund Budgetary Highlights

The School approves a budget in June based on enrollment projections for the upcoming school year. In October, after enrollment is finalized, adjustments are made to the budget. The total budgeted general fund appropriation for FY18 was \$4,181,115 with actual expenditures and transfers out of \$3,945,865 resulting in a positive budget variance of \$364,209. Enrollment for FY18 remained relatively flat as the School is at capacity. Per Pupil Revenue (PPR) was based on 450.3 funded pupil count (FPC) or 473 students. PPR represented 80.5% of total General Fund revenue. We planned for a General Fund deficit in FY18 of approximately \$157,764. With the EXPO building and trellis complete, we anticipate a small increase in the General Fund Balance for FY19.

Capital Asset and Debt Administration

Capital Assets. Crown Pointe Academy's net investment in capital assets was \$7,001,568. Total depreciation for FY18 was \$165,541. There was \$59,401 in new capital asset purchases during the year. Improvements included the added cost of a trellis and turf. Please refer to Note 3 for a breakdown on capital assets.

Long-Term Lease Agreement

Crown Pointe Academy entered into a lease agreement with the Crown Pointe Academy Building Corporation in 2009 for use of the new facility. The bonds under which the lease was based were issued October 1, 2009. Under the terms of the new agreement, Crown Pointe will make monthly lease payments ranging from \$35,075 to \$42,354, commencing October 15, 2009, through July 15, 2039.

The School has agreed to maintain a repair and replacement reserve of \$150,000, to be funded with annual payments of \$25,000 commencing July 1, 2012. The final payment was made last year. The School has agreed to maintain a working capital reserve of 8%. The revenue stabilization fund is no longer required as the School's funded pupil count exceeded 400 for two consecutive years at 10/1/2013. Total lease payments will be \$505,511 for FY19 and includes the State Treasurer fees.

Economic Factors and Next Year's Budget

In November of 2000 voters in Colorado approved a provision to the Colorado constitution providing that K-12 funding would increase with pupil growth, plus inflation, plus 1% for 10 years and thereafter, growth plus inflation. This provision expired in FY 10/11 and continues without the 1% increase. We are cautiously optimistic K-12 funding will outpace inflation in the coming years as the Colorado economy continues to improve. The PPR increase for FY19 is approximately 6.3% over FY18. With Colorado unemployment at historically low levels and very strong sales tax revenue growth, we should expect an increase close to 5% for FY20.

Requests for Information

This financial report is designed to provide a general overview of the Crown Pointe Academy's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Crown Pointe Academy, Attn: Bart A. Skidmore, CPA, 2900 W. 86th Avenue, Westminster, CO 80031.

Basic Financial Statements

Crown Pointe Academy
Statement of Net Position
June 30, 2018

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash Investments	\$ 1,007,150	\$ -	\$ 1,007,150
Restricted Cash and Investments	-	988,473	988,473
Accounts Receivable	113,686	2,733	116,419
Grants Receivable	26,186	-	26,186
Prepaid Expenses	34,928	-	34,928
Deposits	54,809	-	54,809
Capital Assets, <i>Not Being Depreciated</i>	-	1,036,924	1,036,924
Capital Assets, <i>Net of Accumulated Depreciation</i>	-	5,964,644	5,964,644
	<hr/>	<hr/>	<hr/>
Total Assets	1,236,759	7,992,774	9,229,533
Deferred Outflows of Resources			
Pensions, <i>Net of Accumulated Amortization</i>	3,816,887	-	3,816,887
OPEB, <i>Net of Accumulated Amortization</i>	12,373	-	12,373
	<hr/>	<hr/>	<hr/>
Total Deferred Outflows of Resources	3,829,260	-	3,829,260
Liabilities			
Accounts Payable	13,142	-	13,142
Accrued Liabilities	912	-	912
Accrued Salaries and Benefits	153,228	-	153,228
Accrued Interest Payable	-	151,342	151,342
Noncurrent Liabilities			
Due Within One Year	22,366	165,000	187,366
Due in More Than One Year	-	6,452,900	6,452,900
Net Pension Liability	12,875,395	-	12,875,395
OPEB Liability	294,020	-	294,020
	<hr/>	<hr/>	<hr/>
Total Liabilities	13,359,063	6,769,242	20,128,305
Deferred Inflows of Resources			
Pensions, <i>Net of Accumulated Amortization</i>	685,951	-	685,951
OPEB, <i>Net of Accumulated Amortization</i>	9,680	-	9,680
	<hr/>	<hr/>	<hr/>
Total Deferred Inflows of Resources	695,631	-	695,631
Net Position			
Net Investment in Capital Assets	-	887,073	887,073
Restricted for:			
Debt Service	-	189,959	189,959
Repair and Replacement	-	146,500	146,500
Emergencies	117,500	-	117,500
Unrestricted	(9,106,175)	-	(9,106,175)
	<hr/>	<hr/>	<hr/>
Total Net Position	\$ (8,988,675)	\$ 1,223,532	\$ (7,765,143)

See Notes to Financial Statements.

Crown Pointe Academy
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position		Total
		Charges For Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	
Primary Government						
<i>Governmental Activities</i>						
Instruction	\$ 4,159,021	\$ 41,232	\$ 259,103	\$ (3,858,686)	\$ -	\$ (3,858,686)
Supporting Services	1,625,307	25,310	21,108	(1,578,889)	-	(1,578,889)
Food Services	111,969	31,787	77,353	(2,829)	-	(2,829)
Total Governmental Activities	<u>5,896,297</u>	<u>98,329</u>	<u>357,564</u>	<u>(5,440,404)</u>	<u>-</u>	<u>(5,440,404)</u>
<i>Business-Type Activities</i>						
Building Corporation	511,508	-	-	-	(511,508)	(511,508)
Total Primary Government	<u>\$ 6,407,805</u>	<u>\$ 98,329</u>	<u>\$ 357,564</u>	<u>(5,440,404)</u>	<u>(511,508)</u>	<u>(5,951,912)</u>
General Revenues						
Per Pupil Revenue				3,343,494	-	3,343,494
At-Risk Supplemental Aid				211,770	-	211,770
Additional At-Risk Funding				2,185	-	2,185
Capital Construction				118,781	-	118,781
Contributions not Restricted to Specific Programs				11,577	-	11,577
Investment Income				2,694	(1,337)	1,357
Other				5,916	-	5,916
Transfers				<u>(563,628)</u>	<u>563,628</u>	<u>-</u>
Total General Revenues and Transfers				<u>3,132,789</u>	<u>562,291</u>	<u>3,695,080</u>
Change in Net Position				(2,307,615)	50,783	(2,256,832)
Net Position, Beginning of year (Restated)				<u>(6,681,060)</u>	<u>1,172,749</u>	<u>(5,508,311)</u>
Net Position, End of year				<u>\$ (8,988,675)</u>	<u>\$ 1,223,532</u>	<u>\$ (7,765,143)</u>

Crown Pointe Academy
 Balance Sheet
 Governmental Fund
 June 30, 2018

	<u>General</u>
Assets	
Cash and Investments	\$ 1,007,150
Accounts Receivable	113,686
Grants Receivable	26,186
Prepaid Expenditures	34,928
Deposits	54,809
Total Assets	\$ 1,236,759
Liabilities and Fund Balance	
<i>Liabilities</i>	
Accounts Payable	\$ 13,142
Accrued Liabilities	912
Accrued Salaries and Benefits	153,228
Total Liabilities	167,282
<i>Fund Balance</i>	
Nonspendable:	
Prepaid Expenditures	34,928
Deposits	54,809
Restricted for Emergencies	117,500
Unrestricted, Unassigned	862,240
Total Fund Balance	1,069,477
Total Liabilities and Fund Balance	\$ 1,236,759

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

Total Fund Balance of the Governmental Fund	\$ 1,069,477
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds.	
Accrued compensated absences	(22,366)
Net pension liability	(12,875,395)
Pension-related deferred outflows of resources	3,816,887
Pension-related deferred inflows of resources	(685,951)
Net OPEB liability	(294,020)
OPEB-related deferred outflows of resources	12,373
OPEB-related deferred inflows of resources	(9,680)
Total Net Position of Governmental Activities	\$ (8,988,675)

Crown Pointe Academy
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2018

	General
Revenues	
Local Sources	\$ 3,465,160
State Sources	446,706
Federal Sources	240,444
Total Revenues	4,152,310
Expenditures	
Instruction	2,193,821
Supporting Services	1,638,123
Food Services	111,969
Total Expenditures	3,943,913
Excess of Revenues Over (Under) Expenditures	208,397
Other Financing Sources (Uses)	
Transfers Out	(1,952)
Net Change in Fund Balance	206,445
Fund Balance, <i>Beginning of year</i>	863,032
Fund Balance, <i>End of year</i>	\$ 1,069,477

Crown Pointe Academy

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities For the Year Ended June 30, 2018

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

Net Change in Fund Balance of the Governmental Fund	\$ 206,445
 Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This includes changes in the following:	
Accrued compensated absences	(10,483)
Net pension liability	(794,716)
Pension-related deferred outflows of resources	(1,073,646)
Pension-related deferred inflows of resources	(632,032)
Net OPEB liability	5,002
OPEB-related deferred outflows of resources	1,495
OPEB-related deferred inflows of resources	<u>(9,680)</u>
 Change in Net Position of Governmental Activities	 <u>\$ (2,307,615)</u>

Crown Pointe Academy
Statement of Net Position
Proprietary Fund
June 30, 2018

	Building Corporation
Assets	
<i>Current Assets</i>	
Restricted Cash and Investments	\$ 988,473
Accounts Receivable	2,733
Total Current Assets	991,206
<i>Noncurrent Assets</i>	
Capital Assets, <i>Not Being Depreciated</i>	1,036,924
Capital Assets, <i>Net of Accumulated Depreciation</i>	5,964,644
Total Noncurrent Assets	7,001,568
Total Assets	7,992,774
Liabilities	
<i>Current Liabilities</i>	
Accrued Interest Payable	151,342
Loan Payable, Current Portion	165,000
Total Current Liabilities	316,342
<i>Noncurrent Liabilities</i>	
Loan Payable	6,452,900
Total Liabilities	6,769,242
Net Position	
Net Investment in Capital Assets	887,073
Restricted for:	
Debt Service	189,959
Repair and Replacement	146,500
Total Net Position	\$ 1,223,532

Crown Pointe Academy
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2018

	<u>Building Corporation</u>
Operating Revenues	
Lease Revenue	\$ <u>502,275</u>
Operating Expenses	
Depreciation	165,541
Debt Service	
Interest and Fiscal Charges	<u>345,967</u>
Total Operating Expenses	<u>511,508</u>
Net Operating Income (Loss)	(9,233)
Nonoperating Revenues	
Investment Income	<u>(1,337)</u>
Net Income (Loss) Before Transfers and Capital Contributions	(10,570)
Transfers and Capital Contributions	
Transfers In	1,952
Contributed Capital Assets	<u>59,401</u>
Change in Net Position	50,783
Net Position, <i>Beginning of year</i>	<u>1,172,749</u>
Net Position, <i>End of year</i>	<u><u>\$ 1,223,532</u></u>

Crown Pointe Academy
Statement of Cash Flows
Proprietary Fund
Increase (Decrease) in Cash and Cash Equivalents
For the Year Ended June 30, 2018

	Building Corporation
Cash Flows From Operating Activities	
Lease Payments Received	\$ 502,275
Loan Principal Paid	(160,000)
Loan Interest and Fiscal Charges Paid	<u>(340,959)</u>
Net Cash Provided (Used) by Operating Activities	<u>1,316</u>
Cash Flows From Capital and Related Financing Activities	
Payments from Other Funds	<u>1,952</u>
Cash Flows From Investing Activities	
Net Investment Earnings	<u>(2,384)</u>
Net Change in Cash and Cash Equivalents	884
Cash and Cash Equivalents, <i>Beginning of year</i>	<u>987,589</u>
Cash and Cash Equivalents, <i>End of year</i>	<u><u>\$ 988,473</u></u>
Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) in Operating Activities	
Net Operating Income (Loss)	\$ (9,233)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	165,541
Amortization of Discount	7,941
Changes in Assets and Liabilities	
Accrued Interest Payable	(2,933)
Loan Payable	<u>(160,000)</u>
Net Cash Provided (Used) by Operating Activities	<u><u>\$ 1,316</u></u>
Noncash Capital Transactions	
Contributed Capital Assets	<u><u>\$ 59,401</u></u>

Crown Pointe Academy
Statement of Fiduciary Assets and Liabilities
Agency Fund
June 30, 2018

	<u>School Activity</u>
Assets	
Cash and Investments	\$ <u>110,883</u>
Liabilities	
Due to School Groups	\$ <u>110,883</u>

Crown Pointe Academy
Notes to Financial Statements
June 30, 2018

Note 1: Summary of Significant Accounting Policies

Crown Pointe Academy (the School) was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school. On July 1, 2015, the School entered into a contract with the Colorado Charter School Institute (the Institute) pursuant to the Colorado Charter School Institute Act, for an initial term of five years. The current contract expires on June 30, 2020.

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

Reporting Entity

The financial reporting entity consists of the School, organizations for which the School is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the School. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the School. Legally separate organizations for which the School is financially accountable are considered part of the reporting entity. Financial accountability exists if the School appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if the organization has the potential to provide benefits to, or impose financial burdens on, the School.

The School includes the Crown Pointe Academy Building Corporation (the Building Corporation) within its reporting entity. The Building Corporation was formed exclusively for the purpose of holding title, as nominee or otherwise, to real and/or personal property for, and to make same available for use by, the School, and to otherwise provide facilities, equipment and other physical plant and related support to the School. The Building Corporation is blended into the School's financial statements as an enterprise fund and does not issue separate financial statements.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the School. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Crown Pointe Academy
Notes to Financial Statements
June 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements (Continued)

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 revenues not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for the governmental fund, the proprietary fund and the fiduciary fund, even though the latter is excluded from the School's government-wide financial statements. Major governmental and proprietary 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* as are the proprietary fund financial statements. 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. The agency fund utilizes the accrual basis of accounting.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current year. Intergovernmental revenues, grants, and interest income associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the School. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, including expenditures related to compensated absences, are recorded only when payment is due.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Crown Pointe Academy
Notes to Financial Statements
June 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

(Continued)

The School reports the following major governmental fund:

General Fund - This fund is the general operating fund of the School. It is currently used to account for all financial activities of the School.

The School reports one major proprietary fund, as follows:

Building Corporation - This fund is used to account for the financial activities of the Building Corporation, primarily related to capital assets and the related debt service.

Additionally, the School reports the following fund type:

School Activity Fund - This fund accounts for resources collected to support student activities. The School holds all resources in a purely custodial capacity.

Assets, Liabilities and Net Position/Fund Balance

Cash Equivalents - For purposes of the statement of cash flows, cash equivalents include investments with original maturities of three months or less.

Receivables - All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Prepaid Expenses - Certain payments to vendors reflect costs applicable to future fiscal years and are reported as prepaid expenses.

Deposits - The School provided a deposit for a future turf installation project.

Capital Assets - Capital assets, which include property and equipment, are reported in the government-wide financial statements and the proprietary fund in the fund financial statements. Capital assets are defined as assets with an initial, individual cost of \$5,000 or more, 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 the acquisition value on the date of donation.

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported in the statement of net position in the government-wide financial statements and the proprietary fund in the fund financial statements. Capital assets are depreciated using the straight-line method over the following estimated useful lives.

Land Improvements	15 years
Buildings and Improvements	40 - 48 years
Furniture and Equipment	5 - 10 years

Crown Pointe Academy
Notes to Financial Statements
June 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

Compensated Absences - Employees of the School are allowed to accumulate unused vacation and paid time off (PTO). Upon termination of employment from the School, an employee will be compensated for all accrued vacation time and PTO at 50% of their daily wage rate up to a maximum of \$50 per day. A long-term liability has been reported in the government-wide financial statements for these accrued compensated absences. This liability is expected to be liquidated with revenues of the General Fund.

Long-Term Debt - In the government-wide financial statements and the proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. In the governmental fund financial statements, 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 are reported as other financing uses. Issuance costs, whether or not withheld from the debt proceeds, are reported as current expenses or expenditures.

Pensions - The School participates in the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan 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 and deductions from the SDTF's fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used by the SDTF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Employer contributions are recognized when the compensation is payable to the employees.

Postemployment Benefits Other Than Pensions (OPEB) - The School participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Public Employees' Retirement Association of Colorado (PERA). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position, and additions to and deductions from the HCTF's fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used by the HCTF. For this purpose, the HCTF recognizes benefit payments when due and payable in accordance with the benefit terms. Employer contributions are recognized when the compensation is payable to the employees.

Crown Pointe Academy
Notes to Financial Statements
June 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

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

Net Position/Fund Balance - In the government-wide and fund financial statements, net position and fund balance are restricted when constraints placed on the use of resources are externally imposed. The Board of Directors is authorized to establish a fund balance commitment through passage of a resolution, and may assign fund balances to a specific purpose through an informal action.

The School has not established a formal policy for its use of restricted and unrestricted fund balances. However, if both restricted and unrestricted fund balances are available for a specific purpose, the School uses restricted fund balance first, followed by committed, assigned, and unassigned balances.

Risk Management

The School 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 School carries commercial insurance for these risks of loss.

Note 2: Cash and Investments

Cash and investments at June 30, 2018, consisted of the following:

Cash on Hand	\$	350
Deposits		185,406
Investments		<u>1,920,750</u>
Total	\$	<u>2,106,506</u>

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

Cash and Investments	\$	1,007,150
Restricted Cash and Investments		988,473
Agency Fund Cash and Investments		<u>110,883</u>
Total	\$	<u>2,106,506</u>

Crown Pointe Academy
Notes to Financial Statements
June 30, 2018

Note 2: Cash and Investments (Continued)

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2018, the School had bank deposits of \$31,917 collateralized with securities held by the financial institution's agent but not in the School's name.

Investments

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

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

At June 30, 2018, the School and the Building Corporation had the following investments.

Investment Type	S&P Rating	Investment Maturities (in Years)			Total
		Less Than 1	1 - 5	5 - 10	
Money Market Fund	Not Rated	\$ 3,015	\$ -	\$ -	\$ 3,015
U.S. Agency Securities	AA+	-	628,915	617,014	1,245,929
Local Government Investment Pool	AAAm	671,806	-	-	671,806
Total		\$ 674,821	\$ 628,915	\$ 617,014	\$ 1,920,750

Crown Pointe Academy
Notes to Financial Statements
June 30, 2018

Note 2: Cash and Investments (Continued)

Investments (Continued)

Fair Value Measurements - The School reports its investments using the fair value measurements established by generally accepted accounting principles. As such, a fair value hierarchy categorizes the inputs used to measure the fair value of the investments into three levels. Level 1 inputs are quoted prices in active markets for identical investments; Level 2 inputs include quoted prices in active markets for similar investments, or other observable inputs; and Level 3 inputs are unobservable inputs. At June 30, 2018, the investments in U.S. Agency securities were measured utilizing quoted prices in active markets for similar investments (Level 2 inputs). The money market fund and external investment pool were reported at the net asset value per share.

Interest Rate Risk - State statutes generally limit investments to an original maturity of five years from the date of purchase, unless the governing board authorizes the investment for a period in excess of five years.

Credit Risk - State statutes limit investments in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with the Securities and Exchange Commission's Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by one or more nationally recognized statistical rating organizations. At June 30, 2018, the School had \$3,015 invested in a money market fund that was not rated.

Concentration of Credit Risk - State statutes do not limit the amount the School may invest in a single issuer of investment securities, except for corporate securities. At June 30, 2018, investments in the Federal Farm Credit Banks Funding Corporation, Federal Home Loan Banks, and Federal National Mortgage Association represented 42%, 15% and 8%, respectively, of total investments.

Local Government Investment Pool - At June 30, 2018, the School and Building Corporation had \$303,421 and \$368,385, respectively, invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds for investment purposes. The Colorado Division of Securities administers and enforces the requirements of creating and operating Colotrust. Colotrust operates in conformity with the Securities and Exchange Commission's Rule 2a-7, with each share valued at \$1. Colotrust is rated AAAM by Standard and Poor's. Investments of Colotrust are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

Restricted Cash

At June 30, 2018, the Building Corporation reported investments of \$988,473 restricted by its loan agreement for debt service and building repair and replacement.

Crown Pointe Academy
Notes to Financial Statements
June 30, 2018

Note 3: Capital Assets

Capital asset activity for the year ended June 30, 2018, is summarized below.

	<u>Balance 6/30/17</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/18</u>
Business-Type Activities				
<i>Capital Assets, Not Being Depreciated</i>				
Land	\$ 1,036,924	\$ -	\$ -	\$ 1,036,924
Construction in Progress	424,042	-	424,042	-
Total Capital Assets, Not Being Depreciated	<u>1,460,966</u>	<u>-</u>	<u>424,042</u>	<u>1,036,924</u>
<i>Capital Assets, Being Depreciated</i>				
Land Improvements	141,104	48,046	-	189,150
Buildings and Improvements	6,351,281	424,967	-	6,776,248
Furniture and Equipment	175,712	10,430	-	186,142
Total Capital Assets, Being Depreciated	<u>6,668,097</u>	<u>483,443</u>	<u>-</u>	<u>7,151,540</u>
<i>Less Accumulated Depreciation</i>				
Land Improvements	(9,407)	(11,809)	-	(21,216)
Buildings and Improvements	(920,395)	(140,396)	-	(1,060,791)
Furniture and Equipment	(91,553)	(13,336)	-	(104,889)
Total Accumulated Depreciation	<u>(1,021,355)</u>	<u>(165,541)</u>	<u>-</u>	<u>(1,186,896)</u>
Total Capital Assets, Being Depreciated, Net	<u>5,646,742</u>	<u>317,902</u>	<u>-</u>	<u>5,964,644</u>
Business-Type Activities Capital Assets, Net	<u>\$ 7,107,708</u>	<u>\$ 317,902</u>	<u>\$ 424,042</u>	<u>\$ 7,001,568</u>

Note 4: Long-Term Debt

Following is a summary of long-term debt transactions for the year ended June 30, 2018:

	<u>Balance 6/30/17</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 6/30/18</u>	<u>Due Within One Year</u>
Governmental Activities					
Compensated Absences	\$ 11,883	\$ 21,769	\$ 11,286	\$ 22,366	\$ 22,366
Business-Type Activities					
Building Loan	\$ 6,945,000	\$ -	\$ 160,000	\$ 6,785,000	\$ 165,000
Discount	(175,041)	-	(7,941)	(167,100)	-
Total	<u>\$ 6,769,959</u>	<u>\$ -</u>	<u>\$ 152,059</u>	<u>\$ 6,617,900</u>	<u>\$ 165,000</u>

Crown Pointe Academy
Notes to Financial Statements
June 30, 2018

Note 4: Long-Term Debt (Continued)

In September 2009, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$7,755,000 Charter School Revenue Bonds, Series 2009. Proceeds of the bonds were loaned to the Building Corporation under a mortgage and loan agreement to acquire land and construct an educational facility. The School is obligated under a lease agreement to make monthly lease payments to the Building Corporation for using the facilities. The Building Corporation is required to make equal loan payments to the Trustee for payment of the bonds. Principal payments are due annually on July 15, through 2039. Interest payments are due semi-annually on January 15 and July 15, with interest accruing at rates ranging from 3% to 5%.

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 165,000	\$ 326,900	\$ 491,900
2020	175,000	320,100	495,100
2021	180,000	312,325	492,325
2022	190,000	303,538	493,538
2023	200,000	294,275	494,275
2024 - 2028	1,150,000	1,315,813	2,465,813
2029 - 2033	1,455,000	1,005,012	2,460,012
2034 - 2038	1,870,000	592,500	2,462,500
2039 - 2040	<u>1,400,000</u>	<u>83,250</u>	<u>1,483,250</u>
Total	<u>\$ 6,785,000</u>	<u>\$ 4,553,713</u>	<u>\$ 11,338,713</u>

Note 5: Interfund Transactions

During the year ended June 30, 2018, the School transferred \$1,952 to the Building Corporation to fund the repair and replacement reserve.

Note 6: Defined Benefit Pension Plan

General Information

Plan Description - The School contributes to the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). All employees of the School participate in the SDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS) assigns the authority to establish and amend plan provisions to the State Legislature. PERA issues a publicly available financial report that includes information on the SDTF. That report may be obtained at www.copera.org/investments/pera-financial-reports.

Crown Pointe Academy
Notes to Financial Statements
June 30, 2018

Note 6: Defined Benefit Pension Plan (Continued)

General Information (Continued)

Benefits Provided - The SDTF provides retirement, disability, and survivor benefits to plan participants or their beneficiaries. Retirement benefits are determined by the amount of service credit earned or purchased, highest average salary, the benefit structure in place, the benefit option selected at retirement, and age at retirement. The retirement benefit is the greater of the a) highest average salary over three years multiplied by 2.5% and then multiplied by years of service credit, or b) the value of the participant's contribution account plus an equal match on the retirement date, annualized into a monthly amount based on life expectancy and other actuarial factors. In no case can the benefit amount exceed the highest average salary or the amount allowed by applicable federal regulations.

Retirees may elect to withdraw their contributions upon termination of employment, and may be eligible to receive a matching amount if five years of service credit is earned and certain other criteria is met. Retirees who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs) as established by State statutes. Retirees who began employment before January 1, 2007, receive an annual increase of 2%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% or the average consumer price index for the prior calendar year. Retirees that began employment after January 1, 2007, receive an annual increase of the lesser of 2% or the average consumer price index for the prior calendar year, with certain limitations.

Disability benefits are available for plan participants once they reach five years of earned service credit and meet the definition of a disability. The disability benefit amount is based on the retirement benefit formula described previously, considering a minimum of twenty years of service credit.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure in place, and the qualified survivor receiving the benefits.

Contributions - The School and eligible employees are required to contribute to the SDTF at rates established by Title 24, Article 51, Part 4 of the CRS. These contribution requirements are established and may be amended by the State Legislature. The contribution rate for employees is 8% of covered salaries. The School's contribution rate for calendar years 2018 and 2017 was 20.15% and 19.65% of covered salaries, respectively. However, a portion of the School's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 7). The School's contributions to the SDTF for the year ended June 30, 2018, were \$371,065, equal to the required contributions.

Crown Pointe Academy
Notes to Financial Statements
June 30, 2018

Note 6: Defined Benefit Pension Plan (Continued)

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

At June 30, 2018, the School reported a net pension liability of \$12,875,395, representing its proportionate share of the net pension liability of the SDTF. The net pension liability was measured at December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017.

The School's proportion of the net pension liability was based on the School's contributions to the SDTF for the calendar year ended December 31, 2017, relative to the contributions of all participating employers. At December 31, 2017, the School's proportion was 0.0398169771%, which was a decrease of 0.0007577967% from its proportion measured at December 31, 2016.

During the 2018 legislative session, the State Legislature passed Senate Bill (SB) 18-200 with the goal of eliminating the unfunded pension liability of the SDTF within the next 30 years. The significant provisions of the legislation include increased age and service requirements to receive full retirement benefits, highest average salary calculated over five years rather than three years, changes to includable employee salaries, increased contributions from employees and employers, and an annual direct distribution from the State of Colorado. The School's estimated net pension liability at June 30, 2018, had the provisions of SB 18-200 been effective was \$5,816,992.

For the year ended June 30, 2018, the School recognized pension expense of \$2,775,524. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 236,724	\$ -
Changes of assumptions and other inputs	3,287,566	20,863
Net difference between projected and actual earnings on plan investments	-	505,629
Changes in proportion	86,630	159,459
Contributions subsequent to the measurement date	<u>205,967</u>	<u>-</u>
Total	<u>\$ 3,816,887</u>	<u>\$ 685,951</u>

School contributions subsequent to the measurement date of \$205,967 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Crown Pointe Academy
Notes to Financial Statements
June 30, 2018

Note 6: Defined Benefit Pension Plan (Continued)

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

Year Ended June 30,

2019	\$ 2,037,111
2020	1,094,639
2021	(16,563)
2022	<u>(190,218)</u>
Total	<u>\$ 2,924,969</u>

Actuarial Assumptions - The actuarial valuation as of December 31, 2016, determined the total pension liability using the following actuarial assumptions and other inputs.

Price inflation	2.4%
Real wage growth	1.1%
Wage inflation	3.5%
Salary increases, including wage inflation	3.5% - 9.7%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate ¹	5.26%
Post-retirement benefit increases:	
Hired prior to 1/1/2007	2.0%
Hired after 12/31/2006	ad hoc

¹ The discount rate reflected in the roll-forward calculation of the total pension liability to the measurement date was 4.78%

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table. The mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates. Healthy, post-retirement mortality assumptions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, with certain adjustments. For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

On November 18, 2016, PERA's governing board adopted revised economic and demographic assumptions based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, which were effective on December 31, 2016. The significant changes affecting the plan included decreasing the investment rate of return assumption from 7.5% per year, compounded annually, net of investment expenses, to 7.25%, and updating mortality assumptions based on RP-2014 mortality tables.

Crown Pointe Academy
Notes to Financial Statements
June 30, 2018

Note 6: Defined Benefit Pension Plan (Continued)

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

The long-term expected rate of return on 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.

The most recent analysis of the long-term expected rate of return was adopted by PERA's governing board on November 18, 2016, and included the target allocation and best estimates of geometric real rates of return for each major asset class, as follows:

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

Discount Rate - The discount rate used to measure the total pension liability was 4.78%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and the employer contributions will be made at the rates specified in State statutes, which currently require annual increases, to a total of 20.15% of covered salaries for the year ended December 31, 2018. When the actuarially determined funding ratio reaches 103%, the employer contribution rate will decrease 0.5% each year, to a minimum of 10.15%.

Crown Pointe Academy
Notes to Financial Statements
June 30, 2018

Note 6: Defined Benefit Pension Plan (Continued)

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

Based on the assumptions described previously, the SDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate, defined as the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index, was used in the determination of the discount rate. The long-term expected rate of return of 7.25% on plan investments was applied to all periods through 2041, and the municipal bond index rate was applied to periods after 2041 to develop the discount rate. On the measurement date of December 31, 2017, the municipal bond index rate was 3.43%, resulting in a discount rate of 4.78%. The discount rate at the prior measurement date was 5.26%.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 4.78%, as well as the School's proportionate share of the net pension liability if it were calculated using a discount rate that is one percentage point lower (3.78%) or one percentage point higher (5.78%) than the current rate, as follows:

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate share of the net pension liability	\$ 16,263,814	\$ 12,875,395	\$ 10,114,221

Pension Plan Fiduciary Net Position - Detailed information about the SDTF's fiduciary net position is available in PERA's separately issued financial report, which may be obtained at www.copera.org/investments/pera-financial-reports.

Note 7: Postemployment Healthcare Benefits

General Information

Plan Description - All employees of the School are eligible to receive postemployment benefits other than pensions (OPEB) through the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Public Employees' Retirement Association of Colorado (PERA). Title 24, Article 51, Part 12 of the Colorado Revised Statutes (CRS) assigns the authority to establish and amend plan provisions to the State Legislature. PERA issues a publicly available financial report that includes information on the HCTF. That report may be obtained at www.copera.org/investments/pera-financial-reports.

Crown Pointe Academy
Notes to Financial Statements
June 30, 2018

Note 7: Postemployment Healthcare Benefits (Continued)

General Information (Continued)

Benefits Provided - The HCTF provides a healthcare premium subsidy to eligible benefit recipients and retirees who choose to enroll. Eligibility to enroll is voluntary and includes benefit recipients, their eligible dependents and surviving spouses, among others. Eligible benefit recipients may enroll in the HCTF upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period. The health care premium subsidy is based on the benefit structure under which the member retires and the member's years of service credit.

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare, and \$115 per month for benefit recipients who are over 65 years of age or who are under 65 years of age and entitled to Medicare. An additional subsidy is provided if the benefit recipient has not participated in Social Security and is not otherwise eligible for Medicare Part A. The maximum subsidy is based on 20 or more years of service. The subsidy is reduced for each year of service less than 20 years. The benefit recipient pays the remaining portion of the premium not covered by the subsidy.

Contributions - As established by Title 24, Article 51, Section 208 of the CRS, 1.02% of the School's contributions to the School Division Trust Fund (SDTF) (See Note 6) is apportioned to the HCTF. No employee contributions are required. These contribution requirements are established and may be amended by the State Legislature. The School's apportionment to the HCTF for the year ended June 30, 2018, was \$19,015, equal to the required amount.

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

At June 30, 2018, the School reported a net OPEB liability of \$294,020, representing its proportionate share of the net OPEB liability of the HCTF. The net OPEB liability was measured at December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2017.

The School's proportion of the net OPEB liability was based on the School's contributions to the HCTF for the calendar year ended December 31, 2017, relative to the contributions of all participating employers. At December 31, 2017, the School's proportion was 0.0226238510%, which was a decrease of 0.0004393376% from its proportion measured at December 31, 2016.

For the year ended June 30, 2018, the School recognized OPEB expense of \$22,021. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Crown Pointe Academy
Notes to Financial Statements
June 30, 2018

Note 7: Postemployment Healthcare Benefits (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,391	\$ -
Net difference between projected and actual earnings on plan investments	-	4,919
Changes in proportion	-	4,761
Contributions subsequent to the measurement date	10,982	-
Total	\$ 12,373	\$ 9,680

School contributions subsequent to the measurement date of \$10,982 will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ended June 30,

2019	\$ (1,892)
2020	(1,892)
2021	(1,892)
2022	(1,892)
2023	(662)
2024	(59)
Total	\$ (8,289)

Actuarial Assumptions - The actuarial valuation as of December 31, 2016, determined the total OPEB liability using the following actuarial assumptions and other inputs, applied to all periods included in the measurement.

Price inflation	2.4%
Real wage growth	1.1%
Wage inflation	3.5%
Salary increases, including wage inflation	3.5%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates:	
Service-based premium subsidy	0.0%
Medicare plans	5.0%
Medicare Part A premiums:	
3% for 2017, gradually rising to 4.25% in 2023	

Crown Pointe Academy
Notes to Financial Statements
June 30, 2018

Note 7: Postemployment Healthcare Benefits (Continued)

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

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table. The mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates. Healthy, post-retirement mortality assumptions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, with certain adjustments. For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

Health care cost trend rates are based on published annual health care inflation surveys in conjunction with actual plan experience, building block models and heuristics developed by actuaries and administrators, and other projected trends.

The actuarial assumptions used in the December 31, 2016, valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, and were adopted by PERA's governing board on November 18, 2016. In addition, certain actuarial assumptions pertaining to per capita health care costs and the related trends are analyzed by PERA's actuary as needed.

The long-term expected rate of return on the HCTF 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.

The most recent analysis of the long-term expected rate of return was adopted by PERA's governing board on November 18, 2016, and included the target allocation and best estimates of geometric real rates of return for each major asset class, as presented previously in Note 6.

Discount Rate - The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at the current contribution rate. Based on this assumption, the HCTF's fiduciary net position was projected to be available to make all projected future OPEB payments to current active and inactive employees. Therefore, the long-term expected rate of return on HCTF investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Crown Pointe Academy
Notes to Financial Statements
June 30, 2018

Note 7: Postemployment Healthcare Benefits (Continued)

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

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the School's proportionate share of the net OPEB liability calculated using the discount rate of 7.25%, as well as the School's proportionate share of the net OPEB liability if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate, as follows:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Proportionate share of the net OPEB liability	\$ <u>330,570</u>	\$ <u>294,020</u>	\$ <u>262,822</u>

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the School's proportionate share of the net OPEB liability calculated using the current healthcare cost trend rates, ranging from 3% to 5%, as well as the School's proportionate share of the net OPEB liability if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates, as follows:

	<u>1% Decrease</u>	<u>Current Healthcare Cost Trend Rates</u>	<u>1% Increase</u>
Proportionate share of the net OPEB liability	\$ <u>285,930</u>	\$ <u>294,020</u>	\$ <u>303,763</u>

OPEB Plan Fiduciary Net Position - Detailed information about the HCTF's fiduciary net position is available in PERA's separately issued financial report, which may be obtained at www.copera.org/investments/pera-financial-reports.

Note 8: Commitments and Contingencies

Claims and Judgments

The School participates in a number of federal and state programs that are fully or partially funded by revenues received from other governmental entities. Expenditures financed by these revenues are subject to audit by the appropriate government. If expenditures are disallowed due to noncompliance with program regulations, the School may be required to reimburse the other government. At June 30, 2018, significant amounts of related expenditures have not been audited but the School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

Crown Pointe Academy
Notes to Financial Statements
June 30, 2018

Note 8: Commitments and Contingencies (Continued)

Tabor Amendment

In November 1992, Colorado voters approved the Tabor Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The Amendment is subject to many interpretations, but the School believes it is in substantial compliance with the Amendment. In accordance with the Amendment, the School has established an emergency reserve representing 3% of qualifying expenditures. At June 30, 2018, the reserve was reported as restricted fund balance in the General Fund, in the amount of \$117,500.

Note 9: Change in Accounting Principle

For the year ended June 30, 2018, the School adopted the standards of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result, net position of the governmental activities at June 30, 2017, was restated to reflect the cumulative effect of adopting the standards.

Certain balances of deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2017, were not available and have not been reported in the financial statements.

	Governmental Activities
Net Position, June 30, 2017, as <i>Originally Stated</i>	\$ (6,392,916)
Deferred Outflows of Resources	10,878
Net OPEB Liability	<u>(299,022)</u>
Net Position, June 30, 2017, as <i>Restated</i>	<u>\$ (6,681,060)</u>

Required Supplementary Information

Crown Pointe Academy
 Required Supplementary Information
 Schedule of Proportionate Share of the Net Pension Liability and Contributions
 Public Employees' Retirement Association of Colorado
 School Division Trust Fund
 June 30, 2018

	<u>12/31/17</u>	<u>12/31/16</u>	<u>12/31/15</u>	<u>12/31/14</u>	<u>12/31/13</u>
Proportionate Share of the Net Pension Liability					
School's Proportion of the Net Pension Liability	0.0398169771%	0.0405747738%	0.0400846407%	0.0377819348%	0.0364617439%
School's Proportionate Share of the Net Pension Liability	\$ 12,875,395	\$ 12,080,679	\$ 6,130,663	\$ 5,120,721	\$ 4,650,686
School's Covered Payroll	\$ 1,836,710	\$ 1,821,068	\$ 1,746,879	\$ 1,582,792	\$ 1,469,889
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	701%	663%	351%	324%	316%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	44%	43%	59%	63%	64%
	<u>6/30/18</u>	<u>6/30/17</u>	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/14</u>
School Contributions					
Statutorily Required Contribution	\$ 352,050	\$ 336,063	\$ 321,693	\$ 280,181	\$ 244,095
Contributions in Relation to the Statutorily Required Contribution	<u>(352,050)</u>	<u>(336,063)</u>	<u>(321,693)</u>	<u>(280,181)</u>	<u>(244,095)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>				
School's Covered Payroll	\$ 1,864,226	\$ 1,828,213	\$ 1,814,051	\$ 1,658,893	\$ 1,527,074
Contributions as a Percentage of Covered Payroll	18.88%	18.38%	17.73%	16.89%	15.98%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

Crown Pointe Academy
 Required Supplementary Information
 Schedule of Proportionate Share of the Net OPEB Liability and Contributions
 Public Employees' Retirement Association of Colorado
 Health Care Trust Fund
 June 30, 2018

	12/31/17
Proportionate Share of the Net OPEB Liability	
School's Proportion of the Net OPEB Liability	0.0226238510%
School's Proportionate Share of the Net OPEB Liability	\$ 294,020
School's Covered-Employee Payroll	\$ 1,916,552
School's Proportionate Share of the Net OPEB Liability as a Percentage of Covered-Employee Payroll	15%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	18%
	6/30/18
School Contributions	
Statutorily Required Contribution	\$ 19,015
Contributions in Relation to the Statutorily Required Contribution	(19,015)
Contribution Deficiency (Excess)	\$ -
School's Covered-Employee Payroll	\$ 1,965,819
Contributions as a Percentage of Covered-Employee Payroll	0.97%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

Crown Pointe Academy
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2018

	Original and Final Budget	Actual	Variance <i>Positive</i> <i>(Negative)</i>
Revenues			
<i>Local Sources</i>			
Per Pupil Revenue	\$ 3,380,890	\$ 3,343,494	\$ (37,396)
Student Fees	13,500	41,232	27,732
Food Service Fees	29,250	31,787	2,537
Grants and Contributions	5,000	14,727	9,727
Rental Income	21,650	25,310	3,660
Investment Income	12,500	2,694	(9,806)
Other	3,000	5,916	2,916
<i>State Sources</i>			
Supplemental At-Risk Aid	-	211,770	211,770
Additional At-Risk Funding	111,078	2,185	(108,893)
Capital Construction	115,811	118,781	2,970
Grants	118,047	113,970	(4,077)
<i>Federal Sources</i>			
Grants	212,625	240,444	27,819
Total Revenues	4,023,351	4,152,310	128,959
Expenditures			
Salaries	1,929,550	1,965,819	(36,269)
Employee Benefits	703,030	687,547	15,483
Purchased Services	1,165,595	1,044,531	121,064
Supplies	125,984	146,687	(20,703)
Property	73,778	82,388	(8,610)
Other	18,178	16,941	1,237
Reserves	165,000	-	165,000
Total Expenditures	4,181,115	3,943,913	237,202
Excess of Revenues Over (Under) Expenditures	(157,764)	208,397	366,161
Other Financing Sources (Uses)			
Transfers Out	-	(1,952)	(1,952)
Net Change in Fund Balance	(157,764)	206,445	364,209
Fund Balance, <i>Beginning of year</i>	740,933	863,032	122,099
Fund Balance, <i>End of year</i>	\$ 583,169	\$ 1,069,477	\$ 486,308

Crown Pointe Academy
Notes to Required Supplementary Information
June 30, 2018

Note 1: Schedule of Proportionate Share of the Net Pension Liability and Contributions

The Public Employees' Retirement Association of Colorado (PERA) School Division Trust Fund's net pension liability and associated amounts are measured annually at December 31, based on an actuarial valuation as of the previous December 31. The School's contributions and related ratios represent cash contributions and any related accruals that coincide with the School's fiscal year ending on June 30.

Changes in Assumptions and Other Inputs

For the year ended June 30, 2018, the total pension liability was determined by an actuarial valuation as of December 31, 2016. The following revised economic and demographic assumptions were effective as of December 31, 2016.

- Investment rate of return assumption decreased from 7.5% per year, compounded annually, net of investment expenses, to 7.25%.
- Price inflation assumption decreased from 2.8% per year to 2.4%.
- Real rate of investment return assumption increased from 4.7% per year, net of investment expenses, to 4.85%.
- Wage inflation assumption decreased from 3.9% per year to 3.5%.
- Healthy and disabled mortality assumptions are based on the RP-2014 Mortality Tables, updated from the RP-2000 Mortality Tables.

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

The School is required by State statutes to adopt a budget on a basis consistent with generally accepted accounting principles.

The School adheres to the following procedures to establish the budgetary information reflected in the financial statements.

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

Supplementary Information

Crown Pointe Academy
Statement of Changes in Assets and Liabilities
Agency Fund
For the Year Ended June 30, 2018

	Balance 6/30/17	Additions	Deductions	Balance 6/30/18
School Activity Fund				
Assets				
Cash and Investments	\$ 83,953	\$ 81,496	\$ 54,566	\$ 110,883
Deposits	3,135	-	3,135	-
Total Assets	\$ 87,088	\$ 81,496	\$ 57,701	\$ 110,883
Liabilities				
Due to School Groups	\$ 87,088	\$ 81,496	\$ 57,701	\$ 110,883
Total Liabilities	\$ 87,088	\$ 81,496	\$ 57,701	\$ 110,883