PIKES PEAK SCHOOL OF EXPEDITIONARY LEARNING

FINANCIAL STATEMENTS

June 30, 2017

PIKES PEAK SCHOOL OF EXPEDITIONARY LEARNING
June 30, 2017

Board of Directors

President	Bob Bishop
Secretary	Dean Jaeger
Treasurer	Andy Bernard
Board Member	Jen Burger
Board Member	Trey Niemeyer
Board Member	Luke Turk
Board Member	Erin Smith

Administration

Principal	Don Knapp

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Board of Directors
Pikes Peak School of Expeditionary Learning
Falcon, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Pikes Peak School of Expeditionary Learning, component unit of Falcon School District 49, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Pikes Peak School of Expeditionary Learning, 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, and each major fund of the Pikes Peak School of Expeditionary Learning as of June 30, 2017, 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.

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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.

September 5, 2017

PIKES PEAK SCHOOL OF EXPEDITIONARY LEARNING

MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2017

The Management Discussion and Analysis (MD&A) of Pikes Peak School of Expeditionary Learning's (PPSEL/School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2017. Readers should also review the Financial Statements and Notes to Financial Statements to better understand the School's financial performance.

The MD & A is an element of the reporting model adopted by the Governmental Accounting Standards Board in their Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, issued June, 1999.

The mission of PPSEL is to develop a community that embraces and actively cultivates a challenging and engaging learning environment. Employing collaborative teaching methods and diverse individual learning opportunities, the School endeavors to develop motivated, independently thinking individuals who demonstrate skillful articulation of learning, solid academic achievement, social confidence and service to the community.

Financial Highlights

The year ended June 30, 2017 is the School's eighteenth year of operations. The General Fund balance increased $307,044 to $1,944,832 from $1,637,788 for the prior year. This increase is significant in that it will allow the School to remain financially viable and stable when facing future potential budget cuts at the State level.

The School's operations are funded by tax revenue received under the State School Finance Act. Tax revenue for the year from Per Pupil Revenue was $2,771,528. The School operated within the budget approved by the Board of Directors. A budget revision, based on the official student count of 392, was approved in February, 2017.

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). As of June, 2017, the School is required to report a net pension liability of $7,808,633, representing its proportionate share of the net pension liability of the SDTF. ALL COLORADO SCHOOLS ARE REQUIRED TO REPORT THIS LIABILITY. IT DOES NOT CHANGE THE ACTUAL FINANCIAL OVERVIEW OF THE SCHOOL. The School has no input into the management of the SDTF and is required by Colorado Law to participate in the pension plan. The impact of this change in reporting will appear in the enclosed Financial Reports. Please refer to Note 6 for more detail.

PPSEL operates under the supervision of a seven member Board of Directors. The Board of Directors assigns responsibility of the School's operation to the Administrator and School staff. An independent accountant prepares and the Board of Directors reviews financial reports on a quarterly schedule. These reports include, but are not limited to: the Balance Sheet and the Budget vs. Actual Income Statement. The Falcon School District #49 (District) Finance Director receives a monthly Trial Balance Report in addition to these quarterly financial reports.

The combined financial statements of PPSEL include statements for the PPSEL Building Corporation, the entity that holds the debt for the School facility. PPSEL has a renewable one year lease with PPSEL Building Corporation for use of the facility. Note 5 to the financial statements provides additional information about the long-term debt.

Overview of Financial Statements

This MD&A is intended to serve as an introduction to PPSEL's financial statements. The statements are comprised of four components: 1) Government-wide Financial Statements, 2) Fund Financial Statements, 3) Notes to the Financial Statements, and 4) Required Supplementary Information.

Government-wide Financial Statements

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

The Statement of Net Position presents information regarding all School assets and liabilities, and deferred inflows and outflows, with the difference reported as the Net Position. Over time, the increases or decreases in the net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The Statement of Activities (Revenues and Expenses) presents information showing how the School's Net Position changed during the year. All changes in the Net Position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the Statement of Activities for some items that will result in cash flows in future periods (for example, salaries and benefits earned but unpaid as of year end).

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of PPSEL can be divided into two categories: Governmental Funds and Proprietary 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 balances of resources available at the end of the fiscal year. Such information may be useful in evaluating the School's near-term financing requirements. PPSEL maintains one government fund which includes all operating activity.

Proprietary Funds: PPSEL Building Corporation, considered a component unit of the School, has one fund identified as the Proprietary Fund. Its activity is related to holding title to the School facility and processing the Colorado Educational and Cultural Facilities Authority Loan Agreement associated with the facility financing.

Notes to the Financial Statements

The Notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Required Supplementary Information

The Required Supplementary Information includes a Budgetary Comparison Schedule of the General Fund with additional notes.

Government-wide Financial Statement Analysis

For PPSEL and the PPSEL Building Corporation, Liabilities and Deferred Inflows exceeded Assets and Deferred Outflows by $3,038,620 as of the close of the 2016/2017 fiscal year compared to Liabilities exceeding Assets by $1,964,237 in the prior year. The negative balance is a result of adopting GASB Statement No. 68, which requires the School to report its proportionate share of the net pension liability of its defined benefit pension plan.

Statement of Net Position
Governmental and Business Type Activities

	30-Jun-17	30-Jun-16	Net Change
Current and Other Assets	$ 2,124,648	$ 1,894,420	$ 230,228
Capital Assets	$ 4,796,094	$ 4,902,035	$ (105,941)
Total Assets	$ 6,920,742	$ 6,796,455	$ 124,287
Deferred Outflows of Resources			
Loss on Debt Refunding, Net of Amort	$ 768,283	$ 864,319	$ (96,036)
Pensions, Net of Accum. Amortization	$ 3,231,064	$ 526,632	$ 2,704,432
Total Deferred Outflows	$ 3,999,347	$ 1,390,951	$ 2,608,396
Current Liabilities	$ 164,438	$ 165,637	$ (1,199)
Other Liabilities	$ 5,950,877	$ 6,189,136	$ (238,259)
Net Pension Liability	$ 7,808,663	$ 3,739,405	$ 4,069,258
Total Liabilities	$ 13,923,978	$ 10,094,178	$ 3,829,800
Deferred Inflows of Resources			
Pensions, Net of Amortization	$ 34,731	$ 57,465	$ (22,734)
Net Position			
Net Investment in Capital Assets	$ (386,500)	$ (422,782)	$ 36,282
Restricted for Debt Service	$ 15,378	$ 90,995	$ (75,617)
Restricted for Emergencies	$ 94,000	$ 91,000	$ 3,000
Unrestricted	$ (2,761,498)	$ (1,723,450)	$(1,038,048)
Total Net Position	$ (3,038,620)	$(1,964,237)	$ (1,074,383)

Current and Other Assets make up 31% of PPSEL and the PPSEL Building Corporation's Total Assets (of which $32,975 or 1.5% is restricted for the Building Corporation debt service.) Capital Assets, which reflect the Building Corporation's investment in real and personal property and equipment, currently make up 69% of Total Assets. Total Liabilities decreased by $239,458 before the inclusion of the Net Pension Liability.

Statement of Activities
Governmental and Business Type Activities

	30-Jun-17	30-Jun-16	Net Change
Program Revenue:			
Charges for Services	$ 139,104	$ 148,603	$ (9,499)
Operating Grants	$ 13,384	$ 16,306	$ (2,922)
Total Program Revenue	$ 152,488	$ 164,909	$ (12,421)
General Revenue:			
Per Pupil Revenue	$ 2,771,528	$ 2,799,013	$ (27,485)
District Mill Levy	$ 156,772	$ 47,587	$ 109,185
Capital Construction Grant	$ 108,758	$ 101,794	$ 6,964
Other Unrestricted Contributions	$ 20,148	$ 23,656	$ (3,508)
Investment Income	$ 5,770	$ 4,275	$ 1,495
Total General Revenue	$ 3,062,976	$ 2,976,325	$ 86,651
Total Revenue	$ 3,215,464	$ 3,141,234	$ 74,230
Expenses:			
Instruction	$ 2,820,599	$ 1,799,609	$ 1,020,990
Supporting Services	$ 1,056,021	$ 591,447	$ 464,574
Building Corporation	$ 413,227	$ 667,818	$ (254,591)
Total Expenses	$ 4,289,847	$ 3,058,874	$ (1,230,973)
Increase (Decrease) in Net Position	$ (1,074,383)	$ 82,360	$(1,156,743)
Beginning Net Position	$ (1,964,237)	$ (2,046,597)	$ 82,360
Ending Net Position	$ (3,038,620)	$ (1,964,237)	$(1,074,383)

Charges for Services include Pre-Kindergarten Tuition, Expeditionary Activity Fees, and After School Program Revenues. The School's official student count decreased to 392 in 2016/2017 from 394 in 2015/2016. Per Pupil Revenue makes up 86% of the School's Total Revenue and decreased from $2,799,013 to $2,771,528 for a total reduction of $27,485.

Fund Financial Statement Analysis

As noted earlier, PPSEL uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The financial detail on the previous page consolidates the governmental fund and proprietary fund.

Governmental Funds: The focus of Pikes Peak School of Expeditionary Learning's governmental fund is to provide information on near-term inflows, outflows and balances of spendable resources for only the School.

This is the School's eighteenth year of operation. The Governmental Fund Revenue for FY 2016/2017 was $3,215,459 compared to $3,141,194 the prior year. The Government Fund Expenses for FY 2016/2017 were $2,908,415 compared to $2,852,105 the prior year. At the end of the fiscal year, the School had an ending Governmental Fund balance of $1,944,832, an increase of $307,044 over the prior year balance of $1,637,788.

Proprietary Fund: Net Position of the Building Corporation as of June 30, 2017 is ($371,122) compared to ($332,312) the prior year, a decrease of $38,810. The balance will become positive as the debt is paid down.

Budgetary Highlights

PPSEL approves a Budget in the spring based on enrollment projections for the following school year. In February, 2017 after enrollment was finalized, a Revised Budget was approved by the PPSEL Board of Directors. The Revised Budget reflects changes in Per Pupil Revenue and Purchased Services costs for Falcon School District #49 provided services which are based on the finalized student count.

The majority of the actual General Fund spending is for Salaries and Benefits (60%). Purchased Services, excluding lease payments to the Building Corporation, make up 19% of total expenditures. The primary source of spending under Purchased Services is for those services provided by District #49 for Special Education ($231,718) and Administration ($53,470). Expenses related to leasing the building are 13% of the total General Fund expenditures. Expenditures in the General Fund were within the approved budgets for fiscal year 2016/2017.

Capital Asset and Debt Administration

Capital assets: As of June 30, 2017, the PPSEL Building Corporation owns land and land improvements with a carrying value of $548,380, a building capitalized at $5,122,811, Equipment and Furniture totaled $109,856 and Playground Artificial Turf at $27,857. The carrying value of capital assets net of accumulated depreciation is $4,796,094. More detail on capital assets is available in Note 4 to the financial statements.

Long-term debt: In January, 2008, the Building Corporation obtained financing of $6,500,000 from bonds issued by the Colorado Educational and Cultural Facilities Authority at an interest cost of 6.625%. In December, 2015, the Colorado Educational and Cultural Facilities Authority issued $6,189,136 Charter School Refunding Revenue Bonds, Series 2015 at an interest rate of 3.5%. The School will continue to make lease payments for use of the facility, which the Building Corporation will use to make the required principal and interest payments on the debt. These transactions flow through the Colorado State Intercept Program where the State withholds a portion of the Per Pupil Funding and transfers the funds to a designated trustee that in turn makes the principal and interest payments when due. Note 5 to the financial statements provides additional information about long-term debt.

Next Year's Budget

The School's FY 2017/2018 Budget is based on a student count of 392 and a Per Pupil Revenue of $7,075.60.

Requests for Information

Questions concerning any of the information provided in this report or requests for additional financial information should be submitted in writing and addressed to Mr. Don Knapp, Principal, Pikes Peak School of Expeditionary Learning, 11925 Antlers Ridge Drive, Falcon, CO 80831.

BASIC FINANCIAL STATEMENTS

PIKES PEAK SCHOOL OF EXPEDITIONARY LEARNING

STATEMENT OF NET POSITION

June 30, 2017

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
ASSETS			
Cash and Investments	$ 2,065,534	$ -	$ 2,065,534
Restricted Cash and Investments	-	32,975	32,975
Accounts Receivable	26,139	-	26,139
Capital Assets, Not Being Depreciated	-	548,380	548,380
Capital Assets, Net of Accumulated Depreciation	-	4,247,714	4,247,714
TOTAL ASSETS	2,091,673	4,829,069	6,920,742
DEFERRED OUTFLOWS OF RESOURCES			
Loss on Debt Refunding, Net of Accumulated Amortization	-	768,283	768,283
Pensions, Net of Accumulated Amortization	3,231,064	-	3,231,064
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,231,064	768,283	3,999,347
LIABILITIES			
Accounts Payable	15,376	-	15,376
Accrued Liabilities	1,452	-	1,452
Accrued Salaries and Benefits	130,013	-	130,013
Accrued Interest Payable	-	17,597	17,597
Noncurrent Liabilities			
Due Within One Year	-	167,420	167,420
Due in More Than One Year	-	5,783,457	5,783,457
Net Pension Liability	7,808,663	-	7,808,663
TOTAL LIABILITIES	7,955,504	5,968,474	13,923,978
DEFERRED INFLOWS OF RESOURCES			
Pensions, Net of Accumulated Amortization	34,731	-	34,731
NET POSITION			
Net Investment in Capital Assets	-	(386,500)	(386,500)
Restricted for Debt Service	-	15,378	15,378
Restricted for Emergencies	94,000	-	94,000
Unrestricted	(2,761,498)	-	(2,761,498)
TOTAL NET POSITION	$ (2,667,498)	$ (371,122)	$ (3,038,620)

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

PIKES PEAK SCHOOL OF EXPEDITIONARY LEARNING

STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES CHARGES FOR SERVICES	PROGRAM REVENUES OPERATING GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT			
Governmental Activities			
Instruction	$ 2,820,599	$ 139,104	$ 13,384
Supporting Services	1,056,021	-	-
Total Governmental Activities	3,876,620	139,104	13,384
Business-Type Activities			
Building Corporation	413,227	-	-
TOTAL PRIMARY GOVERNMENT	$ 4,289,847	$ 139,104	$ 13,384

GENERAL REVENUES
Per Pupil Revenue
District Mill Levy
Capital Construction
Grants and Contributions not Restricted to Specific Programs
Investment Income
TRANSFERS

TOTAL GENERAL REVENUES AND TRANSFERS

CHANGE IN NET POSITION

NET POSITION, Beginning

NET POSITION, Ending

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

NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION		
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
$ (2,668,111)	$ -	$ (2,668,111)
(1,056,021)	-	(1,056,021)
(3,724,132)	-	(3,724,132)
-	(413,227)	(413,227)
(3,724,132)	(413,227)	(4,137,359)
2,771,528	-	2,771,528
156,772	-	156,772
108,758	-	108,758
20,148	-	20,148
5,765	5	5,770
(374,412)	374,412	-
2,688,559	374,417	3,062,976
(1,035,573)	(38,810)	(1,074,383)
(1,631,925)	(332,312)	(1,964,237)
$ (2,667,498)	$ (371,122)	$ (3,038,620)

PIKES PEAK SCHOOL OF EXPEDITIONARY LEARNING

BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2017

	GENERAL
ASSETS	
Cash and Investments	$ 2,065,534
Accounts Receivable	26,139
TOTAL ASSETS	$ 2,091,673
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	$ 15,376
Accrued Liabilities	1,452
Accrued Salaries and Benefits	130,013
TOTAL LIABILITIES	146,841
FUND BALANCE	
Restricted for Emergencies	94,000
Unrestricted, Unassigned	1,850,832
TOTAL FUND BALANCE	1,944,832
TOTAL LIABILITIES AND FUND BALANCE	$ 2,091,673

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

Total Fund Balance of the Governmental Fund	$ 1,944,832
Long-term liabilities and related items, including net pension liablity ($7,808,663), pension-related deferred outflows of resources $3,231,064, and pension-related deferred inflows of resources ($34,731), are not due and payable in the current year and, therefore, are not reported in governmental funds.	(4,612,330)
Total Net Position of Governmental Activities	$ (2,667,498)

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

PIKES PEAK SCHOOL OF EXPEDITIONARY LEARNING

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

	GENERAL
REVENUES	
Local Sources	$ 3,089,384
State Sources	122,142
Federal Sources	3,933
TOTAL REVENUES	3,215,459
EXPENDITURES	
Instruction	1,787,187
Supporting Services	1,121,228
TOTAL EXPENDITURES	2,908,415
NET CHANGE IN FUND BALANCE	307,044
FUND BALANCE, Beginning	1,637,788
FUND BALANCE, Ending	$ 1,944,832

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

Net Change in Fund Balance of the Governmental Fund	$ 307,044
Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and are allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This amount represents depreciation expense in the current year.	(525)
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 amount represents the change in net pension liability ($4,069,258), pension-related deferred outflows of resources $2,704,432, and pension-related deferred inflows of resources $22,734 in the current year.	(1,342,092)
Change in Net Position of Governmental Activities	$ (1,035,573)

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

PIKES PEAK SCHOOL OF EXPEDITIONARY LEARNING

STATEMENT OF NET POSITION
PROPRIETARY FUND
June 30, 2017

	BUILDING CORPORATION
ASSETS	
CURRENT ASSETS	
Restricted Cash and Cash Equivalents	$ 32,975
TOTAL CURRENT ASSETS	32,975
NONCURRENT ASSETS	
Capital Assets, Not Being Depreciated	548,380
Capital Assets, Net of Accumulated Depreciation	4,247,714
TOTAL NONCURRENT ASSETS	4,796,094
TOTAL ASSETS	4,829,069
DEFERRED OUTFLOWS OF RESOURCES	
Loss on Debt Refunding, Net of Accumulated Amortization	768,283
LIABILITIES	
CURRENT LIABILITIES	
Accrued Interest Payable	17,597
Loan Payable, Current Portion	167,420
TOTAL CURRENT LIABILITIES	185,017
NONCURRENT LIABILITIES	
Loan Payable	5,783,457
TOTAL LIABILITIES	5,968,474
NET POSITION	
Net Investment in Capital Assets	(386,500)
Restricted for Debt Service	15,378
TOTAL NET POSITION	$ (371,122)

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

PIKES PEAK SCHOOL OF EXPEDITIONARY LEARNING

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION PROPRIETARY FUND

Year Ended June 30, 2017

	BUILDING CORPORATION
OPERATING REVENUES	
Charges for Services	$ 374,412
OPERATING EXPENSES	
Depreciation	105,416
Debt Service	
Interest and Fees	307,811
TOTAL OPERATING EXPENSES	413,227
NET OPERATING LOSS	(38,815)
NONOPERATING REVENUES (EXPENSES)	
Investment Income	5
CHANGE IN NET POSITION	(38,810)
NET POSITION, Beginning	(332,312)
NET POSITION, Ending	$ (371,122)

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

PIKES PEAK SCHOOL OF EXPEDITIONARY LEARNING

STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Increase (Decrease) in Cash and Cash Equivalents
Year Ended June 30, 2017

	BUILDING CORPORATION
CASH FLOWS FROM OPERATING ACTIVITIES	
Lease Payments Received	$ 374,412
Loan Interest and Fees Paid	(212,230)
Loan Principal Paid	(238,259)
Net Cash Used by Operating Activities	(76,077)
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income Received	5
NET DECREASE IN CASH AND CASH EQUIVALENTS	(76,072)
CASH AND CASH EQUIVALENTS, Beginning	109,047
CASH AND CASH EQUIVALENTS, Ending	$ 32,975
RECONCILIATION OF NET OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES	
Net Operating Loss	$ (38,815)
Adjustments to Reconcile Net Operating Loss to Net Cash Used by Operating Activities	
Depreciation	105,416
Amortization of Loss on Debt Refunding	96,036
Changes in Assets and Liabilities	
Accrued Interest Payable	(455)
Loan Payable	(238,259)
Net Cash Used by Operating Activities	$ (76,077)

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Pikes Peak School of Expeditionary Learning (the “School”) was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Falcon School District 49 (the “District”). The School began operations in the Fall of 1999.

The financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the School’s accounting policies are described below.

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 there is a potential for the organization to provide benefits to, or impose financial burdens on, the School.

The School includes the PPSEL Building Corporation (the “Building Corporation”) within its reporting entity. The Building Corporation was formed in November 2007, exclusively for charitable or educational purposes, and for the purpose of holding title to property and otherwise act to facilitate the operations of the School, and to promote public and charter school education. The Building Corporation is blended into the School’s financial statements as an enterprise fund. Separate audited financial statements are not available for the Building Corporation.

The School is a component unit of the District. The District authorized the School’s charter and the majority of the School’s funding is provided by the District.

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.

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements (Continued)

Separate financial statements are provided for the governmental fund and the proprietary fund. Major individual 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 is the proprietary fund in the 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.

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, not to exceed 60 days. Intergovernmental revenues, grants, and interest 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 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 proprietary 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.

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 the following major proprietary fund:

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.

Assets, Liabilities and Net Position/Fund Balance

Cash and Investments **-** Cash equivalents include investments with original maturities of three months or less.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Capital Assets - Capital assets, which include land, buildings and equipment, are reported in the governmental and business-type activities columns in the government-wide financial statements and the proprietary fund in the fund financial statements. Capital assets are defined by the School 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. Depreciation is provided over the following estimated useful lives of the capital assets using the straight-line method.

Land Improvements	10 years
Buildings	50 years
Equipment and Furniture	5 years

Net interest incurred during construction is included in the capitalized value of capital assets in the proprietary fund.

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 - The School's policy allows employees to accumulate unused vacation and sick leave. Accumulated unused leave is paid to employees annually at 60% of the daily substitute rate. Therefore, no liability is reported in the financial statements for these compensated absences.

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, discounts and refunding losses 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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. Investments are reported at fair value.

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: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Accountability

At June 30, 2017, the Building Corporation had a negative net position of $371,122. Management expects this negative balance to be eliminated as the Building Corporation's debt is paid.

NOTE 3: CASH AND INVESTMENTS

Cash and investments at June 30, 2017, consisted of the following.

Deposits	$ 2,065,534
Investments	32,975
Total	**$ 2,098,509**

NOTE 3: CASH AND INVESTMENTS (Continued)

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

Cash and Investments	$ 2,065,534
Restricted Cash and Investments	32,975
Total	**$ 2,098,509**

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, 2017, the School had bank deposits of $1,595,177 collateralized with securities held by the financial institutions' agents 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

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, 2017, the Building Corporation's investment in the Federated Treasury Obligations money market fund was reported at the net asset value per share, measured using amortized cost.

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

NOTE 3: CASH AND INVESTMENTS (Continued)

Investments (Continued)

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, 2017, the Building Corporation had $32,975 invested in the Federated Treasury Obligations money market fund, which was rated AAAm by Standard and Poor's.

Concentration of Credit Risk - State statutes do not limit the amount the School may invest in one issuer, except for corporate securities.

Restricted Cash and Investments

Cash and investments of $32,975 have been restricted for debt service in accordance with the Building Corporation's loan agreements.

NOTE 4: CAPITAL ASSETS

Changes in capital assets for the year ended June 30, 2017, are summarized below.

	Balances 6/30/16	Additions	Deletions	Balances 6/30/17
Governmental Activities				
Capital Assets, Being Depreciated				
Equipment	$ 6,300	$ -	$ -	$ 6,300
Accumulated Depreciation	(5,775)	(525)	-	(6,300)
Governmental Activities Capital Assets, Net	**$ 525**	**$ (525)**	**$ -**	**$ -**
Business-Type Activities				
Capital Assets, Not Being Depreciated				
Land	$ 397,875	$ -	$ -	$ 397,875
Land Improvements	108,505	-	-	108,505
Water Rights	42,000	-	-	42,000
Total Capital Assets, Not Being Depreciated	548,380	-	-	548,380
Capital Assets, Being Depreciated				
Land Improvements	27,857	-	-	27,857
Buildings	5,122,811	-	-	5,122,811
Equipment and Furniture	109,856	-	-	109,856
Total Capital Assets, Being Depreciated	5,260,524	-	-	5,260,524

NOTE 4: CAPITAL ASSETS (Continued)

	Balances 6/30/16	Additions	Deletions	Balances 6/30/17
Business-Type Activities (Continued)				
Less Accumulated Depreciation				
Land Improvements	(4,178)	(2,960)	-	(7,138)
Buildings	(793,360)	(102,456)	-	(895,816)
Equipment and Furniture	(109,856)	-	-	(109,856)
Total Accumulated Deprecation	(907,394)	(105,416)	-	(1,012,810)
Total Capital Assets, Being Depreciated, Net	4,353,130	(105,416)	-	4,247,714
Business-Type Activities Capital Assets, Net	**$ 4,901,510**	**$ (105,416)**	**$ -**	**$ 4,796,094**

Depreciation expense of the governmental activities was charged to the supporting services program of the School.

NOTE 5: LONG-TERM DEBT

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

	Balances 6/30/16	Additions	Payments	Balances 6/30/17	Due Within One Year
Business-Type Activities					
2015 Building Loan	**$ 6,189,136**	**$ -**	**$ 238,259**	**$ 5,950,877**	**$ 167,420**

In December, 2015, the Colorado Educational and Cultural Facilities Authority (CECFA) issued $6,189,136 Charter School Refunding Revenue Bonds, Series 2015. Bond proceeds were used to refund the outstanding Charter School Revenue Bonds, Series 2008. Proceeds of the Series 2008 Bonds were loaned to the Building Corporation under a loan agreement to construct the School's educational facilities. 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. Interest accrues at 3.5% per annum and is due monthly. Principal payments are due annually on December 1, beginning in 2016, through 2025, with a balloon payment of $4,339,726 due on January 1, 2026.

Future debt service requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
2018	$ 167,420	$ 205,221	$ 372,641
2019	173,280	199,188	372,468
2020	179,345	193,026	372,371
2021	185,622	186,650	372,272
2022	192,119	180,049	372,168
2023 - 2026	5,053,091	587,368	5,640,459
Total	**$ 5,950,877**	**$ 1,551,502**	**$ 7,502,379**

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.

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 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 2016 and 2017 was 19.15% 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 SDFT for the year ended June 30, 2017, were $243,465, equal to the required contributions.

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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

At June 30, 2017, the School reported a net pension liability of $7,808,663, representing its proportionate share of the net pension liability of the SDTF. The net pension liability was measured at December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The 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, 2016, relative to the contributions of all participating employers. At December 31, 2016, the School's proportion was 0.0262265675%, which was an increase of 0.0017768921% from its proportion measured at December 31, 2015.

For the year ended June 30, 2017, the School recognized pension expense of $1,576,487. At June 30, 2017, 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	$ 95,391	$ 63
Changes of assumptions and other inputs	2,533,748	32,828
Net difference between projected and actual earnings on plan investments	243,440	-
Changes in proportion	220,126	1,840
Contributions subsequent to the measurement date	138,359	-
Total	**$ 3,231,064**	**$ 34,731**

School contributions subsequent to the measurement date of $138,359 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:

Year Ended June 30,	
2018	$ 1,229,897
2019	1,226,415
2020	599,059
2021	2,603
Total	**$ 3,057,974**

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)

Actuarial Assumptions - The actuarial valuation as of December 31, 2015, determined the total pension liability using the following actuarial assumptions and other inputs. On November 18, 2016, PERA's governing board adopted revised economic and demographic assumptions, which were effective on December 31, 2016, and which were reflected in the roll-forward calculation of the total pension liability from December 31, 2015, to December 31, 2016, as follows:

	Assumptions	Revised Assumptions
Price inflation	2.8%	2.4%
Real wage growth	1.1%	1.1%
Wage inflation	3.9%	3.5%
Salary increases, including wage inflation	3.9% - 10.1%	3.5% - 9.7%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.5%	7.25%
Discount rate	7.5%	5.26%
Future post-retirement benefit increases:		
Hired prior to 1/1/07	2%	2%
Hired after 12/31/06	ad hoc	ad hoc

Mortality rates were based on the RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with males set back one year, and females set back two years. Active member mortality was adjusted to 55 percent of the base rate for males and 40 percent for females. For disabled retirees, the RP-2000 Disabled Retiree Mortality Table was used, set back two years.

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

As a result of a 2016 experience analysis, revised economic and demographic actuarial assumptions were adopted by PERA's governing board on November 18, 2016, to more closely reflect PERA's actual experience. The revised assumptions reflected in the roll-forward of the total pension liability included healthy mortality assumptions for active members using 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. For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

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.

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 most recent analysis of the long-term expected rate of return was presented to the PERA 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:

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

Discount Rate - The discount rate used to measure the total pension liability was 5.26%. The projection of cash flows used to determine the discount rate 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%.

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, 2016, the municipal bond index rate was 3.86%, resulting in a discount rate of 5.26%. The discount rate at the prior measurement date was 7.5%.

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 5.26%, 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 (4.26%) or one percentage point higher (6.26%) than the current rate, as follows:

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)

	1% Decrease (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
Proportionate share of the net pension liability	**$ 9,819,143**	**$ 7,808,663**	**$ 6,171,200**

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**

Plan Description - The School contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by PERA. The HCTF provides a health care premium subsidy to PERA benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained by contacting PERA as described previously.

Funding Policy - The School is required to contribute at a rate of 1.02% of covered salaries for all PERA participants. No employee contributions are required. The contribution requirements for the School are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The School's apportionment to the HCTF for the years ended June 30, 2017, 2016 and 2015 was $12,796, $11,310 and $10,441, respectively, equal to the required amounts for each year.

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, 2017, significant amounts of related expenditures have not been audited but the School believes that no expenditures will be disallowed.

NOTE 8: COMMITMENTS AND CONTINGENCIES (Continued)

Tabor Amendment

In November 1992, Colorado voters passed 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, 2017, the reserve was reported as restricted fund balance in the General Fund, in the amount of $94,000.

REQUIRED SUPPLEMENTARY INFORMATION

PIKES PEAK SCHOOL OF EXPEDITIONARY LEARNING

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, 2017

	12/31/16	12/31/15	12/31/14	12/31/13
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY				
School's Proportion of the Net Pension Liability	0.0262265675%	0.0244496754%	0.0240127421%	0.0240889865%
School's Proportionate Share of the Net Pension Liability	$ 7,808,663	$ 3,739,405	$ 3,254,533	$ 3,072,544
School's Covered Payroll	$ 1,177,095	$ 1,065,511	$ 1,005,963	$ 971,103
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	663%	351%	324%	316%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	43%	59%	63%	64%

	6/30/17	6/30/16	6/30/15	6/30/14
SCHOOL CONTRIBUTIONS				
Statutorily Required Contribution	$ 230,669	$ 196,681	$ 172,883	$ 158,088
Contributions in Relation to the Statutorily Required Contribution	(230,669)	(196,681)	(172,883)	(158,088)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
School's Covered Payroll	$ 1,254,556	$ 1,108,785	$ 1,023,612	$ 988,682
Contributions as a Percentage of Covered Payroll	18.39%	17.74%	16.89%	15.99%

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.

See the accompanying Independent Auditors' Report.

PIKES PEAK SCHOOL OF EXPEDITIONARY LEARNING

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2017

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Per Pupil Revenue	$ 2,735,148	$ 2,771,371	$ 2,771,528	$ 157
District Mill Levy	44,800	135,000	156,772	21,772
Student Fees and Activities	120,000	122,000	139,104	17,104
Contributions	8,000	8,000	16,215	8,215
Investment Income	2,500	3,500	5,765	2,265
State Sources				
Capital Construction	80,000	109,000	108,758	(242)
Grants	16,300	16,300	13,384	(2,916)
Federal Sources				
Impact Aid	-	-	3,933	3,933
TOTAL REVENUES	3,006,748	3,165,171	3,215,459	50,288
EXPENDITURES				
Instruction				
Salaries	1,100,200	1,069,900	1,059,805	10,095
Employee Benefits	354,600	347,800	303,150	44,650
Purchased Professional Services	245,200	243,500	233,629	9,871
Purchased Property Services	17,000	10,000	8,259	1,741
Other Purchased Services	30,000	38,000	23,529	14,471
Supplies and Materials	38,400	51,500	62,504	(11,004)
Other	27,000	79,700	96,311	(16,611)
Total Instruction	1,812,400	1,840,400	1,787,187	53,213
Supporting Services				
Salaries	306,700	322,100	320,717	1,383
Employee Benefits	40,010	51,204	63,611	(12,407)
Purchased Professional Services	199,600	238,700	192,532	46,168
Purchased Property Services	439,100	460,000	390,851	69,149
Other Purchased Services	96,000	140,000	75,985	64,015
Supplies and Materials	31,600	35,600	47,737	(12,137)
Other	7,000	28,000	29,795	(1,795)
Total Supporting Services	1,120,010	1,275,604	1,121,228	154,376
TOTAL EXPENDITURES	2,932,410	3,116,004	2,908,415	207,589
NET CHANGE IN FUND BALANCE	74,338	49,167	307,044	257,877
FUND BALANCE, Beginning	1,280,000	1,635,000	1,637,788	2,788
FUND BALANCE, Ending	$ 1,354,338	$ 1,684,167	$ 1,944,832	$ 260,665

See the accompanying Independent Auditors' Report.

NOTE 1: SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND CONTRIBUTIONS

The Public Employees' Retirement Association of Colorado 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, 2017, the total pension liability was determined by an actuarial valuation as of December 31, 2015. In addition, the following revised economic and demographic assumptions were effective as of December 31, 2016, and were reflected in the roll-forward procedures to determine the total pension liability at 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

Budgets and Budgetary Accounting

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

Management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1, for their approval. The budget includes proposed expenditures and the means of financing them.

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.