

TWIN PEAKS CHARTER ACADEMY

BASIC FINANCIAL STATEMENTS

June 30, 2015

TABLE OF CONTENTS

	PAGE
Independent Auditors' Report	
Management's Discussion and Analysis	i - iii
Basic Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Balance Sheet – All Governmental Funds	3
Statement of Revenues, Expenditures and Changes in Fund Balances – All Governmental Funds	4
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	5
Statement of Net Position - Proprietary Fund Type	6
Statement of Revenues, Expenses, and Changes in Fund Net Position - Proprietary Fund Type	7
Statement of Cash Flows - Proprietary Fund Type	8
Statement of Fiduciary Net Position	9
Notes to the Financial Statements	10 - 29
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund	30
Schedule of the School's Proportionate Share	31
Schedule of the School's Contributions	32
Individual Fund Financial Statement	
Budgetary Comparison Schedule – Capital Reserve Fund	33
Budgetary Comparison Schedule – Agency Fund	34
Statement of Changes in Assets and Liabilities – Agency Fund	35



JOHN CUTLER & ASSOCIATES

Board of Directors
Twin Peaks Charter Academy
Longmont, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Twin Peaks Charter Academy, component unit of the St. Vrain Valley School District, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Academy, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Twin Peaks Charter Academy, as of June 30, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, schedule of the school's proportionate share, and schedule of the school's contributions on pages 30-32 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

John Luttler & Associates, LLC

November 25, 2015

Management's Discussion and Analysis

Twin Peaks Charter Academy offers readers of our financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2015.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the Academy's basic financial statements. The 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 Academy finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the net position changed during the 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 flow changes in future fiscal periods (e.g., items purchased but not paid for).

The government-wide financial statements include instruction and supporting services and are found on pages 1 - 2 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Academy, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental fund

Governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating near-term financing requirements.

The Academy maintains two individual governmental funds; the general fund and the capital reserve fund. Information is presented separately on the Balance Sheet and the Statement of Revenues, Expenditures, and Changes in Fund Balances.

The Academy adopts an annual appropriated budget for its general fund. A budgetary comparison statement is provided for the general fund to demonstrate compliance with the budget.

Internal Services Fund

The Academy's Building Corporation information is presented separately as an Internal Service or Proprietary Fund. This fund is used for the financing and construction of the facilities and property.

Agency Fund

The Agency Fund is used for student and fundraising activities.

Financial Overview

The fiscal year ending June 30, 2015 is the 18th year of operations for the Academy. Total assets were lower than liabilities by \$5,062,236 (net position). This negative net position is primarily due to the required newly adopted Pension Governmental Accounting Standard (GASB 68). This standard requires a portion of the total Net Pension Liability be reported on employer's balance sheets. Employers are not required to pay-off the liability or accelerate payments for this liability. The reported Net Pension Liability for the Academy was \$10,567,910 with total negative impact on the net position of governmental activities related to pensions of \$9,396,377.

Assets increased by \$5,639,157 over fiscal year 2014 primarily due to an increase in Capital Assets related to the construction progress of the athletic fields and the completion of the high school construction. Liabilities increased by \$19,098,760, primarily due to the newly required Pension Liability and long term debt increase related to the 2014 bond issuance less the 2008 bond pay off. The Deferred Loss on Refunding (Deferred Outflow) relates to the 2008 Bond payoff and is amortized over 30 years.

The unreserved fund balance is a useful measure of the School's net resources available for spending at the end of the fiscal year. The governmental funds reported a combined ending fund balance of \$2,450,461 (General Fund, Capital Reserve Fund, and Tabor Reserve). This was 30% of the governmental funds revenue and an increase of \$514,867 over the prior year.

Agency Fund Revenues were \$170,253 with a budgeted amount of \$120,035 resulting in revenue exceeding the budget by \$50,218. Agency Fund expenses were \$162,885 with a budgeted amount of \$132,000 resulting in expenditures exceeding budget by \$30,885 as noted in Note 2 of the Notes to the Financial Statements. The ending fund balance of \$104,275 was \$19,333 higher than the \$84,942 budget amount.

General Fund Budgetary Highlights

The District approves a budget in June based on enrollment projections for the following school year. In October after enrollment stabilizes, adjustments are made to the budget.

Excluding a budget contingency of \$240,294, the fiscal year 2015 Amended Budget anticipated an \$82,017 increase to the General Fund. The actual increase to the General Fund Balance was \$517,596 which was an increase of \$435,579 over the Amended Budget. This increase in total reserves from Amended Budget to Actual is due primarily to a strict adherence to budgeted expenditures.

Capital Assets and Debt Administration

As of June 30, 2015, capital assets consisted primarily of the instructional facilities. In 2008, the Academy funded the acquisition of 12+ acres including a 160,000 square foot building and construction improvements for the instructional facility incurring long-term debt totaling \$14.23 million. This bonding effort renovated 80,000 square feet for the K-8 including a cafeteria with kitchen, gymnasium, auditorium, grass field and playground.

In 2011, the Academy expanded to include a High School and renovated an additional 50,000 square feet including a band room, choir room, full gymnasium, cafeteria, and 33 classrooms incurring long-term debt totaling \$4.78 million. The Academy also expended \$1.1 million of reserves for the purchase of 9+ acres of land for future athletic fields within walking distance of the instructional facilities. All remaining bond proceeds, as well as interest earned on the proceeds, are classified as restricted assets and as a reserved fund balance in the financial statements as their use is limited by applicable bond covenants.

In February 2013 the Academy purchased 2.4+ acres adjacent to the north parking lot to join the instructional property with the 9+ acres purchased for athletic fields. An interest only loan of \$365,000 was secured as well as a construction line of credit of \$350,000 to augment \$200,000 of Building Corporation funds to finance the build out of an additional three High School classrooms in support of enrollment growth for the 13/14 school year, and complete the High School Locker Room.

In August 2014 additional bonds were secured totaling \$21.99 million. The proceeds were used to pay off the 2008 bond, the 2013 interest only loan and the construction line of credit. Additionally, 4.22 acres of land was purchased, construction of four science labs, an additional computer lab and classroom space was completed and construction was in progress for two full size soccer/play fields with a regulation track and field, field access and parking improvements.

Student Enrollment and Economic Factors

The primary factor in funding and budget development is student enrollment. The enrollment was 1028 students for the 2014-2015 school year which was down from 1044 students for the 2013-2014 school year. This 1.5% decrease is primarily attributable to school reduced visibility caused by the Sunset Street bridge damage during the September 2013 flood and the subsequent road closure. The bridge is to be rebuilt and the road reopened in 2016.

There were 1015 students for the 2012-2013 school year, 937 students for the 2011-2012 school year, and 707 students for the 2010-2011 school year. Based on historical trends and current projections, the fiscal year 16 Adopted Budget projected student enrollment to be 1055 for the 2015-2016 school year. Current economic projections are also considered in determining per pupil funding levels when developing the budgets.

Requests for Information

This financial discussion and analysis is designed to provide a general overview of the Academy. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Mary Beth Cowie
Financial Administrator
Twin Peaks Charter Academy
340 South Sunset Street
Longmont, CO 80501

BASIC FINANCIAL STATEMENTS

TWIN PEAKS CHARTER ACADEMY

STATEMENT OF NET POSITION

As of June 30, 2015

	<u>GOVERNMENTAL ACTIVITIES</u>	
	<u>2015</u>	<u>2014</u>
ASSETS		
Cash and Investments	\$ 2,830,808	\$ 2,372,531
Restricted Cash and Investments	3,365,329	2,174,603
Accounts Receivable	6,467	17,885
Prepaid Expenses	650	-
Deposits	-	7,500
Capital Assets, Not Being Depreciated	5,394,891	2,559,261
Capital Assets, Depreciated, Net of Accumulated Depreciation	<u>17,757,416</u>	<u>16,584,624</u>
TOTAL ASSETS	<u>29,355,561</u>	<u>23,716,404</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Refunding	3,174,732	-
Related to Pensions	<u>1,172,125</u>	<u>-</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>4,346,857</u>	<u>-</u>
LIABILITIES		
Accounts Payable	494,484	73,293
Retainage Payable	181,128	-
Due to the District	10,085	34,056
Interest Payable	206,216	170,635
Accrued Salaries and Benefits	344,260	318,655
Unearned Revenues	10,537	44,859
Noncurrent Liabilities		
Net Pension Liability	10,567,910	-
Due in One Year	445,000	267,820
Due in More than One Year	<u>26,504,442</u>	<u>18,755,984</u>
TOTAL LIABILITIES	<u>38,764,062</u>	<u>19,665,302</u>
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	<u>592</u>	<u>-</u>
NET POSITION		
Net Investment in Capital Assets	(431,806)	2,294,684
Restricted for Emergencies	242,000	208,914
Restricted for Working Capital	758,443	728,860
Unrestricted	<u>(5,630,873)</u>	<u>818,644</u>
TOTAL NET POSITION	<u>\$ (5,062,236)</u>	<u>\$ 4,051,102</u>

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

TWIN PEAKS CHARTER ACADEMY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2015

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES			Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities		
PRIMARY GOVERNMENT					2015	2014	
Governmental Activities							
Instructional	\$ 3,966,780	\$ 292,775	\$ 73,994	\$ -	\$ (3,600,011)	\$ (3,257,811)	
Supporting Services	3,046,647	-	5,470	167,769	(2,873,408)	(2,129,937)	
Interest on Long-Term Debt	1,008,974	-	-	-	(1,008,974)	(1,289,134)	
 Total Governmental Activities	 <u>\$ 8,022,401</u>	 <u>\$ 292,775</u>	 <u>\$ 79,464</u>	 <u>\$ 167,769</u>	 (7,482,393)	 (6,676,882)	
		GENERAL REVENUES					
					6,799,657	6,586,110	
					944,939	957,940	
					642	431	
					<u>7,745,238</u>	<u>7,544,481</u>	
					CHANGE IN NET POSITION	262,845	867,599
					NET POSITION, Beginning, As Restated	(5,325,081)	3,628,536
					Prior Period Adjustment	-	(445,033)
					NET POSITION, Ending	<u>\$ (5,062,236)</u>	<u>\$ 4,051,102</u>

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

TWIN PEAKS CHARTER ACADEMY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2015

	GENERAL FUND	NON-MAJOR CAPITAL RESERVE FUND	TOTAL GOVERNMENTAL FUNDS	
			2015	2014
ASSETS				
Cash and Investments	\$ 2,770,015	\$ 60,793	\$ 2,830,808	\$ 2,372,531
Accounts Receivable	6,467	-	6,467	17,885
Due From Other Funds	13,504	-	13,504	16,041
Prepaid Items	650	-	650	-
TOTAL ASSETS	<u>\$ 2,790,636</u>	<u>\$ 60,793</u>	<u>\$ 2,851,429</u>	<u>\$ 2,406,457</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 36,086	\$ -	\$ 36,086	\$ 73,393
Due to the District	10,085	-	10,085	34,056
Accrued Salaries and Benefits	344,260	-	344,260	318,655
Unearned Revenues	10,537	-	10,537	44,859
	<u>400,968</u>	<u>-</u>	<u>400,968</u>	<u>470,963</u>
FUND BALANCES				
Nonspendable	650	-	650	-
Restricted for Emergencies	242,000	-	242,000	208,914
Restricted for Working Capital	758,443	-	758,443	728,860
Unassigned	1,388,575	60,793	1,449,368	997,820
TOTAL FUND BALANCES	<u>2,389,668</u>	<u>60,793</u>	<u>2,450,461</u>	<u>1,935,594</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 2,790,636</u>	<u>\$ 60,793</u>		

Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.	1,376,061	1,264,061
Internal Service funds are used by management to charge the lease costs to governmental funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.	507,619	851,447
Long-term liabilities and related assets are not due and payable in the current period and, therefore, are not reported in the funds. This liability includes net pension liability of (\$10,567,910), deferred outflows related to pensions of \$1,172,125, and deferred inflows related to pensions of (\$592).	(9,396,377)	-
Net position of governmental activities	<u>\$ (5,062,236)</u>	<u>\$ 4,051,102</u>

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

TWIN PEAKS CHARTER ACADEMY

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2015

	GENERAL FUND	NON-MAJOR CAPITAL RESERVE FUND	TOTAL GOVERNMENTAL FUNDS	
			2015	2014
REVENUES				
Local Sources	\$ 8,043,029	\$ -	\$ 8,043,029	\$ 7,892,641
State Sources	241,763	-	241,763	106,198
TOTAL REVENUES	8,284,792	-	8,284,792	7,998,839
EXPENDITURES				
Current				
Instruction	3,966,780	-	3,966,780	3,612,321
Supporting Services	3,470,909	17,729	3,488,638	3,249,415
Capital Outlay	314,507	-	314,507	402,607
TOTAL EXPENDITURES	7,752,196	17,729	7,769,925	7,264,343
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	532,596	(17,729)	514,867	734,496
OTHER FINANCING SOURCES (USES)				
Transfers In	-	15,000	15,000	15,000
Transfers Out	(15,000)	-	(15,000)	(15,000)
TOTAL OTHER FINANCING SOURCES (USES)	(15,000)	15,000	-	-
NET CHANGE IN FUND BALANCES	517,596	(2,729)	514,867	734,496
FUND BALANCES, Beginning	1,872,072	63,522	1,935,594	1,201,098
FUND BALANCES, Ending	\$ 2,389,668	\$ 60,793	\$ 2,450,461	\$ 1,935,594

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

TWIN PEAKS CHARTER ACADEMY

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

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

Net change in fund balances - total governmental funds	\$ 514,867
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlay \$173,147 exceeded depreciation (\$61,147) for the year.	112,000
The Internal Service fund is used by management to charge the cost of lease payments to the governmental funds. The net revenue of the internal service fund is reported with the governmental activities.	(343,828)
Deferred Charges related to pensions are not recognized in the governmental funds. However, for the government-wide funds those amounts are capitalized and amortized.	<u>(20,194)</u>
Change in net position of governmental activities	<u>\$ 262,845</u>

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

TWIN PEAKS CHARTER ACADEMY

STATEMENT OF NET POSITION
 PROPRIETARY FUND TYPES
 June 30, 2015

	Governmental Activities - Internal Service Fund	
	<u>2015</u>	<u>2014</u>
ASSETS		
Current Assets		
Restricted Cash and Investments	<u>\$ 3,365,329</u>	<u>\$ 2,174,603</u>
Total Current Assets	<u>3,365,329</u>	<u>2,174,603</u>
Long-term Assets		
Deposits	-	7,500
Capital Assets, Not Depreciated	5,394,891	2,559,261
Capital Assets, Net of Accumulated Depreciation	<u>16,381,355</u>	<u>15,320,563</u>
Total Long-term Assets	<u>21,776,246</u>	<u>17,887,324</u>
TOTAL ASSETS	<u>25,141,575</u>	<u>20,061,927</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Refunding	<u>3,174,732</u>	<u>-</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	458,398	-
Retainage Payable	181,128	-
Due To Other Funds	13,504	16,041
Interest Payable	206,216	170,635
Loan Payable - Current Portion	<u>445,000</u>	<u>267,820</u>
Total Current Liabilities	<u>1,304,246</u>	<u>454,496</u>
Long-Term Liabilities		
Loan Payable	<u>26,504,442</u>	<u>18,755,984</u>
TOTAL LIABILITIES	<u>27,808,688</u>	<u>19,210,480</u>
NET POSITION		
Net Investment in Capital Assets	(7,202,758)	(1,528,638)
Unrestricted	<u>7,710,377</u>	<u>2,380,085</u>
TOTAL NET POSITION	<u>\$ 507,619</u>	<u>\$ 851,447</u>

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

TWIN PEAKS CHARTER ACADEMY

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND TYPES
Year Ended June 30, 2015

	Governmental Activities - Internal Service Fund	
	2015	2014
OPERATING REVENUES		
Rent	\$ 1,678,861	\$ 1,607,698
TOTAL OPERATING REVENUES	<u>1,678,861</u>	<u>1,607,698</u>
OPERATING EXPENSES		
Purchased Services	8,700	4,773
Depreciation	418,465	399,709
Amortization	86,177	-
TOTAL OPERATING EXPENSES	<u>513,342</u>	<u>404,482</u>
OPERATING INCOME	<u>1,165,519</u>	<u>1,203,216</u>
NON-OPERATING EXPENSES		
Investment Income	454	223
Bond Issuance Costs	(500,827)	-
Interest Expense	(1,008,974)	(1,289,134)
TOTAL NON-OPERATING EXPENSES	<u>(1,509,347)</u>	<u>(1,288,911)</u>
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	<u>(343,828)</u>	<u>(85,695)</u>
Capital Contribution	<u>-</u>	<u>242,626</u>
NET INCOME (LOSS)	<u>(343,828)</u>	<u>156,931</u>
NET POSITION, Beginning	851,447	1,139,549
Prior Period Adjustment	<u>-</u>	<u>(445,033)</u>
NET POSITION, Ending	<u>\$ 507,619</u>	<u>\$ 851,447</u>

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

TWIN PEAKS CHARTER ACADEMY

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPES
 Year Ended June 30, 2015
 Increase (Decrease) in Cash

	Governmental Activities - Internal Service Fund	
	<u>2015</u>	<u>2014</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Rental Operations	\$ 1,683,824	\$ 1,616,239
Cash Paid to Suppliers	(8,700)	(4,859)
Net Cash Provided by Operating Activities	<u>1,675,124</u>	<u>1,611,380</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income	<u>454</u>	<u>223</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets	(3,675,361)	(581,846)
Proceeds from Issuance of Long-term Debt	19,078,533	336,275
Principal Paid on Long-term Debt	(14,413,804)	(262,920)
Interest Expense	(973,393)	(1,291,104)
Bond Issuance Costs	(500,827)	-
Capital Contributions	-	242,626
Net Cash Used by Capital and Related Financing Activities	<u>(484,852)</u>	<u>(1,556,969)</u>
NET INCREASE IN CASH	1,190,726	54,634
CASH, Beginning	<u>2,174,603</u>	<u>2,119,969</u>
CASH, Ending	<u><u>\$ 3,365,329</u></u>	<u><u>\$ 2,174,603</u></u>
RECONCILIATION OF OPERATING INCOME TO NET		
CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	<u>\$ 1,165,519</u>	<u>\$ 1,203,216</u>
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities		
Depreciation Expense	418,465	399,709
Amortization Expense	86,177	-
Capital Assets Purchased with Accounts Payable	(458,398)	-
Changes in Assets and Liabilities		
Deposits	7,500	(7,500)
Accounts Payable	458,398	(86)
Due To Other Funds	(2,537)	16,041
Total Adjustments	<u>509,605</u>	<u>408,164</u>
Net Cash Provided by Operating Activities	<u><u>\$ 1,675,124</u></u>	<u><u>\$ 1,611,380</u></u>

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

TWIN PEAKS CHARTER ACADEMY

AGENCY FUND
 STATEMENT OF FIDUCIARY NET POSITION
 As of June 30, 2015

	TOTAL	
	2015	2014
ASSETS		
Cash	\$ 106,022	\$ 100,117
Accounts Receivable	55	245
Prepaid Items	460	1,690
	<u>460</u>	<u>1,690</u>
TOTAL ASSETS	<u>\$ 106,537</u>	<u>\$ 102,052</u>
LIABILITIES		
Accounts Payable	2,262	5,145
Due to Student Groups	104,275	96,907
	<u>104,275</u>	<u>96,907</u>
TOTAL LIABILITIES	<u>106,537</u>	<u>102,052</u>
TOTAL NET POSITION	<u>\$ -</u>	<u>\$ -</u>

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

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Twin Peaks Charter Academy (the “Academy”) was formed in 1997 pursuant to the Colorado Charter Schools Act to form and operate a charter school. The accounting policies of the Academy conform to generally accepted accounting principles as applicable to governmental units. Following is a summary of the more significant policies.

Reporting Entity

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

Based upon the application of these criteria, the following organization is included in the Academy’s reporting entity.

TPCA Building Corporation

The TPCA Building Corporation (the “Building Corporation”) is considered to be financially accountable to the Academy. The Building Corporation was formed to support and assist the Academy to perform its function and to carry out its purpose, specifically to assist in the financing and construction of the Academy’s facilities. The Building Corporation is blended into the Academy’s financial statements as an Internal Service Fund. Separate financial statements are not available for the Building Corporation.

The Academy is a component unit of the St. Vrain Valley School District (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 of the activities of the Academy. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported in a single column.

TWIN PEAKS CHARTER ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

TWIN PEAKS CHARTER ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

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

The Academy reports the following major governmental funds:

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

Additionally, the Academy reports the following fund type:

Internal Service Fund – This fund is used to account for activities of the TPCA Building Corporation.

The *Agency Fund* is used to account of the resources used to support the Academy's student and fundraising activities. The Academy holds all resources in a purely custodial capacity.

Investments – Investments are recorded at fair value.

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

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net position in the government-wide financial statements. Depreciation has been provided over the following estimated useful lives of the capital assets using the straight-line method: Buildings 40-50 years; Improvements 15-20 years; Equipment 10 years.

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

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Long-term Debt – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

Unearned Revenues – Unearned revenues include tuition revenues that have been collected in advance for the succeeding school year.

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

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

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

- Nonspendable – This classification includes amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. The Academy did not have any nonspendable fund balances as of June 30, 2015.

TWIN PEAKS CHARTER ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Academy has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies. The Academy has also classified Working Capital Reserves as restricted as is required by the bond agreements.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Academy did not have any committed resources as of June 30, 2015.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

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

Compensated Absences

The Academy's policy allows employees to accumulate up to 240 hours in Paid Time Off (PTO). Compensated absences are recognized as current salary costs when paid. Accrued compensated absences are not paid upon termination, therefore no liability is reported on the financial statements.

TWIN PEAKS CHARTER ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Academy's financial position and operations. However, comparative data has not been presented in all statements because such inclusion would make certain statements unduly complex and difficult to understand. Also, certain amounts presented in the prior year data have been reclassified to be consistent with current year's presentation.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

A budget is adopted for the General, Capital Reserve, and Agency Fund on a basis consistent with generally accepted accounting principles.

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

Legal Compliance

The actual expenditures of the Agency Fund exceeded the budgeted amounts by \$30,885. This may be a violation of State statute.

NOTE 3: CASH AND INVESTMENTS

Cash and Investments at June 30, 2015 consisted of the following:

Cash on Hand	\$ 100
Deposits	2,880,878
Investments	<u>3,421,181</u>
Total	<u>\$ 6,302,159</u>

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 3: CASH AND INVESTMENTS (Continued)

The above amounts are classified in the financial statements as follows:

Cash and Investments, Governmental Activities	\$ 2,830,808
Restricted Cash and Investments, Governmental Activities	3,365,329
Cash and Investments, Fiduciary Funds	<u>106,022</u>
Total	<u>\$ 6,302,159</u>

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At June 30, 2015, State regulatory commissioners have indicated that all financial institutions holding deposits for the Academy are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. 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 the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The Academy has no policy regarding custodial credit risk for deposits.

At June 30, 2015, the Academy had deposits with financial institutions with a carrying amount of \$2,880,878. The bank balances with the financial institutions were \$2,908,796. Of these balances, \$250,000 was covered by federal depository insurance and \$2,658,796 was covered by collateral held by authorized escrow agents in the financial institution's name (PDPA).

Investments

Interest Rate Risk

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

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

NOTE 3: CASH AND INVESTMENTS (Continued)

Investments (Continued)

Credit Risk

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

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

State statutes limit the investments in money market funds to the highest rating issued by nationally recognized statistical rating organizations (NRSRO's), with a constant share price, and that invest only in securities allowed by State statutes. At June 30, 2015, the Academy had \$3,335,468 invested in a money market fund. The fund invests only in U.S. Treasury obligations and is rated AAAM by Standard and Poor's.

The Academy had invested \$85,713 in the Colorado Government Liquid Asset Trust (ColoTrust) which has a credit rating of AAAM by Standard and Poor's. ColoTrust is an investment vehicle established for local government entities in Colorado to pool surplus funds and is regulated by the State Securities Commissioner. It operates similarly to a money market fund and each share is equal in value to \$1.00. Investments consist of U.S. Treasury and U.S. Agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities.

Restricted Cash and Investments

Deposits and investments in money market funds totaling \$3,365,329 are restricted in the Internal Service Fund for the construction the Academy's building and payment of the Academy's debt.

TWIN PEAKS CHARTER ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 4: CAPITAL ASSETS

Capital Assets activity for the year ended June 30, 2015, is summarized below.

	Balance <u>June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2015</u>
Governmental Activities				
Capital Assets, Not depreciated				
Land	\$ 1,947,038	\$ 567,567	\$ -	\$ 2,514,605
Construction in Process	<u>612,223</u>	<u>2,845,776</u>	<u>577,713</u>	<u>2,880,286</u>
Total Capital Assets, Not depreciated	<u>2,559,261</u>	<u>3,413,343</u>	<u>577,713</u>	<u>5,394,891</u>
Capital Assets, Being Depreciated				
Buildings	17,915,293	1,535,860	-	19,451,153
Improvements	116,913	-	-	116,913
Machinery and Equipment	<u>481,830</u>	<u>116,543</u>	<u>-</u>	<u>598,373</u>
Total Capital Assets, Being Depreciated	<u>18,514,036</u>	<u>1,652,403</u>	<u>-</u>	<u>20,166,439</u>
Accumulated Depreciation				
Buildings	1,789,672	430,412	-	2,220,084
Improvements	27,811	5,803	-	33,614
Machinery and Equipment	<u>111,929</u>	<u>43,396</u>	<u>-</u>	<u>155,325</u>
Total Accumulated Depreciation	<u>1,929,412</u>	<u>479,611</u>	<u>-</u>	<u>2,409,023</u>
Total Capital Assets, Being Depreciated, Net	<u>16,584,624</u>	<u>1,172,792</u>	<u>-</u>	<u>17,757,416</u>
Net Capital Assets	<u>\$ 19,143,885</u>	<u>\$ 4,586,135</u>	<u>\$ (577,713)</u>	<u>\$ 23,152,307</u>

Depreciation expense is charged to the supporting services program of the Academy.

NOTE 5: ACCRUED SALARIES AND BENEFITS

Salaries and 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, as of June 30, 2015, were \$344,260. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements of the General Fund.

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

NOTE 6: LONG-TERM DEBT

Following is a summary of the Academy's long-term debt transactions for the year ended June 30, 2015:

	Balance			Balance	Due In
	<u>June 30, 2014</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2015</u>	<u>One Year</u>
2008 Building Lease	\$ 13,675,000	\$ -	\$13,675,000	\$ -	\$ -
2011 Building Lease	4,655,000	-	45,000	4,610,000	50,000
2014 Building Lease	-	21,990,000	-	21,990,000	395,000
2014 Premium	-	372,738	23,296	349,442	-
Wells Fargo Loan – Land	349,637	-	349,637	-	-
Wells Fargo Line of Credit	<u>344,167</u>	<u>-</u>	<u>344,167</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 19,023,804</u>	<u>\$22,362,738</u>	<u>\$14,437,100</u>	<u>\$26,949,442</u>	<u>\$ 445,000</u>

2008 Building Lease

In November 2008, the Colorado Educational and Facilities Authority (CECFA) issued \$14,235,000 Charter School Revenue Bonds, Series 2008. Proceeds from the bonds were used to construct the Academy's building. The Academy is required to make equal lease payments to the Building Corporation for the use of the building. The Building Corporation is required to make equal lease payments to the Trustee, for payment of the bonds. Interest accrues at rates ranging from 5.75% to 7.00% per year.

2011 Building Lease

In April 2011, the Colorado Educational and Facilities Authority (CECFA) issued \$4,775,000 Charter School Revenue Bonds, Series 2011A and Series 2011B. Proceeds from the bonds were used to construct the improvements to the Academy's building. The Academy is required to make equal lease payments to the Building Corporation for the use of the building. The Building Corporation is required to make equal lease payments to the Trustee, for payment of the bonds. Interest accrues at rates ranging from 6.375% to 7.50% per year. The lease matures in March, 2043.

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 6: LONG-TERM DEBT (Continued)

2014 Building Lease

In August 2014, the Colorado Educational and Facilities Authority (CECFA) issued \$21,990,000 Charter School Revenue Bonds, Series 2014. Proceeds from the bonds were used to refund the outstanding Series 2008 Bonds and to purchase an additional 4.22 acres of land and complete the construction of two full size soccer/play fields with a regulation track and field, construct access and parking improvements, and complete the construction of four science labs, an additional computer lab and classroom space. The Academy is required to make equal lease payments to the Building Corporation for the use of the building. The Building Corporation is required to make equal lease payments to the Trustee, for payment of the bonds. Interest accrues at rates ranging from 6.375% to 7.50% per year. The lease matures in March, 2044.

Wells Fargo Loan and Line of Credit

In February 2013, the Academy signed a promissory note in the amount of \$365,000 with Wells Fargo for the purchase of land adjacent to the school building. Interest accrues at a rate of 4.15% per year. During the year ended June 30, 2015, the Academy paid off the balance of this line of credit from proceeds of the Series 2014 Bonds.

Wells Fargo also issued a \$350,000 line of credit that the Academy may use to prepare the land for use. Interest accrues at a rate of 4.15% and the Academy will pay monthly interest and principal payments based on the amount borrowed. During the year ended June 30, 2015, the Academy paid off the balance of this line of credit from proceeds of the Series 2014 Bonds.

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 445,000	\$ 1,220,263	\$ 1,665,263
2017	465,000	1,208,463	1,673,463
2018	470,000	1,194,107	1,664,107
2019	490,000	1,177,212	1,667,212
2020	505,000	1,157,463	1,662,463
2021	525,000	1,134,688	1,659,688
2022-2026	3,020,000	5,284,942	8,304,942
2027-2031	3,825,000	4,443,440	8,268,440
2032-2036	4,730,000	3,331,067	8,061,067
2037-2041	6,120,000	2,074,410	8,194,410
2042-2045	<u>6,005,000</u>	<u>514,653</u>	<u>6,519,653</u>
Total	<u>\$ 26,600,000</u>	<u>\$ 22,740,708</u>	<u>\$ 49,340,708</u>

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

NOTE 6: LONG-TERM DEBT (Continued)

Defeasance of Debt

In August 2014, the Academy defeased the Series 2008 Bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. This resulted in a net present value savings of \$996,501. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Academy's financial statements. At June 30, 2015, \$13,465,000 of bonds outstanding are considered defeased.

NOTE 7: DEFINED BENEFIT PENSION PLAN

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

General Information about the Pension Plan

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

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

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

NOTE 7: DEFINED BENEFIT PENSION PLAN(Continued)

General Information about the Pension Plan (Continued)

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

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

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

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

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

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the SCHDTF.

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 7: DEFINED BENEFIT PENSION PLAN(Continued)

General Information about the Pension Plan (Continued)

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled. Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

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

	For the Year Ended December 31, 2014	For the Year Ended December 31, 2015
Employer Contribution Rate ¹	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) ¹	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF ¹	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	3.80%	4.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	3.50%	4.00%
Total Employer Contribution Rate to the SCHDTF ¹	16.43%	17.33%

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF School were \$595,814 for the year ended June 30, 2015.

TWIN PEAKS CHARTER ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 7: 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, 2015 the Academy reported a liability of \$10,567,910 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2014, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2013. Standard update procedures were used to roll forward the total pension liability to December 31, 2014. The Academy's proportion of the net pension liability was based on the Academy's contributions to the SCHDTF for the calendar year 2014 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2014, the Academy's proportion was 0.07797%, which was an increase of 0.00226% from its proportion measured as of December 31, 2013.

For the year ended June 30, 2015 the Academy recognized pension expense of \$616,008. At June 30, 2015, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	N/A	\$ 592
Net difference between projected and actual earnings on pension plan investments	\$ 182,270	N/A
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$ 682,837	N/A
Contributions subsequent to the measurement date	\$ 307,018	N/A
Total	\$ 1,172,125	\$ 592

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

\$307,018 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30, 2015	
2016	\$288,172
2017	\$288,172
2018	\$288,171

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

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

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

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

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	26.76%	5.00%
U.S. Equity – Small Cap	4.40%	5.19%
Non U.S. Equity – Developed	22.06%	5.29%
Non U.S. Equity – Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Gov't/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

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

TWIN PEAKS CHARTER ACADEMY
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2015

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

Discount rate. The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the fixed statutory rates specified in law, including current and future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Based on those assumptions, the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the Municipal Bond Index Rate. There was no change in the discount rate from the prior measurement date.

Sensitivity of the Academy's proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.50%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.50 percent) or 1-percentage-point higher (8.50 percent) than the current rate:

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	\$13,934,755	\$10,567,910	\$7,749,804

Pension plan fiduciary net position. Detailed information about the SCHDTF's fiduciary net position is available in PERA's comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2015

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

Other Post-Employment Benefits

Health Care Trust Fund

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

Funding Policy – The Academy is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Academy are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2015, 2014, and 2013, the Academy's employer contributions to the HCTF were \$33,890, \$26,519, and \$30,350, respectively, equal to the required contributions for each year.

NOTE 8: RISK MANAGEMENT

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The Academy participates in the Colorado School District Self Insurance Pool. The Pool insures property and liability exposures through contributions made by member districts. The Academy does not maintain an equity interest in the self-insurance pool. The Academy funds its pool contributions, outside insurance purchases, deductibles, and uninsured losses through the General Fund. The Academy is fully self-insured for unemployment compensation and has a \$1,000 deductible for property insurance.

The Academy continues to carry commercial insurance for all other risks of loss, including boiler and machinery coverage. Settled claims resulting from these risks have not exceeded commercial or Academy coverage's in any of the past three years.

TWIN PEAKS CHARTER ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2015

NOTE 9: COMMITMENTS AND CONTINGENCIES

Claims and Judgments

The Academy participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Academy may be required to reimburse the grantor government. As of June 30, 2015, significant amounts of grant expenditures have not been audited, but the Academy believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Academy.

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The Academy believes it has complied with the Amendment. As required by the Amendment, the Academy has established a reserve for emergencies. At June 30, 2015, the reserve of \$242,000 was recorded as a reservation of fund balance in the General Fund.

NOTE 10: RESTATEMENT OF NET POSITION

The Beginning Net Position of the Government Type Activities was decreased by \$9,376,183, to (\$5,325,081) as the Academy implemented Governmental Accounting Standards Board Statement (GASB) No. 68.

NOTE 11: DEFICIT NET POSITION

The Net Position of the government type activities is a deficit of \$5,062,236 due to the Academy included the Net Pension Liability per GASB No. 68.

REQUIRED SUPPLEMENTARY INFORMATION

TWIN PEAKS CHARTER ACADEMY

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2015

	2015			VARIANCE Positive (Negative)	2014 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Local Sources					
Per Pupil Revenue	\$ 6,891,222	\$ 6,837,781	\$ 6,799,657	\$ (38,124)	\$ 6,586,110
Mill Levy Override	945,000	945,000	944,939	(61)	957,940
Tuition and Fees	278,468	292,152	292,775	623	343,983
Grants and Contributions	5,000	2,500	5,470	2,970	4,400
Interest	240	240	188	(52)	208
State Sources					
Grants and Donations	-	29,136	241,763	212,627	106,198
TOTAL REVENUES	<u>8,119,930</u>	<u>8,106,809</u>	<u>8,284,792</u>	<u>177,983</u>	<u>7,998,839</u>
EXPENDITURES					
Instruction					
Salaries	3,052,458	2,927,295	2,734,760	192,535	2,739,940
Employee Benefits	959,625	914,689	830,324	84,365	781,947
Purchased Services	335,586	374,435	243,630	130,805	(23,787)
Supplies and Materials	176,514	193,968	155,271	38,697	107,444
Property	106,000	102,626	89,837	12,789	54,075
Other	3,401	3,500	2,795	705	2,087
Total Instruction	<u>4,633,584</u>	<u>4,516,513</u>	<u>4,056,617</u>	<u>459,896</u>	<u>3,661,706</u>
Supporting Services					
School Administration					
Salaries	657,505	703,405	837,209	(133,804)	717,043
Employee Benefits	167,920	190,083	226,264	(36,181)	174,945
Purchased Services	2,333,218	2,327,797	2,233,000	94,797	2,163,348
Supplies and Materials	164,098	189,892	164,375	25,517	182,821
Property	72,000	69,448	224,670	(155,222)	348,532
Other	12,973	12,654	10,061	2,593	11,258
Contingency	241,239	240,294	-	240,294	-
Total Supporting Services	<u>3,648,953</u>	<u>3,733,573</u>	<u>3,695,579</u>	<u>37,994</u>	<u>3,597,947</u>
TOTAL EXPENDITURES	<u>8,282,537</u>	<u>8,250,086</u>	<u>7,752,196</u>	<u>497,890</u>	<u>7,259,653</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(162,607)</u>	<u>(143,277)</u>	<u>532,596</u>	<u>675,873</u>	<u>739,186</u>
OTHER FINANCING SOURCES (USES)					
Transfers Out	(15,000)	(15,000)	(15,000)	-	(15,000)
NET CHANGE IN FUND BALANCE	<u>(177,607)</u>	<u>(158,277)</u>	<u>517,596</u>	<u>675,873</u>	<u>724,186</u>
FUND BALANCE, Beginning	<u>1,039,580</u>	<u>1,872,072</u>	<u>1,872,072</u>	<u>-</u>	<u>1,147,886</u>
FUND BALANCE, Ending	<u>\$ 861,973</u>	<u>\$ 1,713,795</u>	<u>\$ 2,389,668</u>	<u>\$ 675,873</u>	<u>\$ 1,872,072</u>

See the accompanying independent auditors' report.

TWIN PEAKS CHARTER ACADEMY

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

Years Ended December 31,

	<u>2013</u>	<u>2014</u>
School's proportionate share of the Net Pension Liability	0.076%	0.078%
School's proportionate share of the Net Pension Liability	\$ 9,657,461	\$ 10,567,910
School's covered-employee payroll	\$ 2,975,531	\$ 3,121,348
School's proportionate share of the Net Pension Liability as a percentage of its covered-employee payroll	324.6%	338.6%
Plan fiduciary net position as a percentage of the total pension liability	64.1%	62.8%

See the accompanying independent auditors' report.

TWIN PEAKS CHARTER ACADEMY
 SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
 SCHOOL DISTRICT TRUST FUND

Years Ended June 30,

	2014	2015
Statutorily required contributions	\$ 481,063	\$ 595,814
Contributions in relation to the Statutorily required contributions	481,063	595,814
Contribution deficiency (excess)	\$ -	\$ -
School's covered-employee payroll	\$ 2,975,531	\$ 3,322,513
Contributions as a percentage of covered-employee payroll	16.17%	17.93%

See the accompanying independent auditors' report.

INDIVIDUAL FUND FINANCIAL STATEMENT

TWIN PEAKS CHARTER ACADEMY

CAPITAL RESERVE FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended June 30, 2015

	2015			VARIANCE Positive (Negative)	2014 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Local Sources					
Contributions	\$ -	\$ -	\$ -	\$ -	\$ -
TOTAL REVENUES	-	-	-	-	-
EXPENDITURES					
Current					
Instruction	-	-	-	-	4,690
Supporting Services	-	47,142	17,729	29,413	-
Contingency	16,392	31,380	-	31,380	-
TOTAL EXPENDITURES	16,392	78,522	17,729	60,793	4,690
OTHER FINANCING SOURCES					
Transfers In	15,000	15,000	15,000	-	15,000
TOTAL OTHER FINANCING SOURCES (USES)	15,000	15,000	15,000	-	15,000
NET CHANGE IN FUND BALANCE	(1,392)	(63,522)	(2,729)	60,793	10,310
FUND BALANCE, Beginning	9,550	63,522	63,522	-	53,212
FUND BALANCE, Ending	\$ 8,158	\$ -	\$ 60,793	\$ 60,793	\$ 63,522

See the accompanying independent auditors' report.

TWIN PEAKS CHARTER ACADEMY
 AGENCY FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended June 30, 2015

	2015			VARIANCE Positive (Negative)	2014 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Local Sources					
Student Groups	\$ 60,000	\$ 120,035	\$ 170,253	\$ 50,218	\$ 176,459
TOTAL REVENUES	60,000	120,035	170,253	50,218	176,459
EXPENDITURES					
Student Groups	55,000	132,000	162,885	(30,885)	145,169
TOTAL EXPENDITURES	55,000	132,000	162,885	(30,885)	145,169
NET CHANGE IN FUND BALANCE	5,000	(11,965)	7,368	19,333	31,290
FUND BALANCE, Beginning	70,617	96,907	96,907	-	65,617
FUND BALANCE, Ending	\$ 75,617	\$ 84,942	\$ 104,275	\$ 19,333	\$ 96,907

See the accompanying independent auditors' report.

TWIN PEAKS CHARTER ACADEMY

AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
June 30, 2015

	BALANCE JULY 1, 2014	ADDITIONS	DELETIONS	BALANCE JUNE 30, 2015
ASSETS				
Cash	\$ 100,117	\$ 170,443	\$ 164,538	\$ 106,022
Accounts Receivable	245	55	245	55
Prepaid Items	1,690	460	1,690	460
TOTAL ASSETS	<u>\$ 102,052</u>	<u>\$ 170,958</u>	<u>\$ 166,473</u>	<u>\$ 106,537</u>
LIABILITIES				
Accrued Liabilities				
Accounts Payable	\$ 5,145	\$ 2,262	\$ 5,145	\$ 2,262
Unearned Revenue	-	-	-	-
Due to Student Groups	96,907	170,253	162,885	104,275
TOTAL LIABILITIES	<u>\$ 102,052</u>	<u>\$ 172,515</u>	<u>\$ 168,030</u>	<u>\$ 106,537</u>

See the accompanying independent auditors' report.