ROCKY MOUNTAIN PREPARATORY SCHOOLS

FINANCIAL STATEMENTS

June 30, 2015

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JOHN CUTLER
& ASSOCIATES

Board of Directors
Rocky Mountain Preparatory Schools
Denver, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the Rocky Mountain Preparatory School which comprise the statement of financial position as of June 30, 2015, and the related statements of activities, and cash flows for the years then ended, and the related notes to the financial statements. We did not audit the financial statements of the Rocky Mountain Preparatory School – Southwest.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Rocky Mountain Preparatory Schools as of June 30, 2015, and the changes in its net assets and its cash flows 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, the schedule of the School's proportionate share, and schedule of the School's contributions on pages 17-18 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 an opinion on the financial statements as a whole. The combining statements are presented for purposes of additional analysis and is 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 information is fairly stated, in all material respects, in relation to the financial statements as a whole.

John Cutler & Associates, LLC

December 18, 2015

Management's Discussion and Analysis

As management of Rocky Mountain Preparatory Schools (RMPS), we offer readers of Rocky Mountain Preparatory Schools' financial statements our narrative overview and analysis of the financial activities of RMPS for the fiscal year ended June 30, 2015, the fourth year of operations.

Financial Highlights

The year ended June 30, 2015 is the fourth year of operations at Rocky Mountain Preparatory Schools. This is the first year the entity is issuing an audit in addition to the Rocky Mountain Prep – Creekside campus. In previous years, all assets were allocated to the Creekside campus however, in this completed fiscal year, we have started allocating assets across three entities including Creekside campus, Southwest campus, and the RMP Network Support Team (NST). Therefore there is not a previous year comparison on these financial statements as explicitly stated. You may refer to previous year's audits for the Creekside campus as the full financial positions of the RMPS school entity.

The financial results of RMPS in the fiscal year ending June 30, 2015 under the Government-wide accounting standards are materially impacted by the implementation of GASB 68, *Accounting and Financial Reporting for Pensions.* Prior to this change, RMPS would only report a pension liability to reflect any owed amount for its annual actuarially-determined payments into the pension plan. Under GASB 68, RMPS is obligated to report the net pension liability (NPL) for the entire underfunded status of the plan for its share of the larger Denver Public School's division of the Colorado Public Employee's Retirement Association (PERA) plan.

Net pension liability is the difference between the total pension liability (the present value of projected benefit payments to employees based on their past service) and the assets set aside to pay current employees, retirees, and beneficiaries.

As of December 31, 2014, the DPS division of the Colorado Public Employee's Retirement Association (PERA) had a net pension liability (NPL) of $624,570,000. RMPS' portion of the liability is determined by its portion of contributions to PERA as a percentage of total contributions to the DPS division of PERA. RMPS holds 0.27417% of the total DPS NPL, or $1,712,357. Please note that the NPL is recognized in total for RMPS by the Creekside campus for this fiscal year due as all employees of RMPS were contributing to PERA under the same company account. RMPS will aim to recognize the liability separately allocated to each of its two schools and the central office on an on-going basis.

The NPL liability is unlike any other liability on RMPS' balance sheet. The NPL is a long-term obligation that RMPS cannot pay off in an accelerated schedule given that annual contribution rates are set by state statute. The NPL liability does not impact the current financial resources of the general fund, and is not reported in the modified accrual basis financial statement of government funds

With the implementation of GASB 68, the net asset of RMPS was $759,102 in the fiscal year ending June 30, 2015.

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to RMPS' basic financial statements. RMP Creekside's basic financial statements are comprised of two components: 1) financial statements, and 2) notes to the financial statements.

The financial statements include a Statement of Financial Position, a Statement of Activities, and a Statement of Cash Flows. All are designed to provide readers with a broad overview of Rocky Mountain Prep Schools' finances, in a manner similar to a private-sector business.

The statement of financial position presents information on all of RMPS' 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 of RMPS is improving or deteriorating.

The statement of activities presents information showing how RMPS' net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected grant expenses and earned but unpaid salary and benefits).

The statement of cash flows reconciles the change in net assets to the overall cash position of the organization.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This information is provided in pages 5-18, with a detailed discussion of the pension liability addition.

Net Position Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the organization's financial position. In the case of RMPS, assets exceeded liabilities by $759,102 in FY 2015-2016. GASB 68's recognition of the unfunded pension liability attributed $1,169,670 in long-term liabilities to the net position.

Rocky Mountain Preparatory Schools Net Position

	June 30, 2015	June 30, 2014
ASSETS		
Cash and investments	$ 1,821,296	$ 786,415
Cash Held by the District	68,965	50,191
Accounts Receivable	156,884	98,325
Inventory	24,990	8,365
Prepaid Expenses	78,768	14,064
Capital Assets, Depreciated	48,171	51,876
Total Current Assets	**2,199,074**	**1,009,236**
DEFERRED OUTFLOWS		
Related to Pensions	543,071	-
LIABILITIES		
Accounts Payable	145,302	61,982
Unearned Revenue	125,000	
Net Pension Liability	1,712,357	-
Total Liabilities	**1,982,659**	**61,982**
DEFERRED INFLOWS		
Related to Pensions	384	-
NET POSITION		
Investment in Capital Assets	48,171	51,876
Restricted for Emergencies	85,400	62,000
Temporarily Restricted	709,202	-
Unrestricted	(83,671)	833,378
Total Net Position	**$ 759,102**	**$ 947,254**

The largest portion of RMPS' current assets is in cash and investments at 82% in 2015.

Debt

RMPS has no investments in long-term debt obligations. Rocky Mountain Preparatory Schools, the non-profit, has obtained a line of credit with its local bank for $150,000 to support organizational growth. As of June 30th, 2015, no amounts have been drawn on the account.

Economic Factors and Next Year's Budget

The primary factor driving the budget for RMPS is student enrollment. Enrollment for the 2014-2015 school year was 275.14 funded students at the Creekside campus. This information was analyzed as part of the 2015-2016 budget which is projecting a 344.7 funded student count at Creekside campus and 73.6 funded student count at the Southwest campus.

Requests for Information

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

Rocky Mountain Prep Charter School – Network Central Office
7808 Cherry Creek S. Drive #3-300
Denver, CO 80231

FINANCIAL STATEMENTS

ROCKY MOUNTAIN PREPARATORY SCHOOLS

STATEMENT OF FINANCIAL POSITION
June 30, 2015

ASSETS	
Current Assets	
Cash	$ 1,821,296
Cash Held at District	68,965
Accounts Receivable	156,884
Inventory	24,990
Prepaid Expenses	78,768
Total Current Assets	2,150,903
Noncurrent Assets	
Capital Assets, Net of Accumulated Depreciation	48,171
TOTAL ASSETS	2,199,074
DEFERRED OUTFLOWS OF RESOURCES	
Related to Pensions	543,071
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 2,742,145
LIABILITIES	
Current Liabilities	
Accounts Payable	$ 145,302
Unearned Revenues	125,000
Total Current Liabilities	270,302
Long-Term Liabilities	
Net Pension Liability	1,712,357
TOTAL LIABILITIES	1,982,659
DEFERRED INFLOWS OF RESOURCES	
Related to Pensions	384
NET ASSETS	
Invested in Capital Assets	48,171
Emergency Reserve	85,400
Temporarily Restricted	709,202
Unrestricted	(83,671)
Total Net Assets	759,102
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET ASSETS	$ 2,742,145

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

ROCKY MOUNTAIN PREPARATORY SCHOOLs

STATEMENT OF ACTIVITIES
Year Ended June 30, 2015

	Unrestricted	Temporarily Restricted	Total
REVENUES			
Per Pupil Revenue	$ 2,412,838	$ -	$ 2,412,838
Mill Levy Override	321,261	-	321,261
Grants and Contributions	1,420,168	709,202	2,129,370
Interest	1,930	-	1,930
Other	111,670	-	111,670
TOTAL REVENUES AND OTHER SUPPORT	4,267,867	709,202	4,977,069
EXPENSES			
Instruction	2,076,070	-	2,076,070
Support	2,184,773	-	2,184,773
TOTAL EXPENSES	4,260,843	-	4,260,843
CHANGE IN NET ASSETS	7,024	709,202	716,226
NET ASSETS, Beginning, As Restated	42,876	-	42,876
NET ASSETS, Ending	$ 49,900	$ 709,202	$ 759,102

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

ROCKY MOUNTAIN PREPARATORY SCHOOLS

STATEMENT OF CASH FLOWS
June 30, 2015

CASH FLOWS FROM OPERATING ACTIVITIES		
Change in Net Assets	$	716,226
Adjusments to Reconcile Changes in Net Assets to		
Net Cash Provided by Operating Activities		
Depreciation		3,705
Net Expense Related to Pensions		265,292
Changes in Assets and Liabilities		
Accounts Receivable		(58,559)
Inventory		(16,625)
Prepaid Expenses		(64,704)
Accounts Payable		83,320
Unearned Revenues		125,000
Net Cash Provided by Operating Activities		1,053,655
NET INCREASE IN CASH		1,053,655
CASH AND EQUIVALENTS, Beginning		836,606
CASH AND EQUIVALENTS, Ending	$	1,890,261

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

NOTE 1: ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

Rocky Mountain Preparatory School (the "Organization") was created for the purpose of supporting and operating public charter schools. The Organizations' mission is to provide educational, technical and supporting services to the Rocky Mountain Preparatory Schools – Creekside and Southwest.

The Organization includes two managed charter schools within the Denver Metro area: The Rocky Mountain Preparatory School – Creekside ("Creekside") and Rocky Mountain Preparatory School – Southwest ("Southwest"). Both are component units of the Denver Public School District. The Organization also includes the Network Support Team (NST) which provides supporting services to the Creekside and Southwest schools through management fees paid by each school. All significant inter-entity transactions have been eliminated for presentation.

Basis of Reporting – The Organization's financial statements have been prepared using generally accepted accounting principles for non-profit organizations and the accrual basis of accounting. The charter schools' separately issued financial statements were prepared using generally accepted accounting principles for governmental entities. The financial information related to the charter schools has been converted to comply with the principals applicable to non-profit organizations.

Cash and Cash Equivalents – For the financial statement purposes, the Organization considers all highly liquid investments with an original maturity of three months or less to be cash equivalents. Cash is restricted in the financial statements to comply with the provisions of the TABOR amendment.

Cash held at charter schools is governed by State Statute. 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. 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.

Accounts Receivable – Receivables are reported at their gross value, and, where appropriate, are reduced by the estimated portion that is expected to be uncollectable. At June 30, 2015, management has not recorded an allowance for doubtful accounts.

Inventory – Payments made to vendors for school uniforms that will be used in future periods are recorded as inventory. An expenditure is reported in the year in which the goods are consumed.

NOTE 1: *SUMMARY OF SIGNIFICANT ACCOUNTING* POLICIES (Continued)

Prepaid Items – Prepaid Items consist of payments made to vendors for services that will benefit future periods.

Deferred Outflows of Resources – In addition to assets, the statement of financial position 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 assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Property and Equipment – The Organization's policy is to capitalize property and equipment with an initial cost of $5,000 or more and an estimated useful life in excess of one year. Donated property and equipment are recorded at fair value at the date of donation. Depreciation is recorded using the straight line method over estimated useful lives of the assets of five to seven years. Depreciation for leasehold improvements is recorded using the straight line method over the shorter of the lease term or the estimated useful life of the asset.

Deferred Inflows of Resources – In addition to the liabilities, the statement of financial position 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 assets that applies to a futures period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Revenue Recognition – State per pupil funding is recognized when earned. Grants, contributions, and other revenue are recognized as revenue when received or unconditionally pledged. Revenue and support is considered to be available for unrestricted use unless specifically restricted by the grantor or contributor.

Estimates – Preparation of the Organization's financial statements in conformity with generally accepted accounting principles requires the use of management's estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Subsequent Events – Management has performed an evaluation of subsequent events through December 18, 2015, and has considered any relevant matters in the preparation of the financial statements.

NOTE 2: *RESTRICTED CASH*

Cash in the amount of $68,965 as of June 30, 2015, is restricted to comply with the TABOR amendment for Rocky Mountain Preparatory School – Creekside.

NOTE 3: CAPITAL ASSETS

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

Facility Improvements	$ 55,581
Less: Accumulated Depreciation	(7,410)
Net Capital Assets	**$ 48,171**

NOTE 4: TEMPORARILY RESTRICTED NET ASSETS

Temporarily restricted net assets of $978,742 as of June 30, 2015 are restricted for grants received but not yet expended as of June 30, 2015. These assets will be released as they are expended and the restricted purpose is satisfied.

NOTE 5: DEFINED BENEFIT *PENSION PLAN*

Summary of Significant Accounting Policies

Pensions. The Organization participates in the Denver Public Schools Division Trust Fund (DPS Division), a single-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 DPS Division 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 Organization are provided with pensions through the Denver Public Schools Division Trust Fund (DPS Division)—a single-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.

NOTE 5: DEFINED BENEFIT *PENSION PLAN* (Continued)

General Information about the Pension Plan (Continued)

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.

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

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

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.

NOTE 5: DEFINED BENEFIT *PENSION PLAN* (Continued)

General Information about the Pension Plan (Continued)

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year.

Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the DPS Division.

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 School are required to contribute to the DPS Division 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:

NOTE 5: DEFINED BENEFIT *PENSION PLAN* (Continued)

General Information about the Pension Plan (Continued)

	For the Year Ended December 31, 2014	For the Year Ended December 31, 2015
Employer Contribution Rate	13.75%	10.15%
Amount of Employer Contribution apportioned to the DPS HCTF as specified in C.R.S. § 24-51-208(1)(f)	(1.02%)	(1.02%)
PCOP Offset as specified in C.R.S. § 24-51-412	(16.89%)	(15.97%)
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	3.80%	4.20%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	3.50%	4.00%
Total Employer Contribution Rate to the DPS Division	3.14%	1.36%

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

Employer contributions are recognized by the DPS Division in the period in which the compensation becomes payable to the member and the Organization is statutorily committed to pay the contributions to the DPS Division. Employer contributions recognized by the DPS Division from the Organization were $59,977 for the year ended June 30, 2015.

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

At June 30, 2015, the Organization reported a liability of $1,712,357 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 Organization's proportion of the net pension liability was based on the Organization's contributions to the DPS Division for the calendar year 2014 relative to the total contributions of participating employers to the DPS Division.

At December 31, 2014, the Organization's proportion was 0.27417%, which was a increase of 0.09538% from its proportion measured as of December 31, 2013.

For the year ended June 30, 2015 the Organization recognized pension expense of $325,269. At June 30, 2015, the Organization reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 5: DEFINED BENEFIT*PENSION PLAN* (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	N/A	$ 384
Net difference between projected and actual earnings on pension plan investments	$ 121,576	N/A
Changes in proportion and differences between contributions recognized and proportionate share of contributions	$ 398,218	N/A
Contributions subsequent to the measurement date	$ 23,277	N/A
Total	$ 543,071	$ 384

$23,277 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	$121,746
2017	$121,746
2018	$121,746
2019	$128,596
2020	$ 25,576

NOTE 5: <u>DEFINED BENEFIT*PENSION PLAN*</u> (Continued)

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

Actuarial assumptions. The total pension liability in the December 31, 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.

The DPS Division'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.

NOTE 5: DEFINED BENEFIT*PENSION PLAN* (Continued)

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

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

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

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 DPS Division'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.

NOTE 5: DEFINED BENEFIT*PENSION PLAN* (Continued)

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

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

	1% Decrease (6.50%)	Current Discount Rate (7.50%)	1% Increase (8.50%)
Proportionate share of the net pension liability	$2,917,099	$1,712,357	$702,413

Pension plan fiduciary net position. Detailed information about the DPS Division'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.

Other Post-Employment Benefits

Health Care Trust Fund

Plan Description – The Organization contributes to the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit Provides 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.

NOTE 5: DEFINED BENEFIT*PENSION PLAN* (Continued)

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

Funding Policy – The Organization 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 Organization 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 Organization contributions to the HCTF were $18,975, $12,665 and $6,798, respectively, equal to their required contributions for each year.

Taxable Pension Certificates of Participation (PCOPs)

The District issued Taxable Pension Certificates of Participation (PCOPs) on July 17, 1997 to fully fund the unfunded actuarial accrued liability (UAAL) of the Plan. Full funding of the UAAL reduced the employer contribution rate from the full funding rate of 15.75% to the normal cost rate of 4.98%. This rate is based upon actuarially determined contribution requirements, the approval and recommendation of the Plan's Board and approval of the District's Board of Education. The Organization contributed 9.84%, 10.8%, and 11.36% of covered payroll for the fiscal years ended June 30, 2015, 2014 and 2013 respectively, to the District to cover its obligation relating to the PCOPs. During the fiscal years ended June 30, 2015, 2014, and 2013 the Organization made contributions totaling $183,048, $135,951 and $76,046 to the District towards its PCOPs obligation.

NOTE 6: RELATED PARTIES

The charter schools have adopted and approved the payment of management fees paid to the NST of approximately 8% of estimated revenues. For the year ended June 30, 2015, the NST recorded $263,543 in management income received from the schools. The fees are paid to account for the services provided in the areas of operations, finance and accounting, marketing, staff recruitment, human resources, student recruitment and enrollment.

NOTE 7: COMMITMENT AND CONTINGENCIES

Facilities Use Agreement

In June 2012, Creekside entered into a facility use agreement with the District for use of a District school building for the 2014-2015 school year. The District will charge the school $742 per pupil to cover these costs. The cost per student will be recalculated by the District each year.

Creekside paid $230,091 under the terms of this agreement for the year ended June 30, 2015.

Claims and Judgments

The Organization 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 Organization may be required to reimburse the grantor government. As of June 30, 2015, significant amounts of grant expenditures have not been audited, but the Organization believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Organization.

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 Organization believes it has complied with the Amendment.

As required by the Amendment, Creekside has established a reserve for emergencies. At June 30, 2015, the reserve of $85,400 was recorded as a reservation of fund balance in the General Fund. The District also holds $68,965 in pooled cash on behalf of the Organization for this reserve.

NOTE 8: ***RESTATEMENT OF NET POSITION***

The Beginning Net Assets of the Creekside School were decreased by $904,378, to ($62,406) as the School implemented Governmental Accounting Standards Board Statement (GASB) No. 68.

REQUIRED SUPPLEMENTARY INFORMATION

ROCKY MOUNTAIN PREPARATORY SCHOOLS

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
DENVER PUBLIC SCHOOLS DVISION TRUST FUND

Years Ended December 31,

	2013	2014
School's proportionate share of the Net Pension Liability	0.179%	0.274%
School's proportionate share of the Net Pension Liability	$ 929,887	$ 1,712,357
School's covered-employee payroll	$ 975,068	$ 1,495,376
School's proportionate share of the Net Pension Liability as a percentage of its covered-employee payroll	95.4%	114.5%
Plan fiduciary net position as a percentage of the total pension liability	86.3%	83.9%

See the accompanying independent auditors' report.

ROCKY MOUNTAIN PREPARATORY SCHOOLS

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
DENVER PUBLIC SCHOOLS DVISION TRUST FUND

Years Ended June 30,

	2014	2015
Statutorily required contributions	$ 60,955	$ 59,977
Contributions in relation to the Statutorily required contributions	60,955	59,977
Contribution deficiency (excess)	$ -	$ -
School's covered-employee payroll	$ 1,241,686	$ 1,860,246
Contributions as a percentage of covered-employee payroll	4.91%	3.22%

See the accompanying independent auditors' report.

COMBINING STATEMENTS

ROCKY MOUNTAIN PREPARATORY SCHOOLS

COMBINING STATEMENT OF FINANCIAL POSITION
Year Ended June 30, 2015

	Rocky Mountain Preparatory NeST	Rocky Mountain Preparatory Creekside	Rocky Mountain Preparatory Southwest	TOTAL
ASSETS				
Current Assets				
Cash	$ 937,674	$ 873,489	$ 10,133	$ 1,821,296
Cash Held at District	-	68,965	-	68,965
Accounts Receivable	25,000	65,837	66,047	156,884
Inventory	-	24,990	-	24,990
Prepaid Expenses	31,112	44,189	3,467	78,768
Total Current Assets	993,786	1,077,470	79,647	2,150,903
Noncurrent Assets				
Capital Assets, Net of Accumulated Depreciation	-	48,171	-	48,171
TOTAL ASSETS	993,786	1,125,641	79,647	2,199,074
DEFERRED OUTFLOWS OF RESOURCES				
Related to Pensions	-	543,071	-	543,071
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 993,786	$ 1,668,712	$ 79,647	$ 2,742,145
LIABILITIES				
Current Liabilities				
Accounts Payable	$ 10,363	$ 54,021	$ 80,918	$ 145,302
Unearned Revenues	-	125,000	-	125,000
Total Current Liabilities	10,363	179,021	80,918	270,302
Long-Term Liabilities				
Net Pension Liability	-	1,712,357	-	1,712,357
TOTAL LIABILITIES	10,363	1,891,378	80,918	1,982,659
DEFERRED INFLOWS OF RESOURCES				
Related to Pensions	-	384	-	384
NET ASSETS				
Invested in Capital Assets	$ -	$ 48,171	$ -	$ 48,171.00
Emergency Reserve	-	85,400	-	85,400
Unrestricted	983,423	(356,621)	(1,271)	625,531
Total Net Assets	983,423	(223,050)	(1,271)	759,102
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET ASSETS	$ 993,786	$ 1,668,712	$ 79,647	$ 2,742,145

See the accompanying independent auditors' report.

ROCKY MOUNTAIN PREPARATORY SCHOOLS

COMBINING SCHEDULE OF ACTIVITIES
Year Ended June 30, 2015

	Rocky Mountain Preparatory NST	Rocky Mountain Preparatory Creekside	Rocky Mountain Preparatory Southwest
REVENUES AND OTHER SUPPORT			
Per Pupil Revenue	$ -	$ 2,412,838	$ -
Mill Levy Override	-	321,261	-
Grants and Contributions	1,444,290	488,580	196,500
Management Income	273,523	-	-
Interest	-	1,930	-
Other	-	111,670	-
TOTAL REVENUES AND OTHER SUPPORT	$ 1,717,813	$ 3,336,279	$ 196,500
EXPENSES			
Instruction	$ -	$ 2,076,070	$ -
Support	734,390	1,526,135	197,771
TOTAL EXPENSES	734,390	3,602,205	197,771
CHANGE IN NET ASSETS	983,423	(265,926)	(1,271)
NET ASSETS, Beginning, As Restated	-	42,876	-
NET ASSETS, Ending	$ 983,423	$ (223,050)	$ (1,271)

See the accompanying independent auditors' report.

Eliminations	TOTAL
$ -	$ 2,412,838
-	321,261
-	2,129,370
(273,523)	-
-	1,930
-	111,670
$ (273,523)	$ 4,977,069
$ -	$ 2,076,070
(273,523)	2,184,773
(273,523)	4,260,843
-	716,226
-	42,876
$ -	$ 759,102