FRONTIER ACADEMY

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

FOR THE YEAR ENDED JUNE 30, 2017

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Frontier Academy
Greeley, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Frontier Academy, a component unit of Weld County School District 6, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Frontier Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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.

Board of Directors
Frontier Academy

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 aggregate remaining fund information of Frontier Academy as of June 30, 2017, and the respective changes in financial position 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 on pages 3-7, the budgetary comparison information on pages 34-35, and the pension schedules on pages 36-37 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 Frontier Academy's basic financial statements. The budgetary comparison information for the Frontier Academy Foundation is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Broomfield, Colorado
October 27, 2017

This section of the financial report is a required component of the annual audit for governmental organizations and is intended to help explain the financial activity for the fiscal year ended June 30, 2017 through a brief narrative overview and analysis of financial statements. All interested persons are encouraged to read this report and to review the financial statements in conjunction with the descriptions of activity as highlighted below.

Financial Highlights

- The liabilities and deferred inflows of resources of Frontier Academy (the School) exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by $15,805,145 (net position). This is largely due to GASB Statement No. 68 pension related items. See Note 8 for further explanation.

- Total unrestricted cash and investments were $5,092,551 at June 30, 2017, as compared to $2,502,376 at June 30, 2016.

The School did not exceed its operating budget for the General Fund realizing over 100% of budgeted revenues while spending 98% of budgeted expenditures.

Overview of Financial Statements

This report generally follows the guidelines as set forth by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This rule was intended to help make reports easier to understand for oversight bodies, in particular the Weld County School District 6 Board of Education and the general public. The report consists of four parts: Management's Discussion and Analysis (this section), the Basic Financial Statements, Required Supplementary Information, and Supplementary Information. The Basic Financial Statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements which provide additional and more detailed information. Included as Required Supplementary Information is budget-to-actual information related to the School's General Fund and the Frontier Academy Facilities Corporation, a blended component unit, and pension schedules as required under GASB Statement No. 68.

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

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

The *statement of activities* presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

The government-wide financial statements include not only the School itself (known as the *primary government*), but also its component units, entities for which the School is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the School's operations. The Frontier Academy Facilities Corporation (the Facility Corporation) and the Frontier Academy Foundation (the Foundation) meet the requirements for blending. Therefore, these component units have been included as an integral part of the primary government.

The government-wide financial statements can be found on pages 8-9 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 School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The School reports four funds, the general fund and two special revenue funds (the Facility Corporation and the Foundation Fund), all governmental funds and one fiduciary fund for student activities.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the School's near-term financing requirements.

The School has one fiduciary fund used to account for resources held for the benefit of parties outside of the School. Fiduciary funds are not reflected in the government-wide financial statements because these sources of funds are not available to support the School's direct educational programs. The accounting method used for fiduciary funds is much like that used for the government-wide financial statements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The School adopts an annual appropriated budget for its general fund, its Facility Corporation fund, and its Frontier Academy Foundation fund. A budgetary comparison statement has been provided for these funds.

The basic governmental fund financial statements can be found on pages 10-14 of this report.

Notes to financial statements. The notes provide additional information essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 15 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position.

	June 30, 2017	June 30, 2016
Assets:		
Current Assets	$ 10,572,854	$ 2,588,925
Noncurrent Assets	17,608,979	12,154,061
Total Assets	28,181,833	14,742,986
Deferred Outflows of Resources	14,615,389	3,490,298
Liabilities:		
Current Liabilities	2,230,830	1,175,342
Noncurrent Liabilities	22,422,317	11,975,000
Net pension liability	33,796,518	16,564,229
Total Liabilities	58,449,665	29,714,571
Deferred Inflows of Resources	152,702	234,742
Net Position:		
Net Investment in Capital Assets	940,668	(1,169,105)
Restricted	2,171,735	1,835,976
Unrestricted	(18,917,548)	(12,382,900)
Total Net Position	$ (15,805,145)	$ (11,716,029)

Current assets increased based on revenues exceeding expenditures at the fund level. Noncurrent assets and liabilities increased due to construction in progress funded with the proceeds from the Series 2016 Charter School Revenue Refunding Bonds. The net pension liability and associated deferred outflows of resources and inflows of resources fluctuates based on the financial position of the Public Employee's Retirement Association of Colorado (PERA). The School is required to report its proportionate share of PERA's unfunded pension liability. The School's overall net position decreased by $4,089,116 during the 2017 fiscal year.

	Year Ended June 30, 2017	Year Ended June 30, 2016
Program Revenues:		
Charges for Services	$ 332,216	$ 285,216
Operating Grants	684,991	661,699
Capital Grants	2,185,901	414,971
General Revenues:		
Per Pupil Funding	10,648,287	10,447,459
Interest Income	31,949	1,414
Other Revenue	277,914	370,735
Total Revenues	14,161,258	12,181,494
Expenses:		
Instruction	10,379,097	7,805,039
Support Services	7,144,258	3,852,621
Interest on Long-Term Debt	727,019	589,094
Total Expenses	18,250,374	12,246,754
Change in Net Position	(4,089,116)	(65,260)
Net Position - Beginning of Year	(11,716,029)	(11,650,769)
Net Position - End of Year	$ (15,805,145)	$ (11,716,029)

The 2017 comparative schedule of revenues, expenses and changes in net position reflects growth due primarily to a capital contribution grant from the City of Greeley to install synthetic turf fields at the athletic/soccer field and multi-purpose practice field for the School. Instruction and support services expense primarily increased because staff received an increase in pay for the year and pension expense increased. There were not any abnormal expenses.

General Fund

The general fund is used to capture all operating activities of the School. As of the end of the current fiscal year, the School's general fund reported an ending fund balance of $4,644,862, an increase of $2,573,752. Of this balance, approximately 45% is *restricted* to indicate that it is not available for spending primarily because it is required to be maintained to comply with the TABOR amendment and has been restricted for capital projects. An additional 2% is *nonspendable* as it represents amounts which have already been spent to benefit future periods.

General Fund Budgetary Highlights

The 2017 final fiscal year budget was adopted in June 2017. Actual revenue exceeded budgeted revenue. Expenditures were less than budgeted.

Capital Asset and Debt Administration

Capital assets. The School's capital assets as of June 30, 2017, amount to $17,608,979. The capital assets include land, construction in progress, buildings and building improvements, furniture and equipment. The total net increase in School capital assets was $6,981,059 (66%) as a result of construction in progress, the elementary school gym, and additional building improvements. Additional information on the School's capital assets can be found in Note 3 of this report.

Long-term debt. On July 1, 2016, the Colorado Educational and Cultural Facilities Authority (the Authority) refunded the Charter School Revenue bonds dated October 4, 2006. The loan agreement between the Authority and the Facilities Corporation was amended to equal the refunded Charter School Revenue Bonds. The Facility Corporation carries total bonded debt outstanding of $21,535,000 as of June 30, 2017. The $21,535,000 represents the Series 2016 Charter School Revenue Refunding Bonds. Additional information on long-term debt can be found in Note 4 of this report.

Economic Factors and Next Year's Budgets

State funding is again expected to increase for the 2018 school year. The school is anticipating stable enrollment, increased salary and benefit costs, and expects increased materials and utility costs. All will impact 2018 fiscal plans and operations. The initial budget projects a surplus for the 2018 year. Further, for 2018 the School has budgeted approximately $434,000 for additional capital improvements from general fund balance. Lastly, upon completion of the 16th Street extension, the School will dedicate the road to the City of Greeley per requirements, resulting in approximately $2,400,000 being removed from the capital assets of the School on the statement of net position at the end of fiscal year 2018.

Requests for Information

This financial report is designed to provide a general overview of the School's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report, or requests for additional financial information should be addressed to the School Administration or Executive Committee Officers.

FRONTIER ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities
ASSETS	
Cash	$ 5,092,551
Restricted Cash and Investments	5,371,803
Prepaid Items	81,717
Inventory	12,291
Accounts Receivable	14,492
Capital Assets, Not Depreciated	7,076,606
Capital Assets, Depreciated, Net of Accumulated Depreciation	10,532,373
Total Assets	28,181,833
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Charges on Bond Refunding	740,110
Contributions Subsequent to Measurement Date	490,011
Change in Investment Earnings	1,130,085
Change in Experience	422,508
Change in Assumptions	10,966,265
Change in Proportionate Share	866,410
Total Deferred Outflows Of Resources	14,615,389
LIABILITIES	
Accounts Payable and Accrued Expenses	1,212,687
Accrued Salaries and Benefits	466,957
Accrued Interest	70,336
Unearned Revenue	11,825
Noncurrent Liabilities:	
Due Within One Year	469,025
Due in More Than One Year	22,422,317
Net Pension Liability	33,796,518
Total Liabilities	58,449,665
DEFERRED INFLOWS OF RESOURCES	
Change in Assumptions	152,405
Change in Experience	297
Total Deferred Inflows Of Resources	152,702
NET POSITION	
Net Investment in Capital Assets	940,668
Restricted for:	
Emergencies	421,487
Debt Service	61,782
Capital Projects	1,688,466
Unrestricted	(18,917,548)
Total Net Position	$ (15,805,145)

See accompanying Notes to Basic Financial Statements.

FRONTIER ACADEMY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

		Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position
GOVERNMENTAL ACTIVITIES					
Instructional	$ 10,379,097	$ 332,216	$ 684,991	$ -	$ (9,361,890)
Support Services	7,144,258	-	-	2,185,901	(4,958,357)
Interest on Long-Term Debt	727,019	-	-	-	(727,019)
Total Governmental Activities	$ 18,250,374	$ 332,216	$ 684,991	$ 2,185,901	(15,047,266)
		GENERAL REVENUES			
		Per Pupil Revenue			10,648,287
		Investment Income			31,949
		Other			277,914
		Total General Revenues			10,958,150
		CHANGE IN NET POSITION			(4,089,116)
		Net Position - Beginning of Year			(11,716,029)
		NET POSITION - END OF YEAR			$ (15,805,145)

See accompanying Notes to Basic Financial Statements.

FRONTIER ACADEMY
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2017

	General	Facility Corporation	(Nonmajor) Foundation Fund	Total
ASSETS				
Cash	$ 5,085,444	$ -	$ 7,107	$ 5,092,551
Restricted Cash and Investments	-	5,371,803	-	5,371,803
Prepaid Items	81,717	-	-	81,717
Inventory	12,291	-	-	12,291
Accounts Receivable	14,492	-	-	14,492
Total Assets	$ 5,193,944	$ 5,371,803	$ 7,107	$ 10,572,854
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable and Accrued Expenses	$ 70,300	$ 1,137,106	$ -	$ 1,207,406
Accrued Salaries and Benefits	466,957	-	-	466,957
Unearned Revenue	11,825	-	-	11,825
Total Liabilities	549,082	1,142,387	-	1,691,469
FUND BALANCES				
Nonspendable	94,008	-	-	94,008
Restricted	2,109,953	4,229,416	-	6,339,369
Assigned	434,000	-	7,107	441,107
Unassigned	2,006,901	-	-	2,006,901
Total Fund Balances	4,644,862	4,229,416	7,107	8,881,385
Total Liabilities and Fund Balances	$ 5,193,944	$ 5,371,803	$ 7,107	$ 10,572,854

See accompanying Notes to Basic Financial Statements.

FRONTIER ACADEMY
RECONCILIATION OF THE BALANCE SHEET –
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total Fund Balance - Governmental Funds		$ 8,881,385
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is $23,318,957 and accumulated depreciation is $5,709,978.		17,608,979
Deferred loss on refunding, net of accumulated amortization		740,110
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds Payable	(21,535,000)	
Bond Premium, Net of Accumulated Amortization	(1,356,342)	
Accrued Interest on Bonds Payable	(70,336)	
Net Pension Liability	(33,796,518)	(56,758,196)
Deferred outflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Contributions Subsequent to Measurement Date	490,011	
Change in Investment Earnings	1,130,085	
Change in Experience	422,508	
Change in Assumptions	10,966,265	
Change in Proportionate Share	866,410	13,875,279
Deferred inflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Change in Assumptions	(152,405)	
Change in Experience	(297)	(152,702)
Total Net Position		$ (15,805,145)

See accompanying Notes to Basic Financial Statements.

FRONTIER ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017

	General Fund	Facility Corporation	(Nonmajor) Foundation Fund	Total
REVENUES				
Per Pupil Funding	$ 10,648,287	$ -	$ -	$ 10,648,287
Local Sources	2,529,832	-	55,351	2,585,183
Rental Income	-	1,212,796	-	1,212,796
State and Federal Sources	841,836	-	-	841,836
Other Income	54,003	-	-	54,003
Interest Income	918	31,031	-	31,949
Total Revenues	14,074,876	1,243,827	55,351	15,374,054
EXPENDITURES				
Current:				
Instruction	6,885,692	-	-	6,885,692
Support Services	4,849,260	22,078	14,686	4,886,024
Capital Outlay	175,383	7,198,059	-	7,373,442
Debt service:				
Principal	-	315,000	-	315,000
Interest	-	775,801	-	775,801
Cost of Issuance	-	546,894	-	546,894
Total Expenditures	11,910,335	8,857,832	14,686	20,782,853
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,164,541	(7,614,005)	40,665	(5,408,799)
OTHER FINANCING SOURCES (USES)				
Bond Proceeds	-	21,850,000	-	21,850,000
Bond Premium	-	1,428,705	-	1,428,705
Debt Service - Refunded Principal	-	(12,590,000)	-	(12,590,000)
Transfers In	409,211	-	-	409,211
Transfers Out	-	(371,425)	(37,786)	(409,211)
Total Other Financing Sources (Uses)	409,211	10,317,280	(37,786)	10,688,705
NET CHANGE IN FUND BALANCE	2,573,752	2,703,275	2,879	5,279,906
Fund Balance - Beginning of Year	2,071,110	1,526,141	4,228	3,601,479
FUND BALANCE - END OF YEAR	$ 4,644,862	$ 4,229,416	$ 7,107	$ 8,881,385

See accompanying Notes to Basic Financial Statements.

FRONTIER ACADEMY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017

Amounts reported for governmental activities in the Statement of Activities are different because:	
Net Change In Fund Balance - Governmental Funds	$ 5,279,906
Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and are allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.	
Capital Outlay	7,373,442
Depreciation Expense	(392,383)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long term liabilities in the statement of net position. This amount is the net effect of these differences in the treatment of long term debt and related items.	
Bond Proceeds	(21,850,000)
Bond Premium	(1,428,705)
Retirement of Principal	12,905,000
Loss on Refunding	(52,865)
Amortization of Bond Premium	72,363
Interest is paid when due in the governmental funds but recorded when payable in the statement of activities	(23,581)
Some items reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. The (increases) decreases in these activities consist of:	
Pension Expense	(5,972,293)
Change in Net Position	$ (4,089,116)

See accompanying Notes to Basic Financial Statements.

FRONTIER ACADEMY
STATEMENT OF FIDUCIARY NET POSITION
JUNE 30, 2017

	Student Activity
Assets	
Cash and Investments	$ 125,107
Total Assets	$ 125,107
Liabilities	
Accounts Payable	$ 7,777
Due to Student Groups	117,330
Total Liabilities	$ 125,107

See accompanying Notes to Basic Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Frontier Academy (the School) conform to accounting principles generally accepted in the Unites States of America as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and reporting principles. The following is a summary of the Schools' significant accounting policies:

Reporting Entity

GASB has specified the criteria to be used in defining a governmental entity for financial reporting purposes:

The basic, but not the only, criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's reporting entity for general purpose financial reports is the exercise of financial accountability over such agencies by the governmental unit's elected officials. Financial accountability is derived from the governmental unit's power and includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. Financial accountability implies that a governmental unit is dependent on another and the dependent unit should be reported as part of the other.

The School is a charter school organized under the Colorado Charter Schools Act (Colorado Revised Statutes §22-30.5-101). This Act permits school districts to contract with individuals and organizations for the operation of schools within Weld County School District 6 (the District). The statutes define these contracted schools as "charter schools." Charter schools are financed from a portion of the school district's School Finance Act revenues and from revenues generated by the charter school within limits established by the Charter School Act. Charter schools have separate governing boards; however, the school district's board of education must approve all charter school applications and budgets.

The school operates under a charter granted by the District Board of Education. The School is funded based on the level of per pupil operating revenue (PPR) as defined by the State of Colorado Legislature and the number of full-time equivalent (FTE) students. As of the designated count day (October 1, 2016), there were 1,443 FTE students. The PPR rate for the fiscal year ended June 30, 2017, was approximately $7,330.

The accompanying financial statements present the School and its component units, entities for which the School is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the School's operations. The Frontier Academy Facilities Corporation (the Facility Corporation) and the Frontier Academy Foundation (the Foundation) meet the requirements for blending. The Facility Corporation was established for the purpose of holding title to the School facilities and to accumulate resources from the collection of rents from the School to make payments for the Facility Corporation's capital and debt service costs. The Facility Corporation is included in the School's financial statements as a special revenue fund. The Facility Corporation does not issue separate financial statements. The Foundation was formed in 2001 for the purpose of receiving, maintaining, and administering funds received as gifts for the benefit of the School. The Foundation does not have separate financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The School is a component unit of the District and is included in the District's Comprehensive Annual Financial Report.

Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component units. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable. The statement of activities demonstrates the degree to which the direct expenses of a 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 individuals 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. Other items not included among program revenues are reported instead as general revenues.

Major individual 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 the related cash flows. Revenue from per pupil operating revenue is recognized in the fiscal year for which the funding is provided. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Revenues from donations are recognized when the funds are pledged to the School.

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. Measureable means that the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Charges for services are considered revenue once the service is rendered, and as such are considered susceptible to accrual.

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

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The accounts of the School are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The major funds presented in the accompanying basic financial statements are as follows:

Major Government Funds

General Fund: The General Fund is the School's primary operating fund. It accounts for all financial resources of the School, except those required legally or by sound financial management to be accounted for in another fund.

Special Revenue – Facility Corporation: Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The School reports a special revenue fund for the Facilities Corporation.

The School reports the following nonmajor funds:

Nonmajor Government Funds

Special Revenue – Frontier Academy Foundation Fund: Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The School reports a special revenue fund for the Foundation.

Fiduciary Fund

Agency Fund – Student Activity Fund: Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The School has one agency fund, the student activity fund, which holds assets used by students for specific school activities.

Interfund Transfers

Transfers between the General Fund, Facilities Corporation, and Foundation are made for discretionary spending.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. The estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from these estimates.

Cash and Investments

Cash and investments may include cash on hand, demand deposits, certificates of deposit, savings accounts, money markets, and pooled investment funds.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

The School has adopted the provisions of GASB Statement No. 72, *Fair Value Measurement and Application*, which requires disclosures to be made about fair value measurements, the level of fair value hierarchy, and valuation techniques. The School's investments are all in money market funds, which are measured at amortized cost.

Inventory

The School holds inventory in gift cards that are purchased at a discount and sold at a profit for fundraising purposes. The gross revenue is shown as other revenue and the cost of sales is shown in supporting services expenses under the consumption method. Inventory amounts are shown at cost using the specific identification method.

Capital Assets

Capital assets purchased by the Facility Corporation, which include land, construction in progress, buildings and building improvements, and furniture and equipment are reported in the government-wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. An annual capital asset inventory is performed in accordance with state law (Colorado Revised Statute §29-1-506).

All reported capital assets, except for land, are depreciated once placed in service. Depreciation on all assets is provided using the straight-line method over estimated useful lives of 3 to 39 years.

Deferred Outflows of Resources

The School's governmental activities report a separate section for deferred outflows of resources. This separate financial statement element reflects a decrease in net position that applies to a future period. The School has five types of items classified as deferred outflows of resources: 1) contributions subsequent to measurement date; 2) change in proportionate share; 3) change in experience; 4) change in investment earnings; and 5) change in assumptions. See Note 8 for additional information.

The School also has another type of item classified as a deferred outflow of resources: deferred charges on bond refunding. For current refundings and advance refundings resulting in defeasance of debt, the difference between the reacquisition price and the net carrying amount of the old debt is reported as a deferred outflow (or inflow) or resources. These amounts are amortized over the life of the old debt or the new debt, whichever is shorter.

Accrued Salaries and Benefits

Salaries of teachers and certain other employees are paid over a 12-month period ending July 31. However, most salaries are earned over the traditional school year of August through May. The difference between salary and related benefit amounts earned from July 1 through June 30 and the corresponding amounts paid during this period is shown as a liability for accrued salaries and benefits in the amount of $414,722.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition, the School's policy allows employees to accumulate paid time off. A portion of this leave may be carried forward to the succeeding year or employees can elect to have the school buy out the unused paid time off in July at rates ranging from $80 to $100 per day. At June 30, 2017, the amount of accrued paid time off was $52,235, included in accrued salaries and benefits.

Long-Term Debt

Long-term debt is reported as liabilities in the statement of net position. Deferred charges related to the bonds payable are amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

Net Pension Liability

The School's governmental activities report a net pension liability as of June 30, 2017. The School is required to report their proportionate share of PERA's unfunded pension liability. See Note 8 for additional information.

Deferred Inflows of Resources

The School's governmental activities report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period. The School has two items classified as deferred inflows of resources: 1) change in assumptions, and 2) change in experience of the net pension liability. See Note 8 for additional information.

Net Position/Fund Balance

In the government-wide financial statements, net position is restricted when constraints placed on the net position are externally imposed. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvements of those assets.

In the fund financial statements, fund equity of the School's governmental funds are classified as nonspendable, restricted, committed, assigned, or unassigned.

Nonspendable fund balances indicate amounts that cannot be spent either due to a) form; for example, inventories and prepaid amounts or b) legal or contractual requirements to be maintained intact. The School has $94,008 of nonspendable resources as of June 30, 2017.

Restricted fund balances in the School's general fund indicate amounts constrained for specific purpose by external parties, constitutional provision, or enabling legislation. Restrictions on the School's General fund balance and Facilities Corporation fund are described in Note 7.

Committed fund balances indicate amounts constrained for a specific purpose by a government using its highest level of decision-making authority. It would require an ordinance by the School's board to remove or change the constraints placed on the resources. This action must occur prior to year-end; however, the amount can be determined in the subsequent period.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assigned fund balances indicate amounts for governmental funds, other than the general fund, any remaining positive amounts not classified in the above categories. For the general fund, amounts constrained for the intent to be used for a specific purpose has been delegated to the Business Manager. The School has $434,000 of assigned balance in the general fund for subsequent year budget expenditures. The School has $7,107 of assigned balance in the Foundation fund to be used in operations of the fund and future contributions to the School.

Unassigned fund balances indicate amounts in the general fund that are not classified as nonspendable, restricted, committed, or assigned. The general fund is the only fund that would report a positive amount in unassigned fund balance.

The School will 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.

NOTE 2 CASH AND INVESTMENTS

Colorado statutes govern the School's deposits of cash and investments. The Colorado Public Deposit Protection Act (PDPA) requires that all units of a local government deposit cash in eligible public depositories; eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. 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. At June 30, 2017, the School's carrying amount of deposits was $5,217,658 and the bank balance was $5,286,239. These amounts include the fiduciary fund cash of $125,107 with a bank balance of $133,761.

The terms of the bonds require the Facility Corporation to maintain certain cash and investment reserve accounts. These accounts are held by a trustee. Monthly payments from the School (Note 5) are deposited in the accounts and the semi-annual bond payments are made from the accounts.

At June 30, 2017, $1,367,768 is held in reserved accounts required by the bond agreements, which is to be used for payment of principal and interest on the bonds. In addition, $4,004,035 is being held in a project account with the trustee for withdrawal by the School for qualified capital outlays. These accounts with the trustee are invested in money market accounts, which are shown at amortized cost.

Credit Risk – The School does not hold investments. The cash and investment reserve accounts owned by the Facilities Corporation are in the custody of the trustee, these funds are used primarily to make bond principal, interest and capital outlay payments. These funds are invested by the trustee as directed by the Facility Corporation; investments are limited to investments as allowed by the state of Colorado. The statutes define the permissible rating, maturity, custodial and concentration risk criteria in which local governments may invest to include:

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

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

June 30, 2017, the Facilities Corporation's investments consisted of money market funds, which do not have a credit rating.

Interest rate risk – The trustee is required to maintain liquidity of the investment funds held so as to meet cash requirements of the principal and interest requirements of the bonds on a semiannual basis. The money market accounts held in investments have maturities of less than one year.

NOTE 3 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017, was as follows:

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017
Capital Assets, not Depreciated:				
Land	$ 1,398,334	$ -	$ -	$ 1,398,334
Construction in Progress	-	5,678,272	-	5,678,272
Total Capital Assets, not Depreciated	1,398,334	5,678,272	-	7,076,606
Capital Assets, Being Depreciated:				
Buildings and Building Improvements	13,944,308	1,695,170	-	15,639,478
Furniture and Equipment	602,873	-	-	602,873
Total Capital Assets, Being Depreciated	14,547,181	1,695,170	-	16,242,351
Accumulated Depreciation:				
Buildings and Building Improvements	(4,816,698)	(372,056)	-	(5,188,754)
Furniture and Equipment	(500,897)	(20,327)	-	(521,224)
Total Accumulated Depreciation	(5,317,595)	(392,383)	-	(5,709,978)
Total Capital Assets, Being Depreciated, Net	9,229,586	1,302,787	-	10,532,373
Total Capital Assets	$ 10,627,920	$ 6,981,059	$ -	$ 17,608,979

Depreciation expense of $392,383 was charged to instructional activities for the year ended June 30, 2017.

NOTE 4 BONDS PAYABLE

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

	Balance June 30, 2016	Additions	Reductions	Balance June 30, 2017	Current	Long-Term
Bonds Payable - Series 2006	$ 12,590,000	$ -	$ 12,590,000	$ -	$ -	$ -
Bonds Payable - Series 2016	-	21,850,000	315,000	21,535,000	390,000	21,145,000
Premium	-	1,428,705	72,363	1,356,342	79,025	1,277,317
Total	$ 12,590,000	$ 23,278,705	$ 12,977,363	$ 22,891,342	$ 469,025	$ 22,422,317

In July 2016, the Colorado Educational and Cultural Facilities Authority (Authority) issued $21,850,000 Charter School Revenue Bonds dated July 1, 2016. On July 1, 2016, the Corporation entered into a mortgage and lease agreement with the Weld County School District to use the bond proceeds for: a) current refunding of the Authority's Charter School Revenue Bonds Series 2006 in the original aggregate principal amount of $17,750,000, and as of July 1, 2016, in the aggregate principal amount of $12,590,000; b) constructing improvements to the educational facilities originally financed with proceeds of the Series 2006 Bonds; c) funding a bond reserve fund; and d) paying certain costs of issuance of the Bonds. The Bonds are subject to redemption prior to maturity, at the option of the Authority, as a whole or in part in authorized denominations on June 1, 2026, and on any date thereafter, upon direction by the Corporation and upon payment of par plus accrued interest through the date of redemption. The bonds bear annual interest ranging from 3% to 5%. Interest payments are due semi-annually on June 1 and December 1. Principal payments are due annually on June 1, through 2046. The current refunding was undertaken to increase total debt service payments over the next 30 years by $2,283,585 and resulted in an economic gain of $641,934.

The Authority has issued its Charter School Revenue Bonds as the Frontier Academy Project. The bonds were issued for the Frontier Academy Facilities Corporation's use in acquiring the original land and building that are the school facility and finance certain additional buildings and improvements. The Authority and Facility Corporation have entered into a loan agreement wherein the proceeds of the Authority bonds have been loaned to the Facility Corporation. The bonds are payable solely from the loan rights pledged to the Authority under the loan agreement, pledges of funds and revenue by the trustee to the Authority, and the assignment of the Authority's mortgage on the facility and the security interest in the pledged revenues of the Facility Corporation. The bonds do not constitute a debt of the Authority and are considered the obligation of the Facility Corporation.

The Facility Corporation has granted the Authority a mortgage lien on the real estate and a security interest in the lease revenues from the School. The Authority's rights under the agreement have been assigned to the trustee.

The lease revenues which are the basis of the pledged revenues are described in Note 5. The lease revenue over the term of the agreement is equal to the expected principal and interest payments to be made over the life of the bonds, approximately $36,022,000. One hundred percent of lease revenues have been pledged under the agreement. Lease revenue was approximately equal to the debt service requirements of the bond for the year ended June 30, 2017, approximately $1,213,000.

NOTE 4 BONDS PAYABLE (CONTINUED)

Annual debt service requirements to maturity for the long-term debt transactions are as follows:

Year Ending June 30,	Principal	Interest	Total
2018	$ 390,000	$ 844,038	$ 1,234,038
2019	405,000	832,338	1,237,338
2020	415,000	820,188	1,235,188
2021	430,000	803,588	1,233,588
2022	450,000	786,388	1,236,388
2023-2027	2,535,000	3,647,138	6,182,138
2028-2032	3,200,000	3,002,938	6,202,938
2033-2037	4,095,000	2,117,938	6,212,938
2038-2042	4,985,000	1,249,300	6,234,300
2043-2046	4,630,000	382,688	5,012,688
Total	$ 21,535,000	$ 14,486,542	$ 36,021,542

NOTE 5 LEASES

The School leases its building from the Facilities Corporation. The lease requires monthly payments, which approximate the Facilities Corporation's required payments on the bonds (Note 4) and may be terminated in any year by nonappropriation of funds. The Facilities Corporation has pledged the lease payments to pay bond principal and interest. Rent expense was $1,212,796 for the year ended June 30, 2017, and is included in support services expenditures in the general fund.

The School also has an operating lease agreement to share certain facilities, including an auditorium, track and baseball field with University Schools. The lease commenced December 2002 with automatic renewal each year unless terminated through June 2031. The two schools equally share the cost, management, and profits of the shared facilities. Rent expense was $83,277 for the year ended June 30, 2017 and is included in support services expenditures in the general fund.

Future payments on the operating lease are as follows:

Year Ending June 30,	Amount
2018	$ 83,274
2019	83,417
2020	83,186
2021	83,419
2022	83,492
2023-2027	417,089
2028-2031	411,097

NOTE 6 RISK MANAGEMENT

The school is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School carries commercial insurance for these and other risks of loss. Settled claims have not exceeded this coverage in the past three years.

NOTE 7 RESTRICTION OF NET POSITION/DESIGNATIONS OF FUND BALANCE

On November 3, 1992, the voters of the State approved an amendment to the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR limits the ability of the state and local governments such as the School to increase revenues, debt, and spending and restricts property, income and other taxes. In addition, the amendment requires government entities to create an emergency "reserve" of 3% of annual spending excluding bonded debt service. In November 1998, voter approval was given to Weld County School District 6 to remove the restriction on growth in revenue. The 3% emergency reserve is still required both at the District and the School level. At June 30, 2017, management believes the School has complied with the requirements to include emergency reserves in its budgetary basis fund balance in the amount of $421,487.

At June 30, 2017, an additional $1,688,466 of the School's general fund balance has been restricted related to a 2017 capital contribution grant from the City of Greeley to install synthetic turf fields at the athletic/soccer field and multi-purpose practice field for the School, expected to be completed in 2018.

The Facilities Corporation is required to hold funds in escrow accounts related to its bond obligations as identified in Note 2, net position/fund balance are restricted attributable to the restrictions on its cash and investments. At June 30, 2017, $4,229,416 of fund balance is restricted as required by bond covenants. Of this amount, $1,362,487 is restricted for debt service.

NOTE 8 DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

The School 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/deletions 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.

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

General Information about the Pension Plan

Plan Description: Eligible employees of the School 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 are 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. Retirements are determined by the amount of service credit earned and/or purchases, highest average salary, the benefit structure 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 PERA Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit.

- The value of the retiring employee's member contribution account plus a 100% 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% 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% or 100% on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether five 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, 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 receive an annual increase of 2%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% or the average 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% or the average CPI-W for the prior calendar year, not to exceed 10% of PERA's Annual Increase Reserve (AIR) for the SCHDTF.

NOTE 8 DEFINED BENEFIT 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 School 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% of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	Year Ended December 31, 2016	Year Ended December 31, 2017
Employer Contribution Rate[1]	10.15 %	10.15 %
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. §24-51-208(1)(f)[1]	(1.02)	(1.02)
Amount Apportioned to the SCHDTF[1]	9.13	9.13
Amortization Equalization Disbursement (AED) as specified in C.R.S. §24-51-411[1]	4.50	4.50
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. §24-51-411[1]	4.50	5.00
Total Employer Contribution Rate to the SCHDTF[1]	18.13 %	18.63 %

[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 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 for the School for the year ended June 30, 2017 was $955,259.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

At June 30, 2017, the School reported a liability of $33,796,518 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The School's proportion of the net pension liability was based on the School's contributions to the SCHDTF for the calendar year 2016 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2016, the School's proportion was 0.1135106768%, which was an increase of 0.0052073527% from its proportion measured as of December 31, 2015.

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

For the year ended June 30, 2017, the School recognized pension expense of $5,972,293. At June 30, 2017, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 422,508	$ 297
Changes of assumptions or other inputs	10,966,265	152,405
Net difference between projected and actual earnings on pension plan investments	1,130,085	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	866,410	-
Contributions subsequent to the measurement date	490,011	-
Total	$ 13,875,279	$ 152,702

$490,011 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, 2018. 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 Ending June 30,	Amount
2018	$ 5,396,881
2019	5,271,636
2020	2,552,778
2021	11,271
Total	$ 13,232,566

Actuarial Assumptions: Based on the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic assumptions were adopted by PERA's Board on November 18, 2016 and were effective as of December 31, 2016. These revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2015 to December 31, 2016:

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Cost Method	Entry Age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50 - 9.70%
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	5.26%
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to January 1, 2017; and DPS Benefit Structure (automatic)	2.00%
PERA Benefit Structure hired after December 31, 2006 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve (AIR)

Mortality rates used in the December 31, 2015 valuation 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 one year, and females set back two years. Active member mortality was based upon the same mortality rates but adjusted to 55% of the base rate for males and 40% of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back two years for males and set back two years for females) was assumed.

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

As a result of the 2016 experience analysis and the October 28, 2016 actuarial assumptions workshop, revised economic and demographic actuarial assumptions including withdrawal rates, retirement rates for early reduced and unreduced retirement, disability rates, administrative expense load, and pre- and post-retirement and disability mortality rates were adopted by PERA's Board on November 18, 2016 to more closely reflect PERA's actual experience. As the revised economic and demographic assumptions are effective as of the measurement date, December 31, 2016, these revised assumptions were reflected in the total pension liability roll-forward procedures.

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70% factor applied to male rates and a 55% factor applied to female rates.

Healthy, post-retirement mortality assumptions reflect the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93% factor applied to rates for ages less than 80, a 113% factor applied to rates for ages 80 and above, and further adjustments for credibility.

- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68% factor applied to rates for ages less than 80, a 106% factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was changed to reflect 90% of the RP-2014 Disabled Retiree Mortality Table.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

- Investment rate of return assumption decreased from 7.50% per year, compounded annually, net of investment expenses to 7.25% per year, compounded annually, net of investment expenses.

- Price inflation assumption decreased from 2.80% per year to 2.40% per year.

- Real rate of investment return assumption increased from 4.70% per year, net of investment expenses, to 4.85% per year, net of investment expenses.

- Wage inflation assumption decreased from 3.90% per year to 3.50% per year.

Several factors were considered in evaluating the long-term rate of return assumption for the SCHDTF, including long-term historical data, estimates inherent in current market data, and 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 by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the November 18, 2016 adoption of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity - Large Cap	21.20 %	4.30 %
U.S. Equity - Small Cap	7.42 %	4.80 %
Non U.S. Equity - Developed	18.55 %	5.20 %
Non U.S. Equity - Emerging	5.83 %	5.40 %
Core Fixed Income	19.32 %	1.20 %
High Yield	1.38 %	4.30 %
Non U.S. Fixed Income - Developed	1.84 %	0.60 %
Emerging Market Debt	0.46 %	3.90 %
Core Real Estate	8.50 %	4.90 %
Opportunity Fund	6.00 %	3.80 %
Private Equity	8.50 %	6.60 %
Cash	1.00 %	0.20 %
Total	100.00 %	

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 7.25%.

Discount Rate: The discount rate used to measure the total pension liability was 5.26%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the project of cash flows:

- Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016.

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.

- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the GASB Statement No. 67 projection test indicates the SCHDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25% on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.86%, resulting in a discount rate of 5.26%.

As of the prior measurement date, the GASB Statement No. 67 projection test indicated the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments of 7.50% was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use a municipal bond index rate and the discount rate was 7.50%, 2.24% higher compared to the current measurement date.

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 5.26%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (4.26%) or one percentage-point higher (6.26%) than the current rate:

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

	1% Decrease (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
Proportionate Share of the Net Pension Liability	$ 42,498,035	$ 33,796,518	$ 26,709,447

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.

NOTE 9 POSTEMPLOYMENT HEALTHCARE BENEFITS

Health Care Trust Fund

Plan Description – The School contributes to the Health Care Trust Fund (HCTF), a cost sharing multiple employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies.

PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy – The School is required to contribute at a rate of 1.02% of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the School are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2017, 2016 and 2015, the School's contributions to the HCTF were $53,770, $51,237 and $46,454, respectively, equal to their required contributions for each year.

NOTE 10 COMMITMENTS

As of June 30, 2017, the School had approximately $4,300,000 in estimated capital commitments related to construction in progress, which is expected to be completed in fiscal year 2018. The School has restricted cash and investments set aside to fulfill these obligations (see Notes 2 and 7).

NOTE 11 LEGAL COMPLIANCE

The School may be in violation of state statutes as the expenditures for the Foundation exceeded appropriations by $686 for the year ended June 30, 2017.

FRONTIER ACADEMY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Per Pupil Funding	$ 10,640,706	$ 10,648,000	$ 10,648,287	$ 287
Local Sources	643,100	845,938	2,529,832	1,683,894
State and Federal Sources	798,500	812,173	841,836	29,663
Other Income	-	53,100	54,003	903
Interest Income	1,800	900	918	18
Total Revenues	12,084,106	12,360,111	14,074,876	1,714,765
EXPENDITURES				
Current				
Instruction	9,174,575	9,278,575	6,885,692	2,392,883
Support Services	2,783,979	2,935,755	4,849,260	(1,913,505)
Capital Outlay	-	-	175,383	(175,383)
Total Expenditures	11,958,554	12,214,330	11,910,335	303,995
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	125,552	145,781	2,164,541	2,018,760
OTHER FINANCING SOURCES (USES)				
Transfers In	275,000	405,000	409,211	4,211
NET CHANGE IN FUND BALANCE	400,552	550,781	2,573,752	2,022,971
Fund Balance - Beginning of Year	2,071,294	2,071,110	2,071,110	-
FUND BALANCE - END OF YEAR	$ 2,471,846	$ 2,621,891	$ 4,644,862	$ 2,022,971

See accompanying Notes to the Required Supplementary Information.

FRONTIER ACADEMY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – FRONTIER ACADEMY FACILITIES CORPORATION
YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Interest Income	$ 150	$ 25,000	$ 31,031	$ 6,031
Rental Income	1,365,280	1,090,000	1,212,796	122,796
Total Revenues	1,365,430	1,115,000	1,243,827	128,827
EXPENDITURES				
Current:				
Support Services	25,000	25,000	22,078	2,922
Capital Outlay	-	10,000,000	7,198,059	2,801,941
Debt Service:				
Principal	429,390	430,000	315,000	115,000
Interest	910,890	790,000	775,801	14,199
Cost of Issuance	-	1,190,716	546,894	643,822
Total Expenditures	1,365,280	12,435,716	8,857,832	3,577,884
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	150	(11,320,716)	(7,614,005)	3,706,711
OTHER FINANCING SOURCES (USES)				
Bond Proceeds	-	21,850,000	21,850,000	-
Bond Premium	-	1,428,705	1,428,705	-
Debt Service - Refunded Principal	-	(12,642,989)	(12,590,000)	52,989
Transfers Out	(150)	(350,000)	(371,425)	(21,425)
Total Other Financing Sources (Uses)	(150)	10,285,716	10,317,280	31,564
NET CHANGE IN FUND BALANCE	-	(1,035,000)	2,703,275	3,738,275
Fund Balance - Beginning of Year	-	1,526,141	1,526,141	-
FUND BALANCE - END OF YEAR	$ -	$ 491,141	$ 4,229,416	$ 3,738,275

See accompanying Notes to the Required Supplementary Information.

FRONTIER ACADEMY
SCHEDULE OF THE SCHOOL’S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS *

	2016	2015	2014	2013
School's proportion (percentage) of the collective net pension liability (asset)	0.1135106768%	0.1083033241%	0.1035915346%	0.1008553875%
School's proportionate share of the collective pension liability (asset)	$ 33,796,518	$ 16,564,229	$ 14,040,133	$ 12,864,077
Covered payroll	5,016,822	4,656,927	4,289,138	4,027,208
School's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	673.66%	355.69%	327.34%	319.43%
Plan fiduciary net position as a percentage of the total pension liability	43.10%	59.20%	62.80%	64.06%

* The amounts presented for each fiscal year were determined as of December 31 based on the measurement date of the Plan. Information earlier than 2013 was not available.

See accompanying Notes to the Required Supplementary Information.

FRONTIER ACADEMY
SCHEDULE OF CONTRIBUTIONS AND RELATED RATIOS
LAST 10 FISCAL YEARS *

As of June 30,	2017	2016	2015	2014
Statutorily required contributions	$ 955,259	$ 875,855	$ 765,399	$ 663,784
Contributions in relation to the statutorily required contribution	955,259	875,855	765,399	663,784
Contribution deficiency (excess)	-	-	-	-
Covered payroll	5,200,186	4,872,559	4,554,299	4,107,649
Contribution as a percentage of covered payroll	18.37%	17.98%	16.81%	16.16%

* The amounts presented for each fiscal year were determined as of June 30.
Information earlier than 2014 was not available.

See accompanying Notes to the Required Supplementary Information.

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING

The School conducts all necessary budgeting procedures maintaining separate budgets for each fund.

The School adheres to the following procedures in establishing the budgetary data reflected in the financial statements.

a) Budgets for all funds are required by the District. During June, the proposed budget is submitted to the Board for consideration and approval at a public hearing. The budget includes proposed expenditures and the means of financing them.

b) The Public hearings are conducted by the School's Board of Directors to obtain parents and other members of the public comment and recommendations.

c) Prior to June 30, the budget is adopted by formal resolution.

d) The School's contract with the District requires submission of the approval and amended budgets to the District.

e) Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budgeted amounts between funds, reallocation of budget line items and revisions that alter the total appropriations of any fund must be approved by the School's Board of Directors. Appropriations are based on total funds expected to be available in each budget year, which may include beginning fund balances and reserves as established by the board of directors.

f) Budgets for all fund types are adopted on a basis consistent with accounting principles generally accepted in the United States of America.

g) Budgeted amounts reported in the accompanying supplemental information are as originally adopted and as amended by the board of directors throughout the year. Budgeted amounts included in the financial statements are based on the final budget for the general fund as adopted by the School's board of directors on June 29, 2017, and the final facilities corporation's budget approved by the board on June 29, 2017. The Frontier Academy Foundation's final budget was also adopted by the board on June 29, 2017 and is shown as supplementary information.

h) All appropriations lapse at the end of each fiscal year.

FRONTIER ACADEMY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
BUDGET AND ACTUAL – FRONTIER ACADEMY FOUNDATION
YEAR ENDED JUNE 30, 2017

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Local Sources	$ 12,200	$ 51,790	$ 55,351	$ 3,561
Total Revenues	12,200	51,790	55,351	3,561
EXPENDITURES				
Current:				
Support Services	2,200	14,000	14,686	(686)
Total Expenditures	2,200	14,000	14,686	(686)
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	10,000	37,790	40,665	2,875
OTHER FINANCING SOURCES (USES)				
Transfers out	(10,000)	(37,790)	(37,786)	4
NET CHANGE IN FUND BALANCE	-	-	2,879	2,879
Fund Balance - Beginning of Year	-	4,228	4,228	-
FUND BALANCE - END OF YEAR	$ -	$ 4,228	$ 7,107	$ 2,879