Pinnacle Charter School, Inc.

Financial Statements and Supplementary Information

For the Year Ended June 30, 2018

Anton Collins Mitchell LLP
Accountants & Consultants

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<u>Reports to Governmental Agencies:</u>

Pinnacle Charter School, Inc.
Roster of School Officials
June 30, 2018

BOARD OF DIRECTORS

President	Clarissa Burklund
Vice President	Joyce Thomas
Secretary	Julia Harrell
Member	Tracy Hernandez-Mealer
Member	Anna Turnbull
Member	Gary Douglas

SCHOOL MANAGEMENT

Dr. Brian Recht, Executive Director
Chad Miller, Chief Financial Officer

Anton Collins Mitchell LLP
Accountants & Consultants

Independent Auditor's Report

Board of Directors
Pinnacle Charter School, Inc.
Federal Heights, 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 the Pinnacle Charter School, Inc. (the "School"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School'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.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit 12 percent of the revenues and 62 percent of the expenditures reported in the Food Service Fund (a major special revenue fund). Those revenues and expenditures were audited by other auditors, whose reports have been furnished to us, and our opinion insofar as it relates to the amounts included in the Food Service Fund, is based solely on the reports of others. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The financial statements of the other entities were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal controls over financial reporting or reportable noncompliance associated with the other entities.

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 the 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, based on our audit and the reports of the other auditors, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Pinnacle Charter School, Inc., as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

As discussed in Note 2 to the basic financial statements, the School has changed its method for accounting and reporting for postemployment benefits other than pensions during 2018 due to the adoption of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The adoption of the standard required retrospective application resulting in a $1,569,070 reduction of previously reported net position. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 10, budgetary comparison information on pages 46 and 47, and schedules relating to the school's pension and other postemployment benefits on pages 48 through 51 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 School's basic financial statements. The budgetary comparison information and schedule of changes in assets and liabilities – student activities fund on pages 52 through 55, and schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The budgetary comparison information and schedule of changes in assets and liabilities – student activities fund on pages 52 through 55, and schedule of expenditures of federal awards, as required by *Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 by us and the other auditors. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Governmental Auditing Standards*, we have also issued our report dated October 15, 2018 on our consideration of the School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control over financial reporting and compliance.

Anton Collins Mitchell LLP

Greeley, Colorado
October 15, 2018

Pinnacle Charter School, Inc.
Management's Discussion and Analysis
June 30, 2018

As management of Pinnacle Charter School, Inc. (the "School"), we offer readers of the School's audited financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2018. We encourage readers to read the information presented herein in conjunction with additional information that we have furnished in the School's financial statements, which follow this narrative.

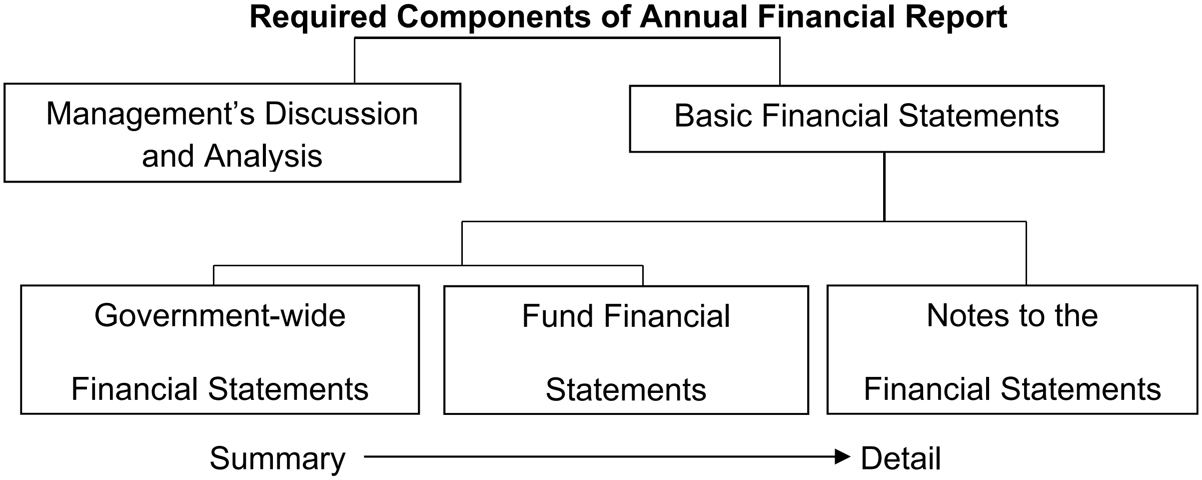
Financial Highlights

- The liabilities and deferred inflows of resources of the School exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by $42,840,856 (net position). This is a change from the previous year's deficit net position of $30,252,002. The vast majority of this deficit is caused by the Governmental Accounting Standards Board (GASB) Statement 68 (Note 8 pages 30-37) as well as the addition of GASB Statement 75 (Note 2 page 25 and Note 9 pages 37-44).
- The Proprietary Funds net position improved by $399,413 but is still at a deficit ($1,300,442). Management expects the deficit will be eliminated as debt is repaid.
- As of the close of the current fiscal year, Pinnacle Charter School's governmental funds reported combined ending fund balances of $7,672,136.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two distinct financial perspectives of the School through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains required and other supplementary information that will enhance the reader's understanding of the financial condition of the School.

Figure 1
Required Components of Annual Financial Report



Basic Financial Statements

The first two statements in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the School's financial standing.

The next statements are the **Fund Financial Statements**. These statements focus on the activities of the individual segments of the School's government and are more detailed than the government-wide financial statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the proprietary funds statements.

Immediately following the fund financial statements are the **Notes to the Financial Statements** (i.e. "Notes"). The Notes offer a detailed explanation of the data contained in those statements. Next, **required and other information** is provided to show details about the School's funds. Budgetary information for the School can also be found in this section of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the School's finances, similar in format to the financial statements of a private-sector business. The government-wide statements provide short and long-term information about the School's financial status, as a whole.

The two government-wide statements are the statement of net position and the statement of activities and report the School's net position and how they have changed, respectively. Net position equals the difference between the School's total assets and deferred outflows of resources, and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the School's financial condition.

The governmental activities presents how the net position of the School has changed and include most of the School's basic functions such as instructional services, supporting services, interest on long-term debt and food services. These functions are funded almost entirely through state and federal educational funds.

Fund Financial Statements

The fund financial statements provide a more detailed look at the School's most significant activities. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Pinnacle Charter School, Inc., like all other governmental entities in Colorado, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related statutory requirements. All of the funds of the School can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds – Governmental funds are used to account for functions reported as governmental activities in the government-wide financial statements. Most of the School's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and monies remaining at year-end that will be available for spending in the next fiscal year. Governmental funds are reported using the modified accrual accounting method, which provides a short-term spending focus. The governmental fund financial statements assist the reader in determining whether there has been an increase or a decrease in the financial resources available to finance the School's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is an integral part of the fund financial statements.

Pinnacle Charter School Board of Directors adopts an annual appropriated budget as required by State statute for all of the School's funds. The budgetary comparison statements are not included in the basic financial statements, but are part of the supplemental statements and schedules following the notes. The budget is developed using estimates for enrollment and State and Federal Grant awards and incorporates input from the faculty, management, and the Board of Directors of the School and specifies which activities will be pursued and which services the School will provide during the year. It also authorizes the School to obtain funds from identified sources to finance current period activities. The Board of Directors may approve a modified budget and appropriation after enrollment count and grant award letters are finalized (typically December/January of each fiscal year). The budgetary statement demonstrates how well the School has complied with the adopted budget and whether or not the School has succeeded in providing the services as originally planned.

Proprietary Funds – Pinnacle Charter School has two proprietary funds, which are internal service funds. The School uses internal service funds to account for the Building Corporation and Property Corporation.

Fiduciary Funds – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because Agency funds do not involve the measurement of results of operations and are custodial in nature (assets equal liabilities). The School has one Agency fund, which is the Student Activities Fund. The School uses this fund to account for various student activities and holds all resources in a purely custodial capacity.

Notes to the Financial Statements – The notes provide additional information essential to facilitating a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 20 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a school's financial condition. The liabilities and deferred inflows of resources of the School exceeded assets and deferred outflows of resources by $42,840,856 as of June 30, 2018 (Figure 2). As of June 30, 2017, the net position of the School stood at ($30,252,002). The School's net position deficit increased by $12,588,854 for the fiscal year ended June 30, 2018, compared to a deficit increase of $11,075,731 in 2017. The majority of this deficit is caused by the Governmental Accounting Standards Board (GASB) Statement 68 and new GASB Statement 75.

All Colorado schools, Pinnacle Charter School, Inc. included, are required to include its Net Pension Liability as part of the net position of the governmental activities. A detailed explanation of the Defined Benefit Pension Plan that impacted the financial statement as a result of GASB 68 can be found in Note 8, pages 30-37. The Schedule of Schools Proportionate Share (page 48) shows how the School's proportionate share of the net Pension Liability decreased from 0.21291 percent to 0.20219 percent, but due to the changes in actuarial assumptions, the liability actually increased to $65,380,701 up from $63,391,429 the previous year. The portion of Note 8 on pages 33-34 explains the changes to PERA's actuarial assumptions that created this occurrence.

New for fiscal year 2017, all Colorado schools, Pinnacle Charter School, Inc. included, are required to include its Net Other Post Employment Benefit (OPEB) Liability as part of the net position of the governmental activities. A detailed explanation of the OPEB Plan that impacted the financial statement as a result of GASB 75 can be found in Note 2, page 25 and Note 9, pages 37-44. Due to implementation of GASB 75, Pinnacle Charter School will show a prior period adjustment of $1,569,070. The Schools Proportionate Share (page 49) of the net OPEB Liability in the amount of $1,493,019 was calculated using current health care cost trend rates applicable to PERA benefit structure.

The net investment in capital assets amount of ($1,607,718) reflects the School's investment in all capital assets (e.g. leasehold improvements, computer equipment, and audio visual equipment), less accumulated depreciation and any related debt still outstanding that was issued to acquire those items. Pinnacle Charter School uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although Pinnacle Charter School's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the School's net position represents resources that are subject to external restrictions on how they may be used. Of the $3,184,782 restricted amount, $515,600 is restricted for Emergencies (TABOR), $2,467,800 is restricted for the debt service reserve fund and $201,382 for repair and replacement as related to the bond debt. The remaining balance of ($44,417,920) is unrestricted. In 2017, the amount of net investment in capital assets was ($1,865,262), with unrestricted net position standing at ($31,565,430).

Figure 2
Pinnacle Charter School, Inc.'s Condensed Statement of Net Position

	Governmental Activities	
	2018	2017
Current and Other Assets	$ 11,341,342	$ 10,844,173
Capital Assets, net of depreciation	24,245,114	24,901,505
Total Assets	35,586,456	35,745,678
Deferred Outflows of Resources	19,632,913	26,565,965
Other Liabilities	913,495	1,211,877
Long-term Liabilities	93,535,842	91,065,347
Total Liabilities	94,449,337	92,277,224
Deferred Inflows of Resources	3,610,888	286,421
Net Position:		
Net Investment in Capital Assets	(1,607,718)	(1,865,262)
Restricted	3,184,782	3,178,690
Unrestricted	(44,417,920)	(31,565,430)
Total Net Position	$ (42,840,856)	$ (30,252,002)

Total net position deficit increased by $12,588,854. The cause of this increased deficit is shown in Figure 3.

Figure 3
Pinnacle Charter School Inc.'s Condensed Statement of Activities

	2018	2017
Revenue:		
Per Pupil Revenue	$ 14,921,654	$ 14,469,621
Earnings on Investments	126,326	36,700
Charges for Services	1,784,111	1,378,419
Operating Grants & Contributions	4,443,567	4,373,621
Other	142,204	682,317
Total Revenues	21,417,862	20,940,678
Expenses:		
Instructional	13,303,732	14,066,452
Supporting Services	13,919,621	13,382,203
Interest on Long-Term Debt	1,319,456	1,374,128
Food Services	3,894,837	3,193,626
Total Expenses	32,437,646	32,016,409
Net Position at Beginning of Year	(30,252,002)	(19,176,271)
Prior period adjustment (Note 2)	(1,569,070)	-
	$ (42,840,856)	$ (30,252,002)
Change in Net Position	(12,588,854)	(11,075,731)

Financial Analysis of Government Net Position

From the two statements above (Figure 2 and 3), the impact of Governmental Accounting Standards Board (GASB) Statement 68 and the implementation of GASB Statement 75 has had a significant impact on net position year after year. The total net position deficit increased by $12,588,854 for 2018 compared to the deficit increase of $11,075,731 from 2017.

Financial Analysis of the School's Funds

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the School's governmental funds is to provide information on near-term inflows, outflows, and balances of usable financial resources. Such information is useful in assessing the School's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year. The general fund is the chief operating fund of the School. At the end of the current fiscal year, unassigned fund balance of the General Fund was $6,824,849, while total fund balance was $7,345,909.

Proprietary Funds. The School's proprietary funds provide the same type of information found in the government-wide statements but in more detail. The proprietary funds net position deficit decreased to a balance of $1,300,442 from a balance of $1,699,855. This trend is expected to continue as the School continues to pay down its debt. The internal service funds has $2,768,660 in restricted cash and investments required to be held for future debt service.

Capital Asset and Debt Administration

Capital assets. The School's investment in capital assets for its governmental activities as of June 30, 2018, totals $24,245,114 (net of accumulated depreciation). Capital assets include buildings, building equipment and improvements, food service equipment, furniture & fixtures, instructional equipment, and vehicles.

Figure 4
Pinnacle Charter School, Inc.'s Capital Assets
(Net of Depreciation)

	2018	2017
Capital Assets		
Land	$ 2,625,000	$ 2,625,000
Buildings and Improvements	20,795,384	21,364,583
Vehicles and Equipment	824,730	911,922
Total Capital Assets	$ 24,245,114	$ 24,901,505

Additional information about the School's capital assets can be found in Note 6 on pages 28 and 29.

Long-term Debt. The School participates in two long-term lease agreements with the Property Corporation and the Building Corporation for use of facilities. As of June 30, 2018, the Property Corporation had outstanding debt of $10,952,917 in Charter School Revenue Bonds through the Colorado Educational and Facilities Authority (CEFA) with interest accruing at rates ranging from 2.4% to 5.125%. As of June 30, 2018, the Pinnacle Building Corporation had outstanding debt of $15,709,206 in Charter School Revenue Refunding and Improvement Bonds through CEFA with interest accruing at rates ranging from 3.7% to 5.25%.

Economic Factors

Enrollment is projected to be stable for the 2018-2019 fiscal year. State funding for Per Pupil Revenue is forecasted to be stable in 2018-2019.

Requests for Information

This report is designed to provide an overview of the School's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information shall be addressed to:

The Pinnacle Charter School, Inc.
Attn: Director of Finance
1001 W. 84th Avenue
Federal Heights, CO 80260

BASIC FINANCIAL STATEMENTS

Pinnacle Charter School, Inc.
Statement of Net Position
June 30, 2018

	Governmental Activities
ASSETS	
Cash and investments	$ 8,118,326
Restricted cash and investments	2,768,660
Accounts receivable - Charter School Institute	381,633
Other receivables	49,012
Inventories	21,191
Prepaid items	2,520
Capital assets, not depreciated	2,625,000
Capital assets, depreciated, net	21,620,114
Total assets	35,586,456
DEFFERED OUTFLOWS OF RESOURCES	
Deferred loss on refunding	809,290
Deferred outflows of resources relating to pensions	18,771,329
Deferred outflows of resources relating to other post employement benefits	52,294
Total deferred outflows of resources	19,632,913
LIABILITIES	
Accounts payable	24,804
Accrued salaries and benefits	785,645
Accrued interest payable	103,046
Noncurrent liabilities:	
Due within one year	980,000
Due in more than one year	25,682,122
Net pension liability	65,380,701
Net other post employment benefits liability	1,493,019
Total liabilities	94,449,337
DEFFERED INFLOWS OF RESOURCES	
Deferred inflows of resources relating to pensions	3,517,275
Deferred inflows of resources relating to other post employment benefits	93,613
Total deferred inflows of resources	3,610,888
NET POSITION	
Net investment in capital assets	(1,607,718)
Restricted for:	
Emergencies	515,600
Debt service	2,467,800
Repair and replacement	201,382
Unrestricted	(44,417,920)
Total net position	$ (42,840,856)

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

Pinnacle Charter School, Inc.
Statement of Activities
For the Year Ended June 30, 2018

		Program Revenues			Net Revenue (Expense) and Change in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental activities					
Instruction	$ 13,303,732	$ 248,909	$ 950,056	$ -	$ (12,104,767)
Supporting services	13,919,621	278,089	1,251,604	-	(12,389,928)
Food services	3,894,837	1,257,113	2,241,907	-	(395,817)
Interest on long-term debt	1,319,456	-	-	-	(1,319,456)
Total governmental activities/primary government	$ 32,437,646	$ 1,784,111	$ 4,443,567	$ -	(26,209,968)
General revenues					
Per pupil revenue					14,921,654
Earnings on investments					126,326
Other					142,204
Total general revenues					15,190,184
Change in net position					(11,019,784)
Net position at beginning of year					(30,252,002)
Prior period adjustment (Note 2)					(1,569,070)
Net position at end of year					$ (42,840,856)

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

Pinnacle Charter School, Inc.
Balance Sheet
Governmental Funds
June 30, 2018

	General Fund	Food Service Fund	Total Governmental Funds
ASSETS			
Cash and investments	$ 8,115,326	$ 3,000	$ 8,118,326
Accounts receivable - Charter School Institute	381,633	-	381,633
Other receivables	39,288	9,724	49,012
Inventories	-	21,191	21,191
Prepaid items	2,520	-	2,520
Due from other funds	-	292,393	292,393
Total assets	$ 8,538,767	$ 326,308	$ 8,865,075
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	$ 24,723	$ 81	$ 24,804
Accrued salaries and benefits	785,645	-	785,645
Due to other funds	382,490	-	382,490
Total liabilities	1,192,858	81	1,192,939
Fund balance			
Nonspendable for inventory	-	21,191	21,191
Nonspendable for prepaid items	2,520	-	2,520
Restricted for emergencies	515,600	-	515,600
Assigned for food service operations	-	305,036	305,036
Assigned for grants	2,940	-	2,940
Unassigned	6,824,849	-	6,824,849
Total fund balance	7,345,909	326,227	7,672,136
Total liabilities and fund balance	$ 8,538,767	$ 326,308	$ 8,865,075

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

Pinnacle Charter School, Inc.
Reconciliation of the Governmental Funds Balance Sheet
with the Government-wide Statement of Net Position
June 30, 2018

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

Total fund balance - governmental fund		$ 7,672,136
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the governmental fund financial statements.		
Cost of capital assets	$ 4,695,155	
Accumulated depreciation	(2,246,720)	2,448,435
Pension related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore are not reported in the governmental funds, as follows:		
Deferred outflows of resources	$ 18,771,329	
Deferred inflows of resources	(3,517,275)	15,254,054
Other post employment related deferred outflows of resources and deferred inflows of resources are not due and payable in the current year and, therefore are not reported in the governmental funds, as follows:		
Deferred outflows of resources	$ 52,294	
Deferred inflows of resources	(93,613)	(41,319)
Long-term liabilities in governmental activities are not due and payable from current financial resources and, therefore, are not reported in the governmental fund financial statements.		
Net Pension Liability	$ (65,380,701)	
Net Other Post-Employment Benefits Liability	(1,493,019)	(66,873,720)
Net position of internal service funds		(1,300,442)
Total net position - governmental activities		$ (42,840,856)

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

Pinnacle Charter School, Inc.
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2018

	General Fund	Food Service Fund	Total Governmental Funds
Revenues			
Local sources	$ 15,792,770	$ 1,257,113	$ 17,049,883
State sources	1,136,842	66,040	1,202,882
Federal sources	950,056	2,175,867	3,125,923
Total revenues	17,879,668	3,499,020	21,378,688
Expenditures			
Current:			
Instruction	9,029,633	-	9,029,633
Supporting services	8,147,669	-	8,147,669
Food services	-	3,411,922	3,411,922
Total expenditures	17,177,302	3,411,922	20,589,224
Excess of revenues over expenditures	702,366	87,098	789,464
Fund balance at beginning of year	6,643,543	239,129	6,882,672
Fund balance at end of year	$ 7,345,909	$ 326,227	$ 7,672,136

Reconciliation of the governmental funds statement of revenues, expenditures and changes in fund balance with the government-wide statement of activities:

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

Net change in fund balance - governmental funds	$ 789,464
For governmental activities, capital outlays to purchase or build capital assets are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense. This is the depreciation expense recognized during the current period.	(135,782)
Changes in the School's net pension liability, deferred outflows of resources, and deferred inflows of resources related to the cost-sharing defined benefit plan for the current year are not reported in the governmental funds but are reported in the statement of activities.	(12,107,611)
Changes in the School's net other post employment benefit liability, deferred outflows of resources, and deferred inflows of resources related to the cost-sharing other post employment benefit plan for the current year are not reported in the governmental funds but are reported in the statement of activities.	34,732
Change in net position of internal service funds	399,413
Change in net position of governmental activities	$ (11,019,784)

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

Pinnacle Charter School, Inc.
Statement of Net Position
Proprietary Funds
June 30, 2018

	Internal Service Funds		
	Building Corporation	Property Corporation	Total Internal Service Funds (Governmental Activities)
ASSETS			
Current assets			
Due from other funds	$ 3,568	$ 86,529	$ 90,097
Total current assets	3,568	86,529	90,097
Noncurrent assets			
Restricted cash and investments	1,505,137	1,263,523	2,768,660
Capital assets, net	12,535,215	9,261,465	21,796,680
Total noncurrent assets	14,040,352	10,524,988	24,565,340
Total assets	14,043,920	10,611,517	24,655,437
DEFERRED OUTFLOWS OF RESOURCES			
Deferred outflows of resources			
Deferred loss on refunding	809,290	-	809,290
Total deferred outflows of resources	809,290	-	809,290
LIABILITIES			
Current liabilities			
Accrued interest payable	56,353	46,693	103,046
Loans payable, current	710,000	270,000	980,000
Total current liabilities	766,353	316,693	1,083,046
Noncurrent liabilities			
Loans payable	14,999,206	10,682,917	25,682,123
Total liabilities	15,765,559	10,999,610	26,765,169
NET POSITION			
Net position			
Net investment in capital assets	(2,364,701)	(1,691,452)	(4,056,153)
Restricted for debt service	1,452,352	1,015,448	2,467,800
Restricted for repair and replacement	-	201,382	201,382
Unrestricted	-	86,529	86,529
Total net position (deficit)	$ (912,349)	$ (388,093)	$ (1,300,442)

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

Pinnacle Charter School, Inc.
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
Year Ended June 30, 2018

	Internal Service Funds		
	Building Corporation	Property Corporation	Total Internal Service Funds (Governmental Activities)
Operating revenues			
Charges for services:			
Lease revenue	$ 1,383,672	$ 842,698	$ 2,226,370
Total operating revenues	1,383,672	842,698	2,226,370
Operating expenses			
Depreciation	313,960	206,649	520,609
Amortization	7,871	18,195	26,066
Total operating expenses	321,831	224,844	546,675
Net operating income	1,061,841	617,854	1,679,695
Nonoperating revenues (expenses)			
Earnings on investments	23,222	15,952	39,174
Interest and finance charges	(723,913)	(595,543)	(1,319,456)
Total nonoperating revenues (expenses)	(700,691)	(579,591)	(1,280,282)
Change in net position	361,150	38,263	399,413
Net position (deficit), beginning of the year	(1,273,499)	(426,356)	(1,699,855)
Net position (deficit), end of the year	$ (912,349)	$ (388,093)	$ (1,300,442)

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

Pinnacle Charter School, Inc.
Statement of Cash Flows
Proprietary Funds
Year Ended June 30, 2018

	Internal Service Funds		
	Building Corporation	Property Corporation	Total Internal Service Funds (Governmental Activities)
Cash flows from operating activities			
Lease payments received from other funds	$ 1,383,672	$ 842,698	$ 2,226,370
Net cash flows from operating activities	1,383,672	842,698	2,226,370
Cash flows from noncapital financing activities			
Cash received from (paid to) other funds	(10,079)	5	(10,074)
Net cash flows from noncapital financing activities	(10,079)	5	(10,074)
Cash flows from capital and related financing activities			
Principal payments of long-term debt	(680,000)	(260,000)	(940,000)
Interest payments of long-term debt	(726,180)	(596,527)	(1,322,707)
Change in restricted cash and cash equivalents	9,365	(2,128)	7,237
Net cash flows from capital and related financing activities	(1,396,815)	(858,655)	(2,255,470)
Cash flows from investing activities			
Investment income received	23,222	15,952	39,174
Net cash flows from investing activities	23,222	15,952	39,174
Net change in cash and cash equivalents	-	-	-
Cash and cash equivalents, beginning of year	-	-	-
Cash and cash equivalents, end of year	$ -	$ -	$ -

Reconciliation of operating income to net cash flows from operating activities :

	Building Corporation	Property Corporation	Total Internal Service Funds (Governmental Activities)
Operating income	$ 1,061,841	$ 617,854	1,679,695
Adjustments to reconcile operating income to net cash flows from operating activities			
Depreciation	313,960	206,649	520,609
Amortization	7,871	18,195	26,066
Net cash flows from operating activities	$ 1,383,672	$ 842,698	$ 2,226,370

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

Pinnacle Charter School, Inc.
Statement of Fiduciary Net Position
Student Activity Fund
June 30, 2018

	Agency Fund
ASSETS	
Cash and investments	$ 130,194
Total assets	$ 130,194
LIABILITIES	
Due to student groups	$ 130,194
Total liabilities	$ 130,194

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

Pinnacle Charter School, Inc.
Notes to the Financial Statements
June 30, 2018

Note 1 - Summary of Significant Accounting Policies

The Pinnacle Charter School, Inc. (the "School") was established pursuant to the Colorado Charter Schools Act, to form and operate a charter school within the Adams County School District No. 12. The School began operations in 1994. In 2006, the School entered into a contract with the Colorado Charter School Institute (the "Institute") to authorize the School's charter. The current contract expires on June 30, 2019.

The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") applicable to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. A summary of the School's significant accounting policies consistently applied in the preparation of these financial statements follows.

Reporting Entity

As defined by GAAP established by the GASB, the financial reporting entity consists of the primary government, as well as component units, which are legally separate organizations for which elected officials of the primary government are financially accountable. Financial accountability is defined as:

1) Appointment of a voting majority of the component unit's governing board, and either, a) the ability to impose its will by the primary government, or b) there is a potential for the component unit to provide specific financial benefits to, or impose specific financial burdens on, the primary government; or

2) Fiscal dependency on the primary government and there is a potential for the organization to provide specific benefits to, or impose specific financial burdens on the primary government regardless of whether the organization has (1) a separately elected governing board, (2) a governing board appointed by a higher level of government, or (3) a jointly appointed board.

The School is a legally separate entity as defined by the GASB. The School includes the Pinnacle Charter School Building Corporation (the "Building Corporation") and the Pinnacle Charter School Property Corporation (the "Property Corporation") within its reporting entity. The Building Corporation and Property Corporation were formed exclusively for the purpose of holding title to real and/or personal property and provides facilities and equipment for use by the School. These entities are blended into the School's financial statements as internal service funds because they provide services exclusively to the School, receive all of their funding from the School, and the School appoints their board members. Separate audited financial statements are not available for these entities.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the School. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *Governmental activities*, which normally are supported by intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support and are operated in a manner similar to private business enterprises. The School does not report any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to students or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted revenues not properly included among program revenues are reported instead as *general revenues*. Internally dedicated resources are reported as general revenues rather than as program revenues.

Note 1 - Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements (Continued)
Internal service funds account for the financing of services provided by one department or agency to other departments or agencies of the School, or to other governments, on a cost reimbursement basis. The internal service funds of the School accounts for the activities of the Building Corporation and Property Corporation.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the School's government-wide financial statements. Major individual governmental and proprietary funds are reported as separate columns in the fund financial statements.

Governmental Funds
Governmental funds are used to account for all or most of a government's general activities. In the fund financial statements, the School reports the following major governmental funds:

General Fund – The General Fund is the general operating fund of the School. It accounts for all of the financial resources of the School, except those required to be accounted for in another fund.

Food Service Fund – The Food Service Fund is a special revenue fund used to record financial transactions related to food service operations.

Proprietary Funds
The School reports the following internal service funds:

Building Corporation – This fund accounts for specific revenue sources and the related expenditures of the Building Corporation that are restricted to capital purposes and debt service.

Property Corporation – This fund accounts for specific revenue sources and the related expenditures of the Property Corporation that are restricted to capital purposes and debt service.

Fiduciary Funds
Fiduciary fund reporting focuses on net position and changes in net position. The fiduciary fund category is split into four classifications: pension trust funds, investment trust funds, private-purpose trust funds and agency funds. 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 Activities Fund. This fund accounts for various student activities. The School holds all resources in a purely custodial capacity.

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

A balance sheet and statement of revenues, expenditures and changes in fund balance are presented for each governmental fund. 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. Available means collected within the current year or soon enough thereafter to pay liabilities of the current year, not to exceed 60 days. Intergovernmental revenues, grants, and earnings on investments associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be available only when the cash is received by the School. Expenditures are generally recognized under the modified accrual basis of accounting when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Pinnacle Charter School, Inc.
Notes to the Financial Statements
June 30, 2018

Note 1 - Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting and Financial Statement Presentation (Continued)
Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. The School has two internal service funds.

Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources

Cash and Investments – Cash equivalents include investments with original maturities of three months or less. Investments are reported at fair value in accordance with GASB Statement No. 72, *Fair Value Measurement and Application*.

Receivables – All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. No amounts were determined to be uncollectible at June 30, 2018.

Prepaid Items – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Inventories – Inventories are stated at average cost. Inventories are recorded as an asset when individual items are purchased and as an expense when consumed.

Capital Assets – Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements and the proprietary funds in the fund financial statements. Capital assets are defined by the School as assets with an initial, individual cost of $5,000 or more, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets, donated works of art or similar items, and capital assets received in a service concession arrangement reported 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 assets lives are not capitalized.

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

Description	Estimated Lives
Buildings and Improvements	10 - 50 Years
Vehicles and Equipment	5 - 15 Years

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

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

Note 1 - Summary of Significant Accounting Policies (Continued)

Assets, Deferred Outflows of Resources, Liabilities and Deferred Inflows of Resources (Continued)

reports deferred outflows of resources for the deferred loss on refunding, pension and other post employment benefit related amounts. See Notes 8 and 9 for additional information on the pension and other post employment benefit related amounts.

In addition to 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 position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School reports a deferred inflow of resource relating to pensions and other post employment benefit related amounts. See Notes 8 and 9 for additional information on the pension and other post employment benefit related amounts.

Long-Term Debt – In the government-wide financial statements and the proprietary funds in the fund financial statements, long-term debt is reported as a liability. Debt issuance costs are expensed when incurred. In the fund financial statements, governmental funds recognize the amount of debt issued as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

Compensated Absences – The School's policy allows full-time, certified employees to accumulate vacation, sick and personal leave during the year. Instructional employees are paid for any unused leave annually prior to year end. Non-instructional employees must use any vacation, sick and personal leave days prior to July 31st. Therefore, the liability for the non-instructional employees has been included in the accrued salaries and benefits.

Pensions – 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/deductions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through Senate Bill ("SB") 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. Governmental accounting standards require the net pension liability and related amounts of the SCHDTF for financial reporting purposes be measured using the plan provisions in effect as of the SCHDTF's measurement date of December 31, 2017. As such, the disclosures in Note 8 do not include the changes to plan provisions required by SB 18-200 with the exception of the section titled *Changes between the measurement date of the net pension liability and June 30, 2018.*

Other Post Employment Benefits ("OPEB") - The School participates in the Health Care Trust Fund ("HCTF"), a cost-sharing multiple-employer defined benefit OPEB fund administered by PERA. The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

Note 1 - Summary of Significant Accounting Policies (Continued)

Budgets and Budgetary Accounting
Budgets are required by State statutes for all of the School's funds. Budgets for the General Fund, Food Service Fund and Student Activities Funds are adopted on a basis consistent with GAAP. Budgetary comparisons for the Building Corporation and Property Corporation Funds are presented on a non-GAAP basis. Capital outlay is budgeted as an expenditure and depreciation expense is not budgeted.

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

1. Before June 30, management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.

2. Prior to June 30, the budget is legally adopted by the School Board of Directors.

3. Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Board of Directors.

4. All budget appropriations lapse at year end.

Budgeted amounts reported in the accompanying financial statements are as originally adopted and as amended by the Board of Directors throughout the year. The following is a summary of the original budget, total revisions and revised budget for those funds with amended budgets in fiscal year 2018:

	Original Budget	Total Revisions	Revised Budget
Governmental Fund:			
General Fund	$ 17,846,442	$ 2,722	$ 17,849,164
Food Service Fund	3,040,159	(26,000)	3,014,159
Proprietary Funds:			
Building Corporation - Internal Service Fund	1,407,923	-	1,407,923
Property Corporation - Internal Service Fund	861,923	-	861,923
Fiduciary Fund:			
Student Activities Fund - Agency Fund	400,000	-	400,000
Total Funds	$ 23,556,447	$ (23,278)	$ 23,533,169

Fund Balance and Net Position
In the government-wide and proprietary fund financial statements, net position is classified in the following categories:

Net Investment in Capital Assets - This category groups all capital assets, including infrastructure, into one component of net position. Accumulated depreciation and the outstanding balances of debt that are attributable to the acquisition, construction or improvement of these assets reduce this category.

Restricted Net position - This category presents external restrictions imposed by creditors, grantors, contributors, laws or regulations of other governments and restrictions imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net position - This category represents the net position of the School, which is not restricted for any project or other purpose. A deficit will require future funding.

Note 1 - Summary of Significant Accounting Policies (Continued)

Fund Balance and Net Position (Continued)

In the fund financial statements, governmental funds report fund classifications that comprise a hierarchy based primarily on the extent to which the School is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. In accordance with GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, fund balances of the governmental funds are classified as follows:

Nonspendable - amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted - amounts that can be spent only for specific purposes because of constitutional provisions, charter requirements or enabling legislation or because of constraints that are externally imposed by creditors, grantors, or the laws or regulations of other governments.

Committed - amounts that can be used only for specific purposes determined by a formal action of the Board of Directors (the "Board"). The Board is the highest level of decision making authority for the School. Commitments may be established, modified, or rescinded only through resolutions approved by the Board.

Assigned - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Only the Board has the authority to assign amounts for specific purposes.

Unassigned - all other spendable amounts.

The School has not established a formal policy for its use of restricted and unrestricted resources. However, when an expenditure is incurred for purposes for which both restricted and unrestricted resources are available, the School considers restricted resources to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the School considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the School has provided otherwise in its commitment or assignment actions.

Interfund Transactions
Interfund services provided and used are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other interfund transactions are reported as transfers.

Estimates
The presentation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expense during the reporting period. Actual results could differ from those estimates.

Note 2 – New Accounting Pronouncement

During fiscal year 2018, the School implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions. It also improves information provided by state and local governmental employers about support for OPEB that is provided by other entities. The result of the implementation of this standard was to decrease the net position at the beginning of the fiscal year by $1,569,070, in the governmental activities.

Note 3 - Stewardship, Compliance, and Accountability

At June 30, 2018, the Building Corporation and Property Corporation Funds had negative net position of $912,349 and $388,093, respectively. Management expects these negative balances will be eliminated as debt is repaid.

During the fiscal year ended June 30, 2018, expenditures exceeded budget appropriations by $397,763 in the Food Service Fund which may be in violation of state statutes.

Note 4 - Cash and Investments

Cash and investments of the School, including the Building Corporation and Property Corporation, consisted of the following at June 30, 2018:

Petty cash	$ 250
Bank deposits	2,578,080
Local government investment pool	8,438,851
	$ 11,017,181

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

Cash and investments	$ 8,118,327
Restricted cash and investments	2,768,660
Agency fund cash and investments	130,194
	$ 11,017,181

Deposits

Colorado state statutes govern the entity's deposits of cash. For deposits in excess of federally insured limits, Colorado Revised Statutes ("CRS") require the depository institution to maintain collateral on deposit with an official custodian (as authorized by the State Banking Board). The Colorado Public Deposit Protection Act ("PDPA") requires state regulators to certify eligible depositories for public deposit. PDPA requires the eligible depositories with public deposits in excess of the amounts insured by the Federal Deposit Insurance Corporation ("FDIC") to create a single institutional collateral pool of obligations of the State of Colorado or local Colorado governments and obligations secured by first lien mortgages on real property located in the State. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the assets in the pool must be at least 102% of the uninsured deposits. At June 30, 2018, the School had deposits with financial institutions with a carrying amount of $2,578,079. The bank balances with the financial institutions were $2,679,480, of which $250,000 was covered by federal depository insurance. The remaining balance of $2,429,480 was collateralized with securities held by the financial institutions' agents but not in the School's name.

Note 4 - Cash and Investments (Continued)

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest, which include:

- Certificates of deposit with an original maturity in excess of three months
- Certain obligations of the United States of America and certain U.S. Government agency securities
- Certain international agency securities
- General obligation and revenue bonds of U.S. local government entities
- Banker's acceptance of certain banks
- Commercial paper
- Written repurchase agreements collateralized by certain authorized securities
- Guaranteed investment pools
- Certain money market funds
- Local government investment pools

The School's investment policy follows state statutes.

Local Government Investment Pools

As of June 30, 2018, the School had invested $8,438,851 in the Colorado Local Government Liquid Asset Trust (the "Trust"), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commission administers and enforces all State statutes governing the Trust. The trust operates similarly to a money market fund and each share is equal in value to $1. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. COLOTRUST PRIME invests only in U.S. Treasury and government agencies. COLOTRUST PLUS+ can invest in U.S. Treasury, government agencies, and in the highest-rate commercial paper. A designated custodial bank serves as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as a safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investment and withdrawals. The custodian's internal records segregate investments owned by the Trust. The Trust is rated AAAm by Standard and Poor's and is measured at net asset value. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

Interest Rate Risk

Colorado Revised Statutes limit investment maturities to five years or less from the date of purchase, unless the governing board authorizes the investment for a period in excess of five years. This limit on investment maturities is the means of limiting exposure to fair value losses arising from increasing interest rates.

Restricted Cash and Investments

Cash and investments of $1,505,137 and $1,263,523 have been restricted by the Building Corporation and Property Corporation, respectively, for debt service and repair and replacement reserves.

Note 5 - Individual Fund Interfund Receivables/Payables and Transfers

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as internal balances on the government-wide statement of net position, and classified as due from other funds or due to other funds on the fund balance sheets. Internal balances are eliminated for the statement of net position.

Pinnacle Charter School, Inc.
Notes to the Financial Statements
June 30, 2018

Note 5 - Individual Fund Interfund Receivables/Payables and Transfers (Continued)

The School considers all interfund receivable and payables to be temporary and in compliance with state law, which requires all balances to be repaid within three months of the year end.

The School's interfund receivables and payables at June 30, 2018, (at the fund level) are shown below.

Receivable Fund	Payable fund	Amount
Food Service Fund	General Fund	$ 292,393
Property Corporation Fund	General Fund	86,529
Building Corporation Fund	General Fund	3,568
		$ 382,490

Note 6 - Capital Assets

Changes in capital assets for governmental activities for the year ended June 30, 2018, are summarized below.

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental activities				
Capital assets, not being depreciated:				
Land	$ 2,625,000	$ -	$ -	$ 2,625,000
Total capital assets, not being depreciated	2,625,000	-	-	2,625,000
Capital assets, being depreciated				
Buildings	16,305,594	-	-	16,305,594
Vehicles and equipment	2,639,717	-	(222,696)	2,417,021
Improvements	11,918,916	-	-	11,918,916
Total capital assets, being depreciated	30,864,227	-	(222,696)	30,641,531
Less accumulated depreciation for:				
Buildings	(4,554,711)	(326,406)	-	(4,881,117)
Vehicles and equipment	(1,727,795)	(87,192)	222,696	(1,592,291)
Improvements	(2,305,216)	(242,793)	-	(2,548,009)
Total accumulated depreciation	(8,587,722)	(656,391)	222,696	(9,021,417)
Total capital assets, being depreciated, net	22,276,505	(656,391)	-	21,620,114
Capital assets, net	$24,901,505	$(656,391)	$ -	$24,245,114

Note 6 - Capital Assets (Continued)

Depreciation expense of the governmental activities was charged to programs of the School as follows:

Governmental activities:	
Instruction	$ 48,591
Supporting Services	607,800
	$ 656,391

Note 7 - Long-Term Debt

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

	Beginning Balance	Additions	Retirements	Ending Balance	Due Within One Year
2010 Building Loan	$11,595,000	$ -	$ (260,000)	$11,335,000	$ 270,000
Discount	(400,278)	-	18,194	(382,084)	-
2013 Refunding Loan	15,645,000	-	(680,000)	14,965,000	710,000
Premium	834,196	-	(89,990)	744,206	-
	$27,673,918	$ -	$ (1,011,796)	$26,662,122	$ 980,000

2010 Building Loan:

In January 2010, CECFA issued $12,985,000 Charter School Revenue Bonds. Proceeds of the bonds were loaned to the Building Corporation to pay off an existing loan and provide additional funding for a high school educational facility. The School is obligated under a lease agreement to make monthly lease payments to the Building Corporation for use of the facilities. The Building Corporation is required to make equal loan payments to the Trustee for payment of the bonds. Monthly principal and interest payments are due under the agreements, with interest accruing at rates ranging from 2.4% to 5.125% per annum. The bonds mature on December 1, 2039.

Future debt service requirements of the 2010 building loan are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	$ 270,000	$ 566,219	$ 836,219
2020	280,000	554,187	834,187
2021	295,000	540,687	835,687
2022	310,000	525,563	835,563
2023	325,000	509,687	834,687
2024-2028	1,900,000	2,280,311	4,180,311
2029-2033	2,440,000	1,737,251	4,177,251
2034-2038	3,150,000	1,025,771	4,175,771
2039-2040	2,365,000	144,141	2,509,141
Totals	$11,335,000	$ 7,883,817	$19,218,817

Note 7 - Long-Term Debt (Continued)

Charter School Refunding Revenue Bonds, Series 2013

In March 2013, the Property Corporation issued $17,685,000 in Charter School Refunding Revenue Bonds, Series 2013 with interest rates ranging between 3.00% and 5.00%. The Property Corporation issued the bonds to currently refund $18,905,000 of the outstanding series 2003 Charter School Revenue Refunding and Improvement Bonds with interest rates ranging from 3.70% to 5.25%. The Property Corporation used the net proceeds along with other resources to satisfy the balance due on the series 2003 bonds.

The School is obligated under a lease agreement to make monthly lease payments to the Building Corporation for use of the facilities. The Property Corporation is required to make equal loan payments to the Trustee for payment of the bonds. The bonds mature on June 1, 2033.

Future debt service requirements of the 2013 series Charter School Refunding Revenue Bonds are as follows:

Year Ending June 30,	Principal	Interest	Total
2019	$ 710,000	$ 676,238	$ 1,386,238
2020	745,000	640,738	1,385,738
2021	775,000	610,938	1,385,938
2022	810,000	572,188	1,382,188
2023	845,000	539,788	1,384,788
2024-2028	4,905,000	2,020,724	6,925,724
2029-2033	6,175,000	756,738	6,931,738
Totals	$14,965,000	$ 5,817,352	$20,782,352

Note 8 - Defined Benefit Pension Plan

General Information about the Pension Plan

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

Benefits provided as of December 31, 2017. 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.

Note 8 - Defined Benefit Pension Plan (Continued)

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

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

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

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.

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.

As of December 31, 2017, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments ("COLAs"), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the SCHDTF.

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.

Note 8 - Defined Benefit Pension Plan (Continued)

Contributions provisions as of June 30, 2018. 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 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

	For the Year Ended December 31, 2017	For the Year Ended December 31, 2018
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]	5.00%	5.50%
Total Employer Contribution Rate to the SCHDTF[1]	**18.63%**	**19.13%**

[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 from the School were $1,695,921 for the year ended June 30, 2018.

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

At June 30, 2018, the School reported a liability of $65,380,701 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017. The School's proportion of the net pension liability was based on the School's contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2017, the School's proportion was 0.20219 percent, which was a decrease of .01072 from its proportion measured as of December 31, 2016.

Note 8 - Defined Benefit Pension Plan (Continued)

For the year ended June 30, 2018, the School recognized pension expense of $11,195,997. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,202,076	$ -
Net difference between projected and actual earnings on pension plan investments	-	2,567,562
Changes of assumptions or other inputs	16,694,122	105,937
Changes in proportionate share	-	843,776
School contributions subsequent to the measurement date	875,131	-
	$ 18,771,329	$ 3,517,275

The $875,131 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, 2019. 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,	Amortization
2019	$ 10,306,331
2020	5,355,626
2021	(297,182)
2022	(985,852)
	$ 14,378,923

Actuarial assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial Cost Method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.70 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount Rate	5.26 percent
Future post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic)	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

A discount rate of 4.78 percent was used in the roll-forward calculation of the total pension liability to the measurement date of December 31, 2017.

Note 8 - Defined Benefit Pension Plan (Continued)

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 percent factor applied to male rates and a 55 percent factor applied to female rates.

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

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent 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 percent factor applied to rates for ages less than 80, a 106 percent 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 percent of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016 Board meeting.

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.

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 for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

As of the most recent adoption of the 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:

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

Note 8 - Defined Benefit Pension Plan (Continued)

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 4.78 percent. 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 projection of cash flows:

- 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;

- 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 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 percent 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 Bond Buyer, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.43 percent, resulting in a discount rate of 4.78 percent.

Note 8 - Defined Benefit Pension Plan (Continued)

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25 percent and the municipal bond index rate of 3.86 percent were used in the discount rate determination resulting in a discount rate of 5.26 percent, 0.48 percent 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 4.78 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 (3.78 percent) or 1-percentage-point higher (5.78 percent) than the current rate

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
School's proportionate share of the net pension liability	$ 82,586,945	$ 65,380,701	$ 51,359,577

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.

Changes between the measurement date of the net pension liability and June 30, 2018.

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through SB 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years.* The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability of the Division Trust Funds and thereby reach a 100 percent funded ratio for each division within the next 30 years.

A brief description of some of the major changes to plan provisions required by SB 18-200 are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

- Increases employer contribution rates by 0.25 percent on July 1, 2019;
- Increases employee contribution rates by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019);
- Directs the state to allocate $225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution will be allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the other divisions eligible for the direct distribution;
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees;
- Member contributions, employer contributions, the direct distribution from the state, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

Note 8 - Defined Benefit Pension Plan (Continued)

At June 30, 2018, the School reported a liability of $65,380,701 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 4.78%. For comparative purposes, the following schedule presents an estimate of what the School's proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SCHDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SCHDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	$ 29,538,434

Recognizing that the changes in contribution and benefit provisions also affect the determination of the discount rate used to calculate proportionate share of the net pension liability, approximately $30,520 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

Note 9 – Defined Benefit Other Post Employment Benefit (OPEB) Plan

Plan description. Eligible employees of the School are provided with OPEB through the HCTF - a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, 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 the premium subsidies. 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. The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

Note 9 – Defined Benefit Other Post Employment Benefit (OPEB) Plan (Continued)

Enrollment in PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

PERA Benefit Structure
The maximum service-based premium subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is $115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

DPS Benefit Structure
The maximum service-based premium subsidy is $230 per month for retirees who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is $115 per month for retirees who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum subsidy, in each case, is for retirees with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The retiree pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For retirees who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, the HCTF or the DPS HCTF pays an alternate service-based premium subsidy. Each individual retiree meeting these conditions receives the maximum $230 per month subsidy reduced appropriately for service less than 20 years, as described above. Retirees who do not have Medicare Part A pay the difference between the total premium and the monthly subsidy.

Contributions. Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the School were $91,620 for the year ended June 30, 2018.

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

At June 30, 2018, the School reported a liability of $1,493,019 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The School’s proportion of the net OPEB liability was based on School contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

Note 9 – Defined Benefit Other Post Employment Benefit (OPEB) Plan (Continued)

At December 31, 2017, the School's proportion was .11488 percent, which was a decrease of .00614 from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the School recognized OPEB expense of $34,732. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 7,061	$ -
Net difference between projected and actual earnings on pension plan investments	-	24,978
Changes in proportionate share	-	71,757
School contributions subsequent to the measurement date	45,927	-
	$ 52,988	$ 96,735

The $45,927 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amortization
2019	$ (20,491)
2020	(20,491)
2021	(20,491)
2022	(20,489)
2023	(7,838)
Thereafter	126
	$ (89,674)

Note 9 – Defined Benefit Other Post Employment Benefit (OPEB) Plan (Continued)

Actuarial assumptions. The total OPEB liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.00 percent for 2017, gradually rising to 4.25 percent in 2023
DPS benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2016, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

Note 9 – Defined Benefit Other Post Employment Benefit (OPEB) Plan (Continued)

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

Year	PERACare Medicare Plans	Medicare Part A Premiums
2017	5.00%	3.00%
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.00%
2023	5.00%	4.25%
2024+	5.00%	4.25%

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

Healthy mortality assumptions for active members were based on 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 percent factor applied to male rates and a 55 percent factor applied to female rates.

Healthy, post-retirement mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent 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 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

Healthy, post-retirement mortality assumptions for the School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent 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 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The following economic and demographic assumptions were specifically developed for, and used in, the measurement of the obligations for the HCTF:

- The assumed rates of PERACare participation were revised to reflect more closely actual experience;

Note 9 – Defined Benefit Other Post Employment Benefit (OPEB) Plan (Continued)

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2017 plan year;

- The percentages of PERACare enrollees who will attain age 65 and older ages and are assumed to not qualify for premium-free Medicare Part A coverage were revised to more closely reflect actual experience;

- The percentage of disabled PERACare enrollees who are assumed to not qualify for premium-free Medicare Part A coverage were revised to reflect more closely actual experience;

- Assumed election rates for the PERACare coverage options that would be available to future PERACare enrollees who will qualify for the “No Part A Subsidy” when they retire were revised to more closely reflect actual experience;

- Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees, who qualify for the “No Part A Subsidy” but have not reached age 65, were revised to more closely reflect actual experience;

- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums;

- The rates of PERACare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience;

- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012 through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016 Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA’s actuary, as needed.

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.

Several factors were considered in evaluating the long-term rate of return assumption for the HCTF, 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 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 9 – Defined Benefit Other Post Employment Benefit (OPEB) Plan (Continued)

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset 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	30 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income – Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	**100.00%**	

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%.

Sensitivity of the School proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ulitimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Net OPEB Liability	$ 1,451,940	$ 1,493,019	$ 1,542,496

Discount rate. The discount rate used to measure the total OPEB liability was 7.25 percent. 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 projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2017, measurement date;
- 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%;

Note 9 – Defined Benefit Other Post Employment Benefit (OPEB) Plan (Continued)

- 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. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members;

- 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;

- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits 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 projection test indicates the HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

Sensitivity of the School's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
School's proportionate share of the net OPEB liability	$ 1,678,623	$ 1,493,019	$ 1,334,601

OPEB plan fiduciary net position. Detailed information about the HCTF'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 10 - Risk Management

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

Note 11 - Commitments and Contingencies

Litigation
At times, the School may be subject to various claims and legal proceedings covering a wide range of matters that arise in the ordinary course of business. Management believes that any liability that may ultimately result from the resolution of these matters will not have a material adverse effect on the financial condition or results of operations of the School.

Claims and Judgments
The School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental entities. 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 School may be required to reimburse the grantor government. At June 30, 2018, significant amounts of grant expenditures have not been audited but the School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

TABOR Amendment
In November 1992, Colorado voters passed an amendment (the “Amendment” of “TABOR”) to the State Constitution (Article X, Section 20) which limits the revenue raising and spending abilities of state and local governments. The limits on property taxes, revenue, and fiscal year spending include allowable annual increases tied to inflation and local growth in construction valuation. Fiscal year spending, as defined by the Amendment, excludes spending from certain revenue and financing sources such as federal funds, gifts, property sales, fund transfers, damage and fund reserve (balance). The Amendment requires voter approval for any increase in mill levy or tax rates, new taxes, or creation of multi-year debt. Revenue earned in excess of the spending limit must be refunded or approved to be retained by the School under specified voting requirements by the entire electorate.

The Amendment also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by the Amendment, exclude economic conditions, revenue shortfalls, or salary of fringe benefit increase. These reserves are required to be 3% or more of fiscal year spending (excluding bonded debt service). The School has restricted $515,600 for this purpose.

The School believes it is in compliance with the provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions will require judicial interpretation.

Note 12 - Subsequent Events

Management of the School has evaluated subsequent events through October 15, 2018, the date that the financial statements were available to be issued. No transactions or events that would require adjustment to or disclosures in the financial statements were identified.

REQUIRED SUPPLEMENTARY INFORMATION

Pinnacle Charter School, Inc.
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues				
Local sources:				
Per pupil revenue	$ 14,940,002	$ 14,766,972	$ 14,921,654	$ 154,682
Tuition and fees	72,000	92,000	248,909	156,909
BASE fees	150,000	150,000	137,798	(12,202)
Transportation fees	65,750	65,750	36,666	(29,084)
Transportation reimbursement	109,000	114,493	114,762	269
Facility rental	119,000	119,000	103,625	(15,375)
Earnings on investments	55,000	55,000	87,152	32,152
Other	218,195	213,125	142,204	(70,921)
Total local sources	15,728,947	15,576,340	15,792,770	216,430
State sources:				
Grants	891,077	1,080,878	1,136,842	55,964
Federal sources:				
Grants	894,104	956,748	950,056	(6,692)
Total revenues	17,514,128	17,613,966	17,879,668	265,702
Expenditures				
Instruction	11,410,754	10,919,266	9,029,633	1,889,633
Supporting services	6,435,688	6,929,898	8,147,669	(1,217,771)
Reserves	-	-	-	-
Total expenditures	17,846,442	17,849,164	17,177,302	671,862
Excess of revenues over expenditures	$ (332,314)	$ (235,198)	702,366	$ 937,564
Fund balance at beginning of year			6,643,543	
Fund balance at end of year			$ 7,345,909	

See accompanying Independent Auditor's Report.

Pinnacle Charter School, Inc.
Budgetary Comparison Schedule
Food Service Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues				
Local sources:				
Student meals	$ 708,473	$ 708,473	$ 932,144	$ 223,671
Services provided charter school	80,000	80,000	118,336	38,336
Other	3,200	3,200	206,633	203,433
Total local sources	791,673	791,673	1,257,113	465,440
State sources:				
Grants	59,987	59,987	66,040	6,053
Federal sources:				
Grants	2,162,499	2,162,499	2,175,867	13,368
Total revenues	3,014,159	3,014,159	3,499,020	484,861
Expenditures				
Food services	3,040,159	3,014,159	3,411,922	(397,763)
Total expenditures	3,040,159	3,014,159	3,411,922	(397,763)
Excess of revenues over expenditures	$ (26,000)	$ -	87,098	$ 87,098
Fund balance at beginning of year			239,129	
Fund balance at end of year			$ 326,227	

See accompanying Independent Auditor's Report.

Pinnacle Charter School, Inc.
Schedule of the School's Proportionate
Share of the Net Pension Liability
Last Ten Fiscal Years

	2018	2017	2016	2015	2014
School's proportion of the net pension liability	0.20219%	0.21291%	0.20482%	0.19480%	0.18670%
School's proportionate share of the net pension liability	$ 65,380,701	$ 63,391,429	$ 31,325,942	$ 26,403,085	$ 23,163,893
School's covered payroll	$ 9,326,734	$ 9,555,763	$ 8,926,058	$ 8,160,974	$ 7,526,515
School's proportionate share of the net pension liability as a percentage of its covered payroll	701.00%	663.38%	350.95%	323.53%	307.76%
Plan fiduciary net position as a percentage of the total pension	43.96%	43.10%	59.20%	62.84%	64.07%

* The amounts presented for each fiscal year were determined as of 12/31.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information will be presented for the years available.

See accompanying Independent Auditor's Report.

Pinnacle Charter School, Inc.
Schedule of the School's Proportionate
Share of the Net OPEB Liability
Last Ten Fiscal Years

	2018	2017
School's proportion of the net OPEB liability	0.11488%	0.12102%
School's proportionate share of the net OPEB liability	$ 1,493,019	$ 1,569,070
School's covered payroll	$ 9,326,734	$ 9,555,763
School's proportionate share of the net OPEB liability as a percentage of its covered payroll	624.69%	609.01%
Plan fiduciary net position as a percentage of the total OPEB liability	17.53%	16.72%

* The amounts presented for each fiscal year were determined as of 12/31.

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information will be presented for the years available.

See accompanying Independent Auditor's Report.

Pinnacle Charter School, Inc.
Schedule of School Contributions - Pension
Last Ten Fiscal Years

	2018	2017	2016	2015	2014	2013
Statutorily required contribution	$ 1,695,921	$ 1,760,326	$ 1,657,580	$ 1,449,580	$ 1,245,728	$ 1,091,835
Contributions in relation to the statutorily required contribution	(1,695,921)	(1,760,326)	(1,657,580)	(1,449,580)	(1,245,728)	(1,091,835)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
School's covered payroll	$ 8,982,332	$ 9,575,792	$ 9,341,976	$ 8,581,137	$ 7,790,150	$ 7,233,693
Contributions as a percentage of covered payroll	18.88%	18.38%	17.74%	16.89%	15.99%	15.09%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information will be presented for the years available.

See accompanying Independent Auditor's Report.

Pinnacle Charter School, Inc.
Schedule of School Contributions - OPEB
Last Ten Fiscal Years

	2018	2017
Statutorily required contribution	$ 91,620	$ 97,469
Contributions in relation to the statutorily required contribution	(91,620)	(97,469)
Contribution deficiency (excess)	$ -	$ -
School's covered payroll	$ 8,982,332	$ 9,575,792
Contributions as a percentage of covered payroll	1.02%	1.02%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, information will be presented for the years available.

See accompanying Independent Auditor's Report.

OTHER SUPPLEMENTARY INFORMATION

Pinnacle Charter School, Inc.
Budgetary Comparison Schedule
Building Corporation
For the Year Ended June 30, 2018

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Lease revenues	$ 1,393,923	$ 1,393,923	$ 1,383,672	$ (10,251)
Earnings on investments	14,000	14,000	23,222	9,222
Total revenues	1,407,923	1,407,923	1,406,894	(1,029)
Expenditures				
Debt Service:				
Principal	682,500	682,500	680,000	2,500
Interest	701,171	701,171	701,171	-
Dues and fees	24,252	24,252	22,742	1,510
Total expenditures	1,407,923	1,407,923	1,403,913	4,010
Excess of revenues over expenditures	$ -	$ -	2,981	$ 2,981
Reconciliation to GAAP basis				
Depreciation			(313,960)	
Amortization			(7,871)	
Principal paid			680,000	
Change in net position - GAAP basis			361,150	
Net position at beginning of year			(1,273,499)	
Net position at end of year			$ (912,349)	

See accompanying Independent Auditor's Report.

Pinnacle Charter School, Inc.
Budgetary Comparison Schedule
Property Corporation
For the Year Ended June 30, 2018

	Budgeted Amounts			
	Original	Final	Actual Amounts	Variance with Final Budget Positive (Negative)
Revenues				
Lease revenues	$ 849,923	$ 849,923	$ 842,698	$ (7,225)
Earnings on investments	12,000	12,000	15,952	3,952
Total revenues	861,923	861,923	858,650	(3,273)
Expenditures				
Debt Service:				
Principal	265,833	265,833	260,000	5,833
Interest	576,865	576,865	576,828	37
Dues and fees	19,225	19,225	18,715	510
Total expenditures	861,923	861,923	855,543	6,380
Excess of revenues over expenditures	$ -	$ -	3,107	$ 3,107
Reconciliation to GAAP basis				
Depreciation			(206,649)	
Amortization			(18,195)	
Principal paid			260,000	
Change in net position - GAAP basis			38,263	
Net position at beginning of year			(426,356)	
Net position at end of year			$ (388,093)	

See accompanying Independent Auditor's Report.

Pinnacle Charter School, Inc.
Schedule of Changes in Assets and Liabilities
Student Activity Fund
For the Year Ended June 30, 2018

	Beginning Balance	Additions	Deductions	Ending Balance
Assets				
Cash and investments	$ 160,892	$ 310,411	$ 341,109	$ 130,194
Liabilities				
Due to student groups	$ 160,892	$ 310,411	$ 341,109	$ 130,194

See accompanying Independent Auditor's Report.

Pinnacle Charter School, Inc.
Budgetary Comparison Schedule
Student Activity Fund
For the Year Ended June 30, 2018

	Budgeted Amounts		Actual	Variance With Final Budget Positive
	Original	Final	Amounts	(Negative)
Revenues				
Student groups	$ 400,000	$ 400,000	$ 310,411	$ (89,589)
Total revenues	400,000	400,000	310,411	(89,589)
Expenditures				
Student groups	400,000	400,000	341,109	58,891
Total expenditures	400,000	400,000	341,109	58,891
Change in due to student groups	$ -	$ -	(30,698)	$ (30,698)
Due to student groups at beginning of year			160,892	
Due to student groups at end of year			$ 130,194	

See accompanying Independent Auditor's Report.

Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With *Government Auditing Standards*

Board of Directors
Pinnacle Charter School, Inc.
Federal Heights, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pinnacle Charter School, Inc. (the "School"), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated October 15, 2018.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Denver | Boulder | Northern Colorado | Laramie

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Anton Collins Mitchell LLP
Accountants & Consultants

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Anton Collins Mitchell LLP

Greeley, Colorado
October 15, 2018

ACM
Anton Collins Mitchell LLP
Accountants & Consultants

Independent Auditor's Report on Compliance For Each Major Federal Program and Report on Internal Control Over Compliance Required by the Uniform Guidance

Board of Directors
Pinnacle Charter School, Inc.
Federal Heights, Colorado

Report on Compliance for The Major Federal Program

We have audited the Pinnacle Charter School, Inc.'s (the "School") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the School's major federal program for the year ended June 30, 2018. The School's major federal program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the School's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the School's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal program. However, our audit does not provide a legal determination of the School's compliance.

Opinion on The Major Federal Program

In our opinion, the School complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2018.

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Report on Internal Control over Compliance

Management of the School is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the School's internal control over compliance with the types of requirements that could have a direct and material effect on its major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for its major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

Anton Collins Mitchell LLP

Greeley, Colorado
October 15, 2018

Pinnacle Charter School, Inc.
Schedule of Findings and Questioned Costs
June 30, 2018

Section I - Summary of Auditor's Results

Financial Statements

Type of report the auditor issued on whether the financial statements audited were prepared in accordance with GAAP:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	_____ yes __X__ no
• Significant deficiency(ies) identified?	_____ yes __X__ none reported
Noncompliance material to financial statements noted?	_____ yes __X__ no

Federal Awards

Internal control over major federal programs:	
• Material weakness(es) identified?	_____ yes __X__ no
• Significant deficiency(ies) identified?	_____ yes __X__ none reported
Type of auditor's report issued on compliance for major federal programs:	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	_____ yes __X__ no

Identification of major programs:

CFDA/Contract Number	Name of Federal Program or Cluster
10.553	School Breakfast Program (SBP)
10.555	National School Lunch Program (NSLP)
10.559	Summer Food Service Program for Children (SFSP)

Dollar threshold used to distinguish between Type A and Type B programs:	$750,000
Auditee qualified as low-risk auditee?	__X__ yes _____ no

Pinnacle Charter School, Inc.
Schedule of Findings and Questioned Costs
June 30, 2018

Section II – Financial Statement Findings

Our audit did not disclose any matters required to be reported in accordance with *Government Auditing Standards*.

Section III – Federal Award Findings and Questioned Costs

Our audit did not disclose any matters required to be reported in accordance with 2 CFR 200.516(a).

Section IV – Status of Prior Audit Findings

There were no findings in the prior year there were required to be reported.

Pinnacle Charter School, Inc.
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2018

Federal Grantor/Pass-Through Grantor/Program Title	Federal CFDA Number	Pass-Through Entity Identifying Number	2018 Federal Expenditures
U.S. Department of Agriculture			
Passed through Colorado Department of Education:			
Child Nutrition Cluster:			
School Breakfast Program	10.553	4553	$ 418,289
National School Lunch Program	10.555	4555	1,557,785
Summer Food Service Program for Children	10.559	4559	11,776
Passed through Colorado Department of Human Services:			
Food Commodities	10.555	4555	173,539
Child Nutrition Cluster subtotal			2,161,389
Passed through Colorado Department of Education:			
Fresh Fruit and Vegetable Program	10.582	4582	14,478
Total Expenditures of Federal Awards			$ 2,175,867

See accompanying Independent Auditor's Report.

Pinnacle Charter School, Inc.
Notes to the Schedule of Expenditures of Federal Awards
June 30, 2018

1. Basis of Presentation

The accompanying schedule of expenditures of federal awards (the "Schedule") includes the federal award activity of the Pinnacle Charter School, Inc. (the "School") under programs of the federal government for the year ended June 30, 2018. The information in this Schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance"). Because the Schedule presents only a selected portion of the operations of the School, it is not intended to and does not present the financial position, changes in net position, or cash flows of the School.

2. Summary of Significant Accounting Policies

Expenditures reported on the Schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following, as applicable, the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the Schedule represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years.

3. Indirect Cost Rate

The School has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

4. Subrecipients

There were no subrecipients of federal awards during the year ended June 30, 2018.

5. Food Distribution

Commodities donated to the School by the U.S. Department of Agriculture ("USDA") are valued based on the USDA's Donated Commodity Price List and by values provided by the USDA. The commodities are recognized as revenue and expenditures when the commodities are used. As of June 30, 2018, the School has received food commodities totaling $173,539.