COLLEGIATE ACADEMY OF COLORADO

BASIC FINANCIAL STATEMENTS

June 30, 2017

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FINANCIAL SECTION

JOHN CUTLER & ASSOCIATES

Board of Directors
Collegiate Academy of Colorado
Littleton, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements the governmental activities and each major fund of Collegiate Academy of Colorado, component unit of Jefferson County School District No. R-1, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Collegiate Academy of Colorado, as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, schedule of the school's proportionate share, and schedule of the school's contributions on pages 28-30 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.

John Cutler & Associates, LLC

November 13, 2017

Management's Discussion and Analysis

As management of Collegiate Academy of Colorado (Collegiate or School), we offer readers of Collegiate's financial statements this narrative overview and analysis of the financial activities for the fiscal year ended June 30, 2017.

Financial Highlights

At the close of its 22nd year of operation, the net position of Collegiate was ($5,871,344) which was a decrease from 2016 of ($1,324,549). This decrease in net position was not caused by acquisition of additional debt, a cash spenddown, or a loss of capital assets, but rather results from a change in PERA reporting of future pension liabilities, despite a significant increase in cash carryforward. Additional details can be found in Note 7. At the close of the fiscal year Collegiate's governmental funds reported a combined ending fund balance of $556,961 for General Fund and $724,948 for the Building Foundation, a total increase of $142,810 from the prior year.

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to Collegiate's basic financial statements. Collegiate's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements.

Government-wide Financial Statements

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

The statement of net position presents information on all of Collegiate's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of Collegiate is improving or deteriorating. However, these figures are also impacted by changes in accounting practice, such as the change in reporting of pension liabilities which resulted in a substantial change in net position in FY17.

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

The government-wide financial statement of activities distinguish functions/programs of Collegiate supported primarily by per pupil revenue (PPR) or property, income, and sales taxes passed through from the District received from the County and State. The governmental activities of Collegiate include instruction and supporting expenses.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Collegiate, like other charter schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Collegiate are governmental funds.

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

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

Collegiate reports one governmental fund, the General Fund. Information for the School's General Fund and Building Corporation is combined and presented in the governmental funds balance sheet and in the governmental funds statement of revenues, expenditures and changes in fund balances.

Collegiate adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget. In addition to the General Fund, annual appropriations were made for the Grants Fund and Building Corporation.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This information is provided in pages 6-27.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Collegiate, net position was ($5,871,344) at the close of the most recent fiscal year.

Collegiate Academy's Net Position

	Governmental Activities 30-Jun-17	Governmental Activities 30-Jun-16
Cash and Investments	694,438	473,341
Restricted Cash and Investments	724,948	806,941
Capital Assets, Not Depreciated	650,000	650,000
Capital Assets, Depreciated	3,514,986	3,750,504
Total Assets	5,584,372	5,680,786
Deferred Outflow of Resources		
Related to Pensions	3,649,094	601,953
Deferred Costs	112,768	163,907
Total Deferred Outflows of Resources	3,761,862	765,860
Account Payable	2,776	5,862
Accrued Salaries/Benefits	133,001	133,471
Accrued Interest	11,623	12,185
Unearned Revenues	1,700	1,850
Noncurrent Liabilities	14,942,532	10,688,627
Total Liabilities	15,091,632	10,841,995

Deferred Inflows – Related to Pensions	125,946	151,446
Net Investment in Capital Assets,	(1,303,042)	(1,292,513)
Restricted for Emergencies –Tabor	82,840	80,410
Restricted for Debt Service	724,948	726,531
Unrestricted for Emergencies	(5,376,090)	(4,061,223)
Total Net Position	($5,871,344)	($4,546,795)

Collegiate Academy's Change in Net Position
For the Years Ended June 30, 2017 and June 30, 2016

	June 30, 17	June 30, 2016
Program Revenue:		
Charges for Services	142,854	134,689
Operating Grants and Contributions	91,876	86,582
Capital Grants and Contributions	93,904	86,646
Total Program Revenue	328,634	307,917
General Revenue:		
Per Pupil Operating Revenue	2,449,762	2,388,525
Mill Levy Override	470,365	464,757
Investment Earnings	312	101
Other	3,490	10,259
Total General Revenue	2,923,929	2,863,642
Expenses:		
Current:		
Instruction	2,573,709	1,598,741
Supporting Services	1,671,240	1,182,322
Interest and Fiscal Charges	291,888	304,668
Total Expenses	4,536,837	3,085,731
Increase (Decrease) in Net Position	(1,284,274)	85,828
Beginning Net Position, June 30, restated	(4,587,070)	(4,632,623)
Ending Net Position, June 30	(5,871,344)	(4,546,795)

Financial Analysis of the Government's Funds

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

Governmental Funds. The focus of the Collegiate's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the Collegiate's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the School's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, June 30, 2017, the School's governmental funds reported a combined ending fund balance of $1,281,909 which represents an increase of $142,810.

General Fund Budgetary Highlights

In FY17, the School continued its FY15 and FY16 initiative to add to cash reserves to reach the target "days cash on hand" of 60.2 days. Financial positioning in FY17 improved over FY16 by $142,810.

Enrollment increased slightly from 332 FTEs in FY16 to approximately 335 FTEs in FY17. A successful legislative initiative now mandates that Colorado school districts share mill levy revenues with their charter schools, providing a level of security in future budget years where mill levy sharing was not guaranteed in the past. Conservative estimates of per pupil revenue resulted in beating budget projections on transfer revenue. Building rental revenue and donations also exceeded expectations by 5% and 8%, respectively.

At the same time, salary & benefits expenses, which account for the School's largest spending category, were held at 5% below budget. Budget lines for purchased services and materials/supplies were similarly underspent at 97% and 80%, respectively. By beating revenue projections and holding down costs, Management built upon an already healthy reserve over the course of FY17. The School closed the fiscal year with an unassigned General Fund balance of $474,121 with all bond covenants met and after state TABOR reserve requirements were deducted. This unrestricted forward balance at the end of FY17 represents a very healthy 60.2 days cash on hand, exceeding accepted best practice for charter schools of 30-60 days cash on hand.

Capital Asset and Debt Administration

Capital Assets. Collegiate Academy's investment in capital assets decreased $235,518 during the year due to depreciation resulting in year-end net capital assets of $4,164,986.

Long-Term Debt

Collegiate Academy is in a long term lease agreement with Collegiate Building Corporation ending in 2031. This year's lease payment was $270,000 principal and $292,450 interest.

Economic Factors and Next Year's Budget

Current economic conditions suggest a stable trend with respect to the School's financial position moving into FY18. Increases in state per pupil revenues for FY17 are expected to be maintained by the Colorado legislature. Colorado HB-1375 requires school districts to equitably share mill levy dollars with charter schools (in addition to new accountability and transparency measures for charter schools). Despite the failure of a ballot initiative in November 2016 which would have increased mill levy revenues for operational expenditures, and a separate bid to pass a voter-approved bond issue to support capital needs, mill levy revenues are expected to remain stable while the district mulls going back to the voters with a more well-organized initiative to increase school funding in Jefferson County in the coming year.

The School has also moved ahead in FY18 to add a complementary home school support program which involves initial operational and management costs, but is expected to become a successful auxiliary program to the School's traditional educational model. This program has the potential to expand the School's regional name recognition and enrollment, with the long term goal of replicating geographically to serve additional neighborhoods with supports for home-based education.

The School also created an Enrollment Coordinator role in early 2017 to focus recruitment and retention efforts, create a single point of contact for potential students and families, and deliberately expand the School's profile and presence in the community. Expanded use of social media and online presence to generate organic leads through authentic messaging has shown positive early results.

Requests for Information

This financial report is designed to provide a general overview of Collegiate's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Collegiate Academy, Attn: Business Manager, 8420 S. Sangre de Cristo Rd, Littleton, CO 80127.

BASIC FINANCIAL STATEMENTS

COLLEGIATE ACADEMY OF COLORADO

STATEMENT OF NET POSITION
As of June 30, 2017

	Governmental Activities	
	2017	2016
ASSETS		
Cash and Investments	$ 694,438	$ 473,341
Restricted Cash and Investments	724,948	806,941
Capital Assets, Not Depreciated	650,000	650,000
Capital Assets, Depreciated, Net of Accumulated Depreciation	3,514,986	3,750,504
TOTAL ASSETS	5,584,372	5,680,786
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Costs	112,768	163,907
Related to Pensions	3,649,094	601,953
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,761,862	765,860
LIABILITIES		
Accounts Payable	2,776	5,862
Accrued Salaries and Benefits	133,001	133,471
Accrued Interest	11,623	12,185
Unearned Revenues	1,700	1,850
Noncurrent Liabilities		
Capital Lease		
Due in One Year	285,000	270,000
Due in More Than One Year	5,295,796	5,586,924
Net Pension Liability	9,361,736	4,831,703
TOTAL LIABILITIES	15,091,632	10,841,995
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	125,946	151,446
NET POSITION		
Net Investment in Capital Assets	(1,303,042)	(1,292,513)
Restricted for Emergencies	82,840	80,410
Restricted for Debt Service	724,948	726,531
Unrestricted	(5,376,090)	(4,061,223)
TOTAL NET POSITION	$ (5,871,344)	$ (4,546,795)

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

COLLEGIATE ACADEMY OF COLORADO

STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

		PROGRAM REVENUES			Net (Expense) Revenues and Change in Net Position	
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2017	2016
PRIMARY GOVERNMENT						
Governmental Activities						
Instruction	$ 2,809,343	$ 142,854	$ 64,803	$ -	$ (2,601,686)	$ (1,403,948)
Supporting Services	1,435,606	-	27,073	93,904	(1,314,629)	(1,069,198)
Interest on Long-Term Debt	291,888	-	-	-	(291,888)	(304,668)
Total Governmental Activities	$ 4,536,837	$ 142,854	$ 91,876	$ 93,904	(4,208,203)	(2,777,814)
		GENERAL REVENUES				
		Per Pupil Revenue			2,449,762	2,388,525
		Mill Levy Override			470,365	464,757
		Interest			312	101
		Other			3,484	10,259
		TOTAL GENERAL REVENUES			2,923,923	2,863,642
		CHANGE IN NET POSITION			(1,284,280)	85,828
		NET POSITION, Beginning, Restated			(4,587,064)	(4,632,623)
		NET POSITION, Ending			$ (5,871,344)	$ (4,546,795)

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

COLLEGIATE ACADEMY OF COLORADO

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	GENERAL FUND	
	2017	2016
ASSETS		
Cash and Investments	$ 694,438	$ 473,341
Restricted Cash and Investments	724,948	806,941
TOTAL ASSETS	$ 1,419,386	$ 1,280,282
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	$ 2,776	$ 5,862
Accrued Salaries and Benefits	133,001	133,471
Unearned Revenues	1,700	1,850
TOTAL LIABILITIES	137,477	141,183
FUND BALANCES		
Restricted for Emergencies	82,840	80,410
Restricted for Debt Service	724,948	726,531
Unassigned	474,121	332,158
TOTAL FUND BALANCES	1,281,909	1,139,099
TOTAL LIABILITIES AND FUND BALANCES		
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.	4,164,986	4,400,504
Long-term liabilities and related assets are not due and payable in the current period and, therefore, are not reported in the funds. This amount is comprised of the building lease ($5,495,000), bond premium, net of amortization ($85,796), deferred costs, net of amortization $112,768, and accrued interest ($11,623)	(5,479,651)	(5,705,202)
Long-term liabilities and related assets are not due and payable in the current period and, therefore, are not reported in the funds. This amount is comprised of net pension liability of ($9,361,736), deferred outflows related to pensions of $3,649,094, and deferred inflows related to pensions of ($125,946).	(5,838,588)	(4,381,196)
Net position of governmental activities	$ (5,871,344)	$ (4,546,795)

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

COLLEGIATE ACADEMY OF COLORADO

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

	GENERAL FUND	
	2017	2016
REVENUES		
Local Sources	$ 3,093,850	$ 3,024,809
State Sources	158,707	146,750
TOTAL REVENUES	3,252,557	3,171,559
EXPENDITURES		
Current		
Instruction	1,686,243	1,450,609
Supporting Services	861,054	959,474
Debt Service		
Principal	270,000	255,000
Interest	292,450	305,200
TOTAL EXPENDITURES	3,109,747	2,970,283
NET CHANGE IN FUND BALANCES	142,810	201,282
FUND BALANCES, Beginning	1,139,099	937,817
FUND BALANCES, Ending	$ 1,281,909	$ 1,139,099

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

COLLEGIATE ACADEMY OF COLORADO

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Net Changes in Fund Balances - Total Governmental Funds	$ 142,810
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount of depreciation expense for the year.	(235,518)
Some expenses reported in the statement of activities do not require current financial resources and are not reported in the funds. These include lease payments of $270,000, amortization of bond premium $6,128, amortization of deferred costs ($10,870), and change in accrued interest $562	265,820
Deferred Charges related to pensions are not recognized in the governmental funds. However, for the government-wide funds that amount is capitalized and amortized.	(1,457,392)
Change in Net Position of Governmental Activities	$ (1,284,280)

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

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

Collegiate Academy of Colorado (the "Academy") was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Jefferson County School District No. R-1 of the State of Colorado.

The accounting policies of the Academy conform to generally accepted accounting principles as applicable to governmental units. Following is a summary of the more significant policies.

Reporting Entity

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

The Academy includes the Collegiate Academy of Colorado Building Foundation (the "Building Foundation") within its reporting entity. The Building Foundation was formed to support and assist the Academy to perform its function and to carry out its purpose, specifically to assist in the financing of the Academy's facilities. The Building Foundation's activity is included in the Academy's General Fund. Separate financial statements are not available for this entity. The Academy is a component unit of Jefferson County School District No. R-1.

Government-Wide and Fund Financial Statements

The Academy's financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Academy. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported in a single column.

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.

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

Government-Wide and Fund Financial Statements (Continued)

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

The Academy reports the following major governmental funds:

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

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

Assets, Liabilities and Fund Balance/Net Position

Investments – Investments are recorded at fair value.

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

Capital assets are depreciated using the straight-line method over the following estimated useful lives; buildings 30 years, equipment 7 years.

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

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

Long-term Debt – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

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

Assets, Liabilities and Fund Balance/Net Position

Net Position– The government-wide and business-type fund financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted.

- Investment in Capital Assets is intended to reflect the portion of net position which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.

- Restricted Net Position are liquid assets, which have third party limitations on their use.

- Unrestricted Net Position represents assets that do not have any third party limitation on their use. While School management may have categorized and segmented portion for various purposes, the School Board has the unrestricted right to revisit or alter these managerial decisions.

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

- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Academy has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies. The Academy has also classified fund balance as restricted as is required by the bond agreements.

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

Assets, Liabilities and Fund Balance/Net Position

- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Academy did not have any committed resources as of June 30, 2017.

- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

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

Compensated Absences

The Academy's policy allows employees to accumulate sick leave. Upon termination of employment, no financial compensation is paid for unused sick days. Therefore, no liability for accumulated sick leave is reported in the financial statements.

Risk Management

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The District carries commercial insurance for these risks of loss, and bills the Academy for its portion of coverage. Settled claims have not exceeded coverage in the last three years.

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

Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Academy's financial position and operations. However, complete comparative data in accordance with generally accepted accounting principles has not been presented since its inclusion would make the financial statements unduly complex and difficult to read. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2: ***STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY***

Budgets and Budgetary Accounting

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

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

NOTE 3: ***CASH AND INVESTMENTS***

A reconciliation of the cash and investment components on the balance sheet to the cash and investments categories in this footnote are as follows:

Petty Cash	$ 1,000
Pooled Cash with the District	693,438
Investments	724,948
Total Cash and Investments	**$ 1,419,386**

NOTE 3: ***CASH AND INVESTMENTS*** (Continued)

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

Cash and Investments	$ 694,438
Restricted Cash and Investments	724,948
Total	**$ 1,419,386**

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At June 30, 2017, State regulatory commissioners have indicated that all financial institutions holding deposits for the Academy are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group.

The market value of the collateral must be at least equal to 102% of the uninsured deposits. The Academy has no policy regarding custodial credit risk for deposits as the deposits are maintained by the District. The District had no deposits as of June 30, 2017.

Pooled Cash with the District

Cash deposits are pooled with the Academy cash and investments which were held by several banking institutions. Pooled investments represent investments in local government investment pools or in money market funds. At June 30, 2017 the Academy's balance in equity in both restricted and unrestricted pooled cash of the District totaled $693,438.

Investments

Interest Rate Risk

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

NOTE 3: ***CASH AND INVESTMENTS*** (Continued)

Investments (Continued)

Credit Risk

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

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

The above investments are authorized for all funds and fund types used by Colorado municipalities.

Interest Rate and Credit Risk Policies

The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, or a formal policy to limit credit risk. However, they follow state statutes regarding investments.

Fair Value

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant observable inputs

State statutes limit investments in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by a nationally recognized statistical rating organization ("NRSROs").

NOTE 3: ***CASH AND INVESTMENTS*** (Continued)

Investments (Continued)

At June 30, 2017, the Foundation had $724,948 invested in a money market fund that was rated AAAm by Standard & Poor's and Aaa-mf by Moody's Investors Service. These investments are valued using Level 1 inputs.

The Academy has no policy for managing credit risk or interest rate risk.

Restricted Cash and Investments

Cash and Investments of $724,948 are restricted in the General Fund for project costs and bond reserves.

NOTE 4: ***CAPITAL ASSETS***

Capital Assets activity for the year ended June 30, 2017 is summarized below.

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Governmental Activities				
Capital Assets, not depreciated				
Land	$ 650,000	$ -	$ -	$ 650,000
Total Capital Assets, not depreciated	650,000	-	-	650,000
Capital Asset, depreciated				
Building	6,116,101	-	6,224	6,109,877
Equipment	15,250	-	15,250	-
Total Capital Assets, depreciated	6,131,351	-	21,474	6,109,877
Accumulated Depreciation				
Building	2,365,597	235,518	6,224	2,594,891
Equipment	15,250	-	15,250	-
Total Accumulated Depreciation	2,380,847	235,518	21,474	2,594,891
Capital Assets, depreciated, net	3,750,504	(235,518)	-	3,514,986
Total Capital Assets	**$ 4,400,504**	**$ (235,518)**	**$ -**	**$ 4,164,986**

Depreciation has been charged to the Supporting Services Program of the Academy.

NOTE 5: 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 nine months. The salaries and benefits earned, but unpaid, as of June 30, 2017, were $133,001 in the General Fund.

NOTE 6: *LONG-TERM DEBT*

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

	Balance June 30, 2016	Additions	Payments	Balance June 30, 2017	Due In One Year
Building Lease	$ 5,765,000	$ -	$ 270,000	$ 5,495,000	$ 285,000
Premium	91,924	-	6,128	85,796	-
Total	**$ 5,856,924**	**$ -**	**$ 276,128**	**$ 5,580,796**	**$ 285,000**

Building Lease

In May, 2004, the Colorado Educational and Facilities Authority (CECFA) issued $8,195,000 Charter School Revenue Bonds, Series 2004. Proceeds from the bonds were used to refund the CECFA Charter School Revenue Bonds Series 2002, which were used to construct the Academy's building. The Academy is required to make equal lease payments to the Building Foundation for use of the buildings. The Building Foundation is required to make equal lease payments to the Trustee, for payment of the bonds. Interest accrues at rates ranging from 2% to 5.25%. The bonds mature in June 2031.

Future debt service requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
2018	$ 285,000	$ 280,788	$ 565,788
2019	295,000	266,538	561,538
2020	310,000	251,787	561,787
2021	330,000	235,513	565,513
2022	340,000	217,188	558,188
2023 - 2027	1,980,000	806,775	2,786,775
2028- 2031	1,955,000	255,750	2,210,750
Total	**$ 5,495,000**	**$ 2,315,339**	**$ 7,810,339**

NOTE 7: ***DEFINED BENEFIT PENSION PLAN***

Summary of Significant Accounting Policies

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.

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

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

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.

NOTE 7: *DEFINED BENEFIT PENSION PLAN* (Continued)

General Information about the Pension Plan (Continued)

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

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, 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 (AIR) 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.

Contributions. Eligible employees and 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.

NOTE 7: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

General Information about the Pension Plan (Continued)

The employer contribution requirements are summarized in the table below:

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

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from School were $277,222 for the year ended June 30, 2017.

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

At June 30, 2017, the School reported a liability of $9,361,736 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll-forward the total pension liability to December 31, 2016. The School's proportion of the net pension liability was based on School's contributions to the SCHDTF for the calendar year 2016 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2016, the School's proportion was 0.03144% percent, which was a decrease of 0.00015% from its proportion measured as of December 31, 2015.

NOTE 7: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

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

For the year ended June 30, 2017, the School recognized pension expense of $1,734,614. At June 30, 2017, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 117,086	$ 85
Changes of assumptions or other inputs	$ 3,014,595	$ 42,902
Net difference between projected and actual earnings on pension plan investments	$ 316,865	N/A
Changes in proportion and differences between contributions recognized and proportionate share of contributions	$ 69,661	$ 82,959
Contributions subsequent to the measurement date	$ 130,887	N/A
Total	$ 3,649,094	$ 125,946

$130,877 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,:	
2018	$ 590,997
2019	$ 1,366,253
2020	$ 1,353,538
2021	$ 111,473

NOTE 7: *DEFINED BENEFIT PENSION PLAN* (Continued)

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

Actuarial assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.10 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.50 percent
Discount rate	7.50 percent
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

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

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
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

NOTE 7: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

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

Mortality rates used in the December 31, 2015 valuation were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disabled retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

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

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

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

NOTE 7: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

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

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

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

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

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

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

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

Several factors were considered in evaluating the long-term rate of return assumption for the SCHDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

NOTE 7: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

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

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

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%.

Discount rate. The discount rate used to measure the total pension liability was 5.26 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 economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016.

NOTE 7: *DEFINED BENEFIT PENSION PLAN* (Continued)

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

- 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.

NOTE 7: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

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

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 Board of Governors of the Federal Reserve System, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.86 percent, resulting in a discount rate of 5.26 percent.

As of the prior measurement date, the projection test indicated the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments of 7.50 percent was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use a municipal bond index rate and the discount rate was 7.50 percent, 2.24 percent higher compared to the current measurement date.

Sensitivity of the School *proportionate share of the net pension liability to changes in the discount rate.* The following presents the proportionate share of the net pension liability calculated using the discount rate of 5.26 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 (4.26 percent) or 1-percentage-point higher (6.26 percent) than the current rate:

	1% Decrease (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
Proportionate share of the net pension liability	$ 11,772,082	$ 9,361,736	$ 7,398,596

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

NOTE 7: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

Other Post-Employment Benefits

Health Care Trust Fund

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

Funding Policy – The Academy is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Academy are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2017, 2016 and 2054, the Academy's employer contribution to the HCTF was $14,057, $13,468, and $13,855, respectively, equal to their required contribution for each year.

NOTE 8: ***COMMITMENTS AND CONTINGENCIES***

Claims and Judgments

The Academy participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Academy may be required to reimburse the grantor government. As of June 30, 2017, significant amounts of grant expenditures have not been audited, but the Academy believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Academy.

NOTE 8: ***COMMITMENTS AND CONTINGENCIES*** (Continued)

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The Academy believes it has complied with the Amendment. As required by the Amendment, the Academy has established a reserve for emergencies. At June 30, 2017, the reserve of $82,840 was recorded as a restriction of fund balance in the General Fund. The District also holds $82,840 in pooled cash on behalf of the Academy for this reserve.

NOTE 9: ***DEFICIT NET POSITION***

The Net Position of the government type activities is in a deficit position of $5,871,344 due to the Academy including the Net Pension Liability per GASB No. 68 and the inclusion of the long-term debt related to non-capital improvements.

NOTE 10: ***RESTATEMENT OF NET POSITION***

The beginning net position of the governmental activities was decreased by $40,275 to correctly state deferred costs related to debt issuance.

REQUIRED SUPPLEMENTARY INFORMATION

COLLEGIATE ACADEMY OF COLORADO

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2017

	2017 ORIGINAL AND FINAL BUDGET	2017 ACTUAL	2017 VARIANCE Positive (Negative)	2016 ACTUAL
REVENUES				
Local Sources				
Per Pupil Revenue	$ 2,421,432	$ 2,449,762	$ 28,330	$ 2,388,525
Mill Levy Override	466,437	470,365	3,928	464,757
Charges for Services	155,618	142,854	(12,764)	134,689
Donations	25,000	27,073	2,073	26,478
Interest	-	312	312	-
Other	6,500	3,484	(3,016)	10,366
State Sources				
Grants and Donations	144,451	158,707	14,256	146,750
TOTAL REVENUES	3,219,438	3,252,557	33,119	3,171,565
EXPENDITURES				
Salaries	1,616,412	1,531,638	84,774	1,468,608
Employee Benefits	444,993	403,433	41,560	381,918
Purchased Services	537,743	512,423	25,320	511,933
Supplies and Materials	107,615	99,803	7,812	47,624
Debt Service				
Principal	270,000	270,000	-	255,000
Interest	292,450	292,450	-	305,200
TOTAL EXPENDITURES	3,269,213	3,109,747	159,466	2,970,283
NET CHANGE IN FUND BALANCE	(49,775)	142,810	192,585	201,282
FUND BALANCE, Beginning	250,000	1,139,099	889,099	937,817
FUND BALANCE, Ending	$ 200,225	$ 1,281,909	$ 1,081,684	$ 1,139,099

See the accompanying independent auditors' report.

COLLEGIATE ACADEMY OF COLORADO

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
SCHOOL DIVISION TRUST FUIND

Years Ended December 31,

	2013	2014	2015	2016
School's proportionate share of the Net Pension Liability	0.0030%	0.0032%	0.0316%	0.0314%
School's proportionate share of the Net Pension Liability	$ 4,152,076	$ 4,372,668	$ 4,831,703	$ 9,361,736
School's covered-employee payroll	$ 1,299,081	$ 1,336,582	$ 1,332,875	$ 1,342,591
School's proportionate share of the Net Pension Liability as a percentage of its covered-employee payroll	319.6%	327.2%	362.5%	697.3%
Plan fiduciary net position as a percentage of the total pension liability	64.1%	62.8%	59.2%	43.1%

See the accompanying independent auditors' report.

COLLEGIATE ACADEMY OF COLORADO

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
SCHOOL DIVISION TRUST FUND

Years Ended June 30,

	2014	2015	2016	2017
Statutorily required contributions	$ 221,604	$ 246,918	$ 245,932	$ 277,222
Contributions in relation to the Statutorily required contributions	221,604	246,918	245,932	277,222
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
School's covered-employee payroll	$ 1,297,853	$ 1,358,344	$ 1,320,391	$ 1,378,115
Contributions as a percentage of covered-employee payroll	17.07%	18.18%	18.63%	20.12%

See the accompanying independent auditors' report.