ADDENBROOKE CLASSICAL ACADEMY

BASIC FINANCIAL STATEMENTS

June 30, 2017

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FINANCIAL SECTION

JOHN CUTLER
& ASSOCIATES

Board of Directors
Addenbrooke Classical Academy
Lakewood, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Addenbrooke Classical Academy, 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 basic financial statements of the Academy, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 expression an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluation 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.

Opinion

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 Addenbrooke Classical Academy, 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

Addenbrooke Classical Academy
Management's Discussion and Analysis

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

Financial Highlights

The year ended June 30, 2017 is the fourth year of operations for ACA. As of June 30, 2017, net position decreased by $(1,900,471) to $(2,948,548). This negative balance is the result of the implementation of regulations under the Governmental Accounting Standards Board Statement (GASB) Number 68. Further information about GASB 68 is provided in Note 7 of the financial statements.

The operations of the School are funded primarily by tax revenue received under the Colorado School Finance Act in Per Pupil Revenue. Such revenue for the year was $3,597,861. At the close of the fiscal year, Addenbrooke Classical Academy's governmental fund reported an ending fund balance of $3,186,163, an increase of $2,583,519 from prior year. This increase is the result of the receipt of debt proceeds in excess of capital outlay and debt issuance costs. The remainder of the proceeds are expected to be spent in FY 2017-2018.

Overview of Financial Statements

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

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

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

The government-wide statement of activities distinguishes functions/programs of the school supported primarily by Per Pupil Revenue or other revenues passed through from the authorizer (Jefferson County School District). The governmental activities of the School include instruction and supporting services.

Fund Financial Statements
A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other governmental units or schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The School has one governmental fund. 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 change in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School adopts annually appropriated budgets for any governmental funds. A budgetary comparison schedule for the governmental fund has been provided herein.

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 the School's financial position. In the case of Addenbrooke Classical Academy, liabilities exceeded assets resulting in a net position of \$(2,948,548) in FY 2016-2017. Again, this is directly related to the new pension liability reporting requirement under GASB 68. Of the School's total net position, \$131,738 is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment, \$665,948 is restricted for debt service, and \$3,508,111 is restricted for construction. Accordingly, these funds are not available to satisfy the school's general operating expenses.

Addenbrooke Classical Academy's Net Position
Governmental Activities

	June 30, 2017	June 30, 2016
ASSETS		
Cash and Investments	$ 1,192,366	$ 415,893
Restricted Cash and Investments	4,305,438	90,585
Deposits	-	240,000
Capital Assets, Not Depreciated	8,711,067	-
Capital Assets, Net of Accum Depreciation	6,875,189	239,907
Total Assets	**21,084,060**	**986,385**
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	5,795,428	2,204,105
LIABILITIES		
Accounts Payable	2,074,872	17,549
Accrued Salaries	229,789	119,460
Deferred Revenue	6,980	6,825
Accrued Interest Payable	67,699	-
Noncurrent Liabilities		
Due in More than One Year	18,045,000	-
Net Pension Liability	9,376,549	4,037,582
Total Liabilities	**29,800,889**	**4,181,416**
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	27,147	57,151
NET POSITION		
Investment in Capital Assets	1,778,995	239,907
Restricted for Emergencies	131,738	90,585
Restricted for Debt Service	665,948	-
Restricted for Construction	3,508,111	-
Unrestricted	(9,033,340)	(1,378,569)
Total Net Position	**$ (2,948,548)**	**$ (1,048,077)**

The largest portion of the School's assets is in capital assets, at 74% of total assets in 2017.

Addenbrooke Classical Academy's Change in Net Position
Governmental Activities

	June 30, 2017	June 30, 2016
Program Revenue:		
Charges for Services	$ 171,032	$ 79,053
Operating Grants and Contributions	63,303	37,052
Capital Grants and Contributions	139,554	102,090
Total Program Revenue	373,889	218,195
General Revenue:		
Per Pupil Revenue	3,597,861	2,762,373
Mill Levy Override	692,910	538,827
Donations	-	8,552
Other	274,003	38,926
Total General Revenue	4,564,774	3,348,678
Total Revenue	4,938,663	3,566,873
Expenses:		
Current:		
Instruction	3,233,709	1,586,380
Supporting Services	2,520,721	2,486,176
Interest and Other Fiscal Charges	1,084,704	-
Total Expenses	6,839,134	4,072,556
Increase/(Decrease) in Net Position	(1,900,471)	(505,683)
Net Position, Beginning	**(1,048,077)**	**(542,394)**
Net Position, Ending	**$ (2,948,548)**	**$ (1,048,077)**

The largest portion of the School's revenues came from per pupil revenue – 73%, respectively in 2017.

Financial Analysis of the Government'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 spendable resources.

Such information is useful in assessing the School’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, the School’s General Fund reported an ending fund balance of $3,186,163, an increase of $2,583,519 from prior year.

General Fund Budgetary Highlights

The School approves a final general fund budget in May based on enrollment projections for the school year. In October, after enrollment stabilizes, adjustments are made to the budget. At year-end, the school had some variances between its final budgeted and actual activities. Overall, the school recognized $49,386 less revenue than expected and spent $204,001 less than planned, when compared to the final budget. One budget amendment was made during FY 2016-2017.

Capital Assets & Long-Term Debt

The School has invested in capital assets in the form of land, construction, and building improvements for the School's educational facility, as well as equipment purchased in support of the School's educational program. Depreciation expenses for capital assets are booked under Supporting Services of the School’s operations. See Note 4 for more information.

The School has long-term debt obligations in the form of series 2016 Charter School Revenue Bonds. Proceeds of the bonds are being used to purchase the school's facility and land, to make facility improvements, and to cover the cost of issuance. See Note 6 for more information.

Economic Factors and Next Year’s Budget

The primary factor driving the budget for Addenbrooke Classical Academy is student enrollment. Enrollment for the 2016-2017 school year was 496.70 funded students. This information was analyzed as part of the 2017-2018 budget which is projecting a 650.00 funded student count.

Requests for Information

This financial report is designed to provide a general overview of Addenbrooke Classical Academy’s finances for all those with an interest in the School’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the School:

Addenbrooke Classical Academy
3940 S Teller Street
Lakewood, CO 80235

BASIC FINANCIAL STATEMENTS

ADDENBROOKE CLASSICAL ACADEMY

STATEMENT OF NET POSITION
As of June 30, 2017

	Governmental Activities 2017	Governmental Activities 2016
ASSETS		
Cash and Investments	$ 1,192,366	$ 415,893
Restricted Cash and Investments	4,305,438	90,585
Deposits	-	240,000
Capital Assets, Not Depreciated	8,711,067	-
Capital Assets, Depreciated, Net of Accumulated Depreciation	6,875,189	239,907
TOTAL ASSETS	21,084,060	986,385
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	5,795,428	2,204,105
LIABILITIES		
Accounts Payable	2,074,872	17,549
Accrued Salaries	229,789	119,460
Deferred Revenue	6,980	6,825
Accrued Interest Payable	67,699	-
Noncurrent Liabilities		
Due in More than One Year	18,045,000	-
Net Pension Liability	9,376,549	4,037,582
TOTAL LIABILITIES	29,800,889	4,181,416
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	27,147	57,151
NET POSITION		
Net Investment in Capital Assets	(2,526,443)	239,907
Restricted for Emergencies	131,738	90,585
Restricted for Debt Service	665,948	-
Restricted for Construction	3,508,111	-
Unrestricted	(4,727,902)	(1,378,569)
TOTAL NET POSITION	$ (2,948,548)	$ (1,048,077)

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

ADDENBROOKE CLASSICAL ACADEMY

STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

		PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION — GOVERNMENTAL ACTIVITIES	
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2017	2016
PRIMARY GOVERNMENT						
Governmental Activities						
Instruction	$ 3,233,709	$ 171,032	$ 63,303	$ -	$ (2,999,374)	$ (1,470,275)
Supporting Services	2,520,721	-	-	139,554	(2,381,167)	(2,384,086)
Interest and Other Fiscal Charges	1,084,704	-	-	-	(1,084,704)	-
Total Governmental Activities	$ 6,839,134	$ 171,032	$ 63,303	$ 139,554	(6,465,245)	(3,854,361)
GENERAL REVENUES						
Per Pupil Revenue					3,597,861	2,762,373
Mill Levy Override					692,910	538,827
Donations					-	8,552
Other					274,003	38,926
TOTAL GENERAL REVENUES					4,564,774	3,348,678
CHANGE IN NET POSITION					(1,900,471)	(505,683)
NET POSITION, Beginning,					(1,048,077)	(542,394)
NET POSITION, Ending					$ (2,948,548)	$ (1,048,077)

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

ADDENBROOKE CLASSICAL ACADEMY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2017

	TOTAL GOVERNMENTAL FUNDS 2017	TOTAL GOVERNMENTAL FUNDS 2016
ASSETS		
Cash and Investments	$ 1,192,366	$ 415,893
Restricted Cash and Investments	4,305,438	90,585
Deposits	-	240,000
TOTAL ASSETS	$ 5,497,804	$ 746,478
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts Payable	$ 2,074,872	$ 17,549
Accrued Salaries	229,789	119,460
Unearned Revenue	6,980	6,825
TOTAL LIABILITIES	2,311,641	143,834
FUND BALANCES		
Nonspendable	-	240,000
Restricted for Emergencies	131,738	90,585
Restricted for Debt Service	665,948	-
Restricted for Construction	3,508,111	349
Unassigned	(1,119,634)	271,710
TOTAL FUND BALANCE	3,186,163	602,644
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	15,586,256	239,907.00
Long-term liabilities and related assets are not due and payable in the current period and, therefore, are not reported in the funds. This liability includes bonds payable ($18,045,000) and accrued interest payable ($67,699).	(18,112,699)	-
Long-term liabilities and related assets are not due and payable in the current period and, therefore, are not reported in the funds. This liability includes net pension liability of ($9,376,549), deferred outflows related to pensions of $5,795,428, and deferred inflows related to pensions of ($27,147).	(3,608,268)	(1,890,628)
Net position of governmental activities	$ (2,948,548)	$ (1,048,077)

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

ADDENBROOKE CLASSICAL ACADEMY

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

	TOTAL GOVERNMENTAL FUNDS	
	2017	2016
REVENUES		
Local Sources	$ 4,735,806	$ 3,427,731
State Sources	202,857	139,142
TOTAL REVENUES	4,938,663	3,566,873
EXPENDITURES		
Current		
Instruction	1,831,881	1,586,380
Supporting Services	2,187,185	1,568,901
Capital Outlay	15,364,073	239,907
Bond Issuance Costs	439,565	-
Debt Service		
Interest	577,440	-
TOTAL EXPENDITURES	20,400,144	3,395,188
EXCESS OF REVENUES OVER (UNDER)EXPENDITURES	(15,461,481)	171,685
OTHER FINANCING SOURCES		
Proceeds from the Issuance of Debt	18,045,000	-
NET CHANGE IN FUND BALANCE	2,583,519	171,685
FUND BALANCE, Beginning	602,644	430,959
FUND BALANCE, Ending	$ 3,186,163	$ 602,644

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

ADDENBROOKE CLASSICAL ACADEMY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2017

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Net Changes in Fund Balances - Total Governmental Funds	$ 2,583,519
Capital outlays to purchase or build capital assets are reported in the governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depeciation expense in the statement of activities.	15,346,349
Bond proceeds are reported as financing sources in the governmental funds and increase fund balance. In the government-wide financial statements, however, issuing debt increases long-term liabilities in the statement of net position.	(18,045,000)
Repayment of long-term principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the increase in accrued interest ($67,699), in the current year.	(67,699)
Deferred Charges related to pensions are not recognized in the governmental funds. However, for the government-wide funds those amounts are capitalized and amortized.	(1,717,640)
Change in Net Position of Governmental Activities	$ (1,900,471)

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

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

Addenbrooke Classical Academy (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.

Based upon the application of these criteria, the Addenbrooke Classical Academy Building Corporation is considered to be financially accountable to the Academy. The purpose of the Building Corporation is to provide a mechanism to issue debt on behalf of the Academy. The Building Corporation is considered to be part of the Academy for financial reporting purposes because its resources are entirely for the direct benefit of the Academy and is reported as part of the General Fund.

The Academy is a component unit of Jefferson County School District No. R-1.

Government-Wide and Fund Financial Statements

The Academy 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.

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

Government-Wide and Fund Financial Statements (Continued)

Program revenues include; 1) charges to students or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted intergovernmental revenues not properly included among program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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 fund:

General Fund – This fund is the general operating fund of the Academy. It is used to account for all financial resources.

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

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

Assets, Liabilities and Fund Balance/Net Position

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 an estimated useful life of 30 years for the buildings and 10-15 years for equipment.

Unearned Revenues – The unearned revenues include amounts received but not yet available for expenditure.

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, as well as issuance costs, 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: ***<u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u>*** (Continued)

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

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

Net Investment in Capital Assets includes the Academy's capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvement of those assets.

Restricted Net Position includes assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. The Academy typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.

Unrestricted Net Position typically includes unrestricted liquid assets. The Board has the authority to revisit or alter this designation.

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:

- <u>Nonspendable</u> – This classification includes amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact. The Academy reports deposits as nonspendable as of June 30, 2017.

- <u>Restricted</u> – 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 classified Construction and Debt Service funds as being restricted because their use is restricted by the 2016 CECFA Loan and Security Agreement.

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

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

- 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 this coverage in the last three years.

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 yearend.

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

Cash and investment consist of the following:

Pooled Cash with the District	$ 1,322,244
Petty Cash	1,500
Investments	4,174,060
Total Cash and Investments	**$ 5,497,804**

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.

NOTE 3: *CASH AND INVESTMENTS* (Continued)

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.

The Academy has no deposits as of June 30, 2017.

Pooled Cash with the District

Cash deposits are pooled with the District 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 $1,322,244.

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.

Credit Risk

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

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

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

Fair Value

The Academy 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.

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

Investments (Continued)

Fair Value (Continued)

The District had invested $4,174,060 in the Colorado Surplus Asset Fund Trust (CSAFE). CSAFE is considered to be a 2a7 like investments and is valued using the NAV per share (or its equivalent) of the investments. The 2a-7 like investments do not have any unfunded commitments, redemption restrictions or redemption notice periods. The 2a-7 like investments conform to Colorado Statutes CRS 24-75-601 et. seq. and therefore invests primarily in securities of the United States Treasury, United States Agencies, Primary Dealer Repurchase Agreements, highly rated commercial paper, highly rated corporate bonds, Colorado depositories collateralized at 102% of market value according to the guidelines of the Public Deposit Protection Act. The investments will conform to its Permitted Investments and will meet Standard & Poor's investment guidelines to achieve a AAAm rating, the highest attainable rating for a Local Government Investment Pool.

Restricted Cash and Investments

Pooled Cash with the District in the amount of of $131,378 are restricted in the General Fund as an emergency reserve related to the TABOR amendment and investments in the amount of $4,174,060 are restricted in the General Fund for future debt service requirements and capital outlay expenditures related to the 2016 Bond.

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	$ -	$ 4,865,000	$ -	$ 4,865,000
Construction in Progress	-	3,846,067	-	3,846,067
Total Capital Assets, Not Depreciated	-	8,711,067	-	8,711,067
Capital Assets, Depreciated				
Equipment	12,648	-	-	12,648
Building Improvements	227,259	6,653,006	-	6,880,265
Total Capital Assets, Being Depreciated	239,907	6,653,006	-	6,892,913

NOTE 4: CAPITAL ASSETS (Continued)

	Balance June 30, 2016	Additions	Deletions	Balance June 30, 2017
Accumulated Depreciation				
Equipment	-	2,573	-	2,573
Building Improvements	-	15,151	-	15,151
Total Accumulated Depreciation	-	17,724	-	17,724
Total Capital Assets, Being Depreciated, Net	239,907	6,635,282	-	6,875,189
Net Capital Assets	$ 239,907	**$ 15,346,349**	**$ -**	**$ 15,586,256**

Depreciation has been charged to supporting services program of the School.

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 $229,789 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
CECFA 2016 Bonds	**$ -**	**$18,045,000**	**$ -**	**$18,045,000**	**$ -**

CECFA 2016 Bonds

In September 2016, the Colorado Educational and Cultural Facilities Authority (CECFA) issued $18,045,000 of Charter School Revenue Bonds, Series 2016. Proceeds from the bonds were loaned to the Academy under a lease agreement to provide funding for the purchase of the Academy's facility and related capital projects and costs of issuance. The Building Corporation is required to make equal lease payments to the Trustee, for payment of the bonds. Interest accrues at a rate of 4.50% and the bonds mature on June 1, 2021.

NOTE 6: ***LONG-TERM DEBT*** (Continued)

Future debt service requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
2018	$ -	$ 812,025	$ 812,025
2019	335,000	812,025	1,147,025
2020	350,000	796,950	1,146,950
2021	17,360,000	781,200	18,141,200
Total	**$ 18,045,000**	**$ 3,202,200**	**$ 21,247,200**

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

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

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

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

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

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

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

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

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

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

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

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

General Information about the Pension Plan (Continued)

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

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

	For the Year Ended December 31, 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 Academy is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the Academy were $212,761 for the year ended June 30, 2017.

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

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

At June 30, 2017, the Academy reported a liability of $9,376,549 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 Academy's proportion of the net pension liability was based on the Academy'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 Academy's proportion was 0.03149 percent, which was an increase of 0.00333 percent from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, the Academy recognized pension expense of $1,960,401. At June 30, 2017 the Academy 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	$116,164	N/A
Changes of assumptions or other inputs	$3,552,916	$27,147
Net difference between projected and actual earnings on pension plan investments	$203,232	N/A
Changes in proportion and differences between contributions recognized and proportionate share of contributions	$1,811,980	N/A
Contributions subsequent to the measurement date	$111,136	N/A
Total	$5,795,428	$27,147

$111,136 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.

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)

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	$2,258,870
2019	$2,258,870
2020	$1,088,597
2021	$50,808

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:

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 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

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.

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)

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 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.

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)

- 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.

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%.

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

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

Discount rate. The discount rate used to measure the total pension liability was 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.

- 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.

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

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

- The 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 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.

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)

Sensitivity of the Academy's *proportionate share of the net pension liability to changes in the discount rate.* The following presents the proportionate share of the net pension liability calculated using the discount rate of 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	$11,790,709	$9,376,549	$7,410,303

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.

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.

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

Other Post-Employment Benefits (Continued)

Health Care Trust Fund (Continued)

Funding Policy – The Academy is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Academy are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2015, 2016, and 2017, the Academy's employer contributions to the HCTF were $8,790, $10,217 and $11,184 respectively, equal to their required contributions 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.

Building Lease

In April 2015, the Academy entered into a building lease agreement that included an option to purchase the building. This lease expired in September 2016 at which time the Academy elected to purchase the building.

The Academy paid $97,419 lease expense for the year ended June 30, 2017.

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 $131,378 was recorded as a restriction of fund balance in the General Fund. The District also holds $131,378 in pooled cash on behalf of the Academy for this reserve.

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

The net position of the governmental activities is in a deficit position of $2,948,548 due to the Academy including its Net Pension Liability per the requirements of GASB Statement No. 68.

REQUIRED SUPPLEMENTARY INFORMATION

ADDENBROOKE CLASSICAL ACADEMY

GENERAL FUND
BUDGETARY COMPARISON STATEMENT
Year Ended June 30, 2017

	2017				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2016 ACTUAL
REVENUES					
Local Sources					
Per Pupil Operating Revenue	$ 3,597,871	$ 3,633,840	$ 3,597,861	$ (35,979)	$ 2,762,373
Mill Levy Override	692,918	699,839	692,910	(6,929)	538,827
Charges for Services	131,225	204,673	171,032	(33,641)	79,053
Donations	-	-	-	-	8,552
Other	207,000	244,811	274,003	29,192	38,926
State Sources					
Grants and Donations	393,631	204,886	202,857	(2,029)	139,142
TOTAL REVENUES	5,022,645	4,988,049	4,938,663	(49,386)	3,566,873
EXPENDITURES					
Current					
Salaries	2,770,860	2,086,070	2,065,416	20,654	1,540,010
Employee Benefits	-	532,610	527,337	5,273	396,154
Purchased Services	1,062,960	1,166,893	1,155,340	11,553	663,502
Supplies and Materials	217,500	273,683	270,973	2,710	554,203
Property	10,000	15,517,714	15,364,073	153,641	239,907
Other	489,000	-	-	-	1,412
Bond Issuance Costs	-	443,961	439,565	4,396	-
Debt Service					
Interest	-	583,214	577,440	5,774	-
TOTAL EXPENDITURES	4,550,320	20,604,145	20,400,144	204,001	3,395,188
EXCESS OF REVENUES OVER (UNDER)EXPENDITURES	472,325	(15,616,096)	(15,461,481)	154,615	171,685
OTHER FINANCING SOURCES					
Proceeds from the Issuance of Debt	-	18,045,000	18,045,000	-	-
NET CHANGE IN FUND BALANCE	472,325	2,428,904	2,583,519	154,615	171,685
FUND BALANCE, Beginning	602,644	602,644	602,644	-	430,959
FUND BALANCE, Ending	$ 1,074,969	$ 3,031,548	$ 3,186,163	$ 154,615	$ 602,644

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

ADDENBROOKE CLASSICAL ACADEMY

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

Years Ended December 31,
(School Division Trust Fund Measurement Date)

	2013	2014	2015	2016
School's proportionate share of the Net Pension Liability	0.005%	0.015%	0.026%	0.031%
School's proportionate share of the Net Pension Liability	$ 617,909	$ 1,984,566	$ 4,037,582	$ 9,376,549
School's covered-employee payroll	$ 198,232	$ 632,472	$ 973,201	$ 1,026,036
School's proportionate share of the Net Pension Liability as a percentage of its covered-employee payroll	311.7%	313.8%	414.9%	913.9%
Plan fiduciary net position as a percentage of the total pension liability	64.1%	62.8%	59.2%	43.1%

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

ADDENBROOKE CLASSICAL ACADEMY

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

Years Ended June 30,

	2014	2015	2016	2017
Statutorily required contributions	$ 75,574	$ 154,256	$ 187,699	$ 212,761
Contributions in relation to the Statutorily required contributions	75,574	154,256	187,699	212,761
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
School's covered-employee payroll	$ 444,555	$ 861,766	$ 1,001,715	$ 1,096,509
Contributions as a percentage of covered-employee payroll	17.00%	17.90%	18.74%	19.40%

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