

COMMUNITY LEADERSHIP ACADEMY, INC.

FINANCIAL STATEMENTS

June 30, 2016



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Board of Directors
Community Leadership Academy, Inc.
Commerce City, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Community Leadership Academy, Inc., as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Community Leadership Academy, Inc., as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 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, the business-type activities, and each major fund of the Community Leadership Academy, Inc., as of June 30, 2016, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters (Required Supplementary Information)

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information listed in the table of contents 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 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.



September 29, 2016

COMMUNITY LEADERSHIP ACADEMY, INC.

MANAGEMENT DISCUSSION AND ANALYSIS

As management of the Community Leadership Academy, Inc., (also referred to as the “Academy”) we offer readers of the audited financial statements this narrative overview and analysis of the financial activities of the Academy for the fiscal year ended June 30, 2016. Community Leadership Academy, Inc. provides instructional programs at two locations, the elementary Pre-K through 5th grades are served at the Community Leadership Academy on Holly Street and the secondary grades 6 through 11 are served at the Victory Preparatory Academy on Quebec Street. The activities of both schools are included in the financial statements and were included in the audit of Community Leadership Academy, Inc.

FINANCIAL HIGHLIGHTS

Community Leadership Academy, Inc. (also referred to as the “Academy”) was required to implement GASB 68 in 2015 resulting in a net pension liability of \$7,853,846 that increased to \$9,800,894 in 2016. Under GASB 68 the Academy’s proportionate share of the net pension liability of the Colorado state retirement system, the Public Employees Retirement Association is recorded as a liability of the Academy. At implementation beginning equity was restated and deferred inflows, outflows and the net pension liability were reported. Beginning net position of governmental activities decreased as a result of this change.

Upon implementation of GASB 68 in 2014-15, the beginning net position of governmental activities decreased \$6,090,848 to (\$4,506,764) from \$1,584,084 at the end of the 2013-14 fiscal year. The ending net position at June 30, 2015 increased \$576,181 to (\$3,930,583). During 2015-16 the change in net position from governmental activities decreased \$967,878 due to GASB 68 and increased \$1,455,248 from other activities resulting in ending net position at June 30, 2016 of (\$3,443,213).

The Community Leadership Academy Building Corporation was formed for the specific purpose to hold title to real and/or personal property for the Academy at its Holly Street location, to make the same available for use by the school, and to otherwise provide a public building, facilities, and equipment to the elementary school. Ending net position of the Building Corporation at June 30, 2016 increased \$70,065 to \$233,742.

The second building corporation, known as Community Leadership Academy Building Corporation II, was created to hold title to real and/or personal property for the Academy at its Quebec Street location, to make the same available for use by the secondary school, and to otherwise provide a public building, facilities, and equipment to the school. Ending net position of Building Corporation II at June 30, 2016 decreased \$479,779 to (\$1,600,707).

OVERVIEW OF FINANCIAL STATEMENTS

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

The statement of net position presents information on all of the Academy'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 the Academy is improving or deteriorating.

The statement of activities presents information showing how the Academy'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 revenues and earned but unpaid salary and benefits).

The government-wide statement of activities distinguishes functions/programs of the Academy supported primarily by per pupil revenue (PPR) passed through from the Colorado Charter School Institute (CSI). The governmental activities of the Academy include instruction, supporting services and food service expenses. The government-wide financial statements can be found on pages 1-2 of this report.

Fund Financial Statements:

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Academy, like other governmental units or charter schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Academy can be divided into two categories: governmental funds and proprietary 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 Academy'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 Academy's near-term financing decisions. When applicable, 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.

The Academy adopts an annual appropriated budget for its one governmental fund. A budgetary comparison statement has been provided to demonstrate compliance with the budget.

Proprietary Funds: The Academy maintains two individual enterprise funds, Community Leadership Academy Building Corporation and Community Leadership Academy Building Corporation II. They are considered component units of the charter school and presented separately in the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows for Proprietary Funds. Annual budgets are prepared for the proprietary funds. Though budgetary comparisons are not required for these funds for reporting purposes, appropriate comparisons are reported to the Academy's governing body through internal reports to demonstrate compliance with the budget.

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 on pages 8 through 20.

GOVERNMENT-WIDE FINANCIAL STATEMENT ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Academy, liabilities exceeded assets by \$4,820,178 as of the close of the 2015-16 fiscal year compared to \$4,897,834 the prior year. The negative balance is due primarily to the adoption of GASB Statement No. 68 whereby the Academy reports its proportionate share of the state retirement system plan as a liability on its financial statement. The net pension liability at the end of the current fiscal year is \$9,800,894 compared to \$7,853,846 the prior year. Current year activities increased the net position by \$77,656.

Statement of Net Position Governmental and Business Type Activities

	30-Jun-16	30-Jun-15	Net Change
Current and other assets	\$ 7,690,311	\$ 6,618,565	\$ 1,071,746
Capital assets	\$ 20,049,025	\$ 20,298,728	\$ (249,703)
TOTAL ASSETS	\$ 27,739,336	\$ 26,917,293	\$ 822,043
DEFERRED OUTFLOWS OF RESOURCES	\$ 2,352,303	\$ 1,234,846	\$ 1,117,457
Current liabilities	\$ 1,167,025	\$ 1,226,879	\$ (59,854)
Other liabilities	\$ 33,605,919	\$ 31,822,508	\$ 1,783,411
TOTAL LIABILITIES	\$ 34,772,944	\$ 33,049,387	\$ 1,723,557
DEFERRED INFLOWS OF RESOURCES	\$ 138,873	\$ 586	\$ 138,287
Net Position			
Net Investment in Capital Assets	\$ (3,921,000)	\$ (3,824,935)	\$ (96,065)
Restricted for Debt Service	\$ 2,560,869	\$ 2,879,592	\$ (318,723)
Restricted for Repairs & Replacement	\$ 103,109	\$ 79,002	\$ 24,107
Restricted for Emergencies	\$ 284,000	\$ 230,000	\$ 54,000
Unrestricted	\$ (3,847,156)	\$ (4,261,493)	\$ 414,337
TOTAL NET POSITION	\$ (4,820,178)	\$ (4,897,834)	\$ 77,656

Cash and investments make up 26.5% of the Academy's total assets of which 46.3% is restricted in the building corporations for repair and replacement of capital assets and to repay debt. Capital assets, which reflect the Academy's investment in real and personal property and equipment, currently make up 72.3% of total assets. The remaining assets, primarily grants receivable, make up 1.2% of total assets. Net deferred inflows and outflows increased \$979,170 while assets decreased by \$822,043 and liabilities increased by \$1,723,557. These changes result from various causes including changes from GASB 68 reporting, depreciating capital assets and paying the related debt.

Community Leadership Academy, Inc.
Statement of Activities
For the Years Ended June 30, 2016 and June 30, 2015

	<u>30-Jun-16</u>	<u>30-Jun-15</u>	<u>Net Change</u>
Program Revenue:			
Charges for Services	\$ 18,822	\$ 12,352	\$ 6,470
Grants & Contributions	\$ 1,394,702	\$ 1,334,088	\$ 60,614
Total Program Revenue	<u>\$ 1,413,524</u>	<u>\$ 1,346,440</u>	<u>\$ 67,084</u>
General Revenue:			
Per Pupil Operating Revenue	\$ 7,210,214	\$ 6,237,053	\$ 973,161
At-Risk Supplemental Aid	\$ 27,541	\$ -	\$ 27,541
Capital Construction Grant	\$ 233,056	\$ 145,693	\$ 87,363
Investment Income	\$ 15,176	\$ 2,293	\$ 12,883
Miscellaneous	\$ 48,010	\$ 19,981	\$ 28,029
Total General Revenue	<u>\$ 7,533,997</u>	<u>\$ 6,405,020</u>	<u>\$ 1,128,977</u>
Total Revenue	<u>\$ 8,947,521</u>	<u>\$ 7,751,460</u>	<u>\$ 1,196,061</u>
Expenses:			
Current:			
Instruction	\$ 3,987,281	\$ 3,533,778	\$ 453,503
Supporting Services	\$ 2,446,289	\$ 2,223,805	\$ 222,484
Food Service	\$ 479,147	\$ 454,189	\$ 24,958
Building Corporation	\$ 600,486	\$ 610,119	\$ (9,633)
Building Corporation II	\$ 1,356,662	\$ 913,502	\$ 443,160
Total Expenses	<u>\$ 8,869,865</u>	<u>\$ 7,735,393</u>	<u>\$ 1,134,472</u>
CHANGE IN NET POSITION	\$ 77,656	\$ 16,067	\$ 61,589
NET POSTION, Beginning (Restated)	\$ (4,897,834)	\$ (4,913,901)	\$ 16,067
NET POSTION, Ending	<u>\$ (4,820,178)</u>	<u>\$ (4,897,834)</u>	<u>\$ 77,656</u>

Grants increased by \$60,614 primarily due to increases in funding from Title I and School Lunch, which are impacted by enrollment. School Finance Act funding increased by \$973,161 due to the increases in enrollment by 82 and per pupil operating revenue from the State by \$173. Capital Construction funding also increased \$87,363 due to the increased enrollment and increased funding for charter school capital construction. Miscellaneous revenue increased by \$28,029 primarily due to the ERATE rebate of \$29,594. At-risk supplemental funding approved by the legislature for 2016 totaled \$27,541.

Instructional expenses increased \$453,503 as a result of adding staff and instructional materials to meet the needs of the increased number of students and increased spending from grants. The cost of supporting services increased \$222,484 due to the added cost of operating two schools and increased student and instructional staff support and school administration. Food Service costs are driven by the number of meals serviced. Costs increased by \$24,958 over the prior year, which is consistent with the increased enrollment. Building Corporation II costs increased by \$443,160 due to more of the current interest expense being paid by the school instead of from proceeds set aside from the debt proceeds for the new high school.

ANALYSIS OF THE FUND FINANCIAL STATEMENTS

As noted earlier, the Community Leadership Academy, Inc. uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

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

This is the eleventh full year of operations for the Academy. Governmental Fund revenue for FY 2015-16 was \$8,943,517 compared to \$7,751,264 the prior year. The largest increase was from the School Finance Act, which increased \$973,162 because enrollment increased by 82 students and per pupil funding increased from \$7,247 to \$7,420. School finance now makes up 80.8% of the Academy's total revenue compared to 80.7% the prior year. Revenue from Federal sources increased by \$22,944 due to increases in Title I and school lunch funding, which are impacted by increased enrollment. State revenue increased \$152,574 primarily due to supplemental funding for ELPA for professional development and increased services to limited English speaking students and increased capital construction funding based on enrollment and increased funding approved by the State. Other local revenue increased \$43,574 due to increased interest income and ERATE rebates.

As of the end of the current fiscal year, the Academy reported an ending fund balance in its governmental fund of \$4,024,308 compared to \$2,588,093 the prior year, an increase of \$1,436,215. The increase is consistent with the Academy's plan for growth to meet its full annual debt obligation on both facilities starting in 2016-17.

Proprietary Funds: The combined net position of the building corporations as of June 30, 2016 is (\$1,376,965) compared to (\$967,251) for the prior year. The current year decrease of \$409,714 is made up of net income of \$70,065 from the Building Corporation from normal operations and a net loss of (\$479,779) from Building Corporation II primarily the result of interest paid from debt proceeds for the new high school for which there is no comparable revenue generated in the current year.

BUDGETARY HIGHLIGHTS

The Academy approves a budget in June based on enrollment projections for the following school year. In December, after enrollment is finalized, the budget is amended.

The majority of Academy spending in the Governmental Fund is for salaries and benefits at 51.9% of total expenditures for 2015-16 compared to 51.9% the prior year. Facility lease fees make up 20.3% of total expenditures in 2015-16 compared to 14.1% the prior year. Other purchased services make up 14.2% compared to 15.3% the prior year. Other purchased services include transportation, maintenance, technology, accounting, legal, and development services from various providers, and general and central services purchased from the authorizer, Colorado Charter School Institute.

Revenue in the General Fund was \$463,017 more than expected primarily due to the unexpected increase in grant funding and per pupil revenue approved by the legislature. Excluding budgeted contingencies, expenditures were \$472,335 under budget, which is a variance of 5.9%. Instructional costs were under budget by \$157,944 due to staff turnover causing temporary vacancies during the year and unexpended instructional supplies budgets. Support services were under budget by \$321,538 primarily due to purchased services for general and central administration fees being less than expected and the 1% CDE fee not being assessed to charter schools authorized by the Colorado Charter School Institute. Food service was over budget by \$7,147 due to increased cost of salaries and benefits. Expenditures did not exceed the amount appropriated for fiscal year 2015-16 and is therefore in compliance with State statute.

CAPITAL ASSET AND LONG-TERM DEBT

Capital assets: The Community Leadership Academy Building Corporation owns land with a carrying value of \$820,000 and building and improvements capitalized at \$6,867,919 at June 30, 2016. Equipment totaled \$284,093. The net carrying value of Building Corporation capital assets after subtracting accumulated depreciation is \$7,235,617.

During 2012-13 Community Leadership Academy Building Corporation II was formed to acquire land and buildings and improvements for the Academy's secondary program starting in 2013-14. Building Corporation II owns land with a carrying value of \$750,000. At the end of 2015-16 the total capitalized value for buildings and improvements is \$11,975,345 and for equipment is \$306,956. The net carrying value of Building Corporation II capital assets after subtracting accumulated depreciation is \$12,693,465.

Long-term debt: In February 2008, the Building Corporation issued \$8,810,000 in bonds under an agreement with the Colorado Educational and Cultural Facilities Authority (CECFA) at a net interest cost of 6.5%. The proceeds were used, in part to create a debt service reserve of \$675,714 and pay debt issuance costs of \$300,644. The remaining proceeds were used to acquire capital assets described above for the Building Corporation. The Academy makes lease payments to the Building Corporation for use of the facility, which the corporation uses to make the required principal and interest payments on the

bonds. These transactions flow through the State intercept program where the State withholds a portion of the school finance act funding and transfers the funds to the designated trustee that in turn makes the principal and interest payments when due.

In August 2013 Building Corporation II entered into an agreement with the Colorado Educational and Cultural Facilities Authority (CECFA) to issue bonds totaling \$16,065,000 at interest rates ranging from 7% to 7.45%. Some of the proceeds were used to pay an existing loan of \$1,868,700 and debt issuance costs totaling \$700,400. Proceeds were also used to create a debt service reserve of \$1,606,500 and a capitalized interest fund of \$2,169,000. The remaining proceeds were used to construct and equip a high school facility as described above for the Building Corporation II. The Academy makes lease payments to the Building Corporation II for use of the facility, which the corporation uses to make the required principal and interest payments on the bonds. These transactions flow through the State intercept program where the State withholds a portion of the school finance act funding and transfers the funds to the designated trustee that in turn makes the principal and interest payments when due.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

Enrollment is critical to generating the funding needed to meet the challenges related to debt obligations. The Academy continues to have an ongoing wait list from which to draw as they increase enrollment. The Academy developed a strategic growth plan to ensure that it remains financially stable as it expands to a Pre-K through 12th grade school and has met each of its annual targets. The economy appears to be recovering with small increases to per pupil funding. Management continues to monitor the changes in per pupil funding and operating costs to ensure that the budget is balanced and that the Academy meets its obligations.

During 2013-14 through 2015-16 a portion of the interest on the 2013 bond issue were paid from the capitalized interest fund created from the bond proceeds. In 2016-17 the Academy will be responsible for the full annual obligation related to the Series 2013 bond. The Academy has met or exceeded its annual growth targets and at its maximum the growth plan is expected to generate the revenue necessary to pay the maximum lease payments due to Building Corporation II. The lease payments to the Building Corporation for principal and interest due on the 2008 bond issue have stabilized and have no increased impact on future fiscal years.

In November of 2000 voters in Colorado approved a provision to the Colorado constitution providing that K-12 funding would increase at pupil growth, plus inflation, plus 1% for 10 years and thereafter, growth plus inflation. As a result of this provision the single most important factor in projecting revenues is estimated future inflation. There was a significant recession during 2008-09 that continued through the 2011-12 fiscal year resulting in deflation (negative growth). In an effort to balance its budget, the State rescinded funding approved for public schools. Per pupil funding declined each year for four years and then stabilized in 2012-13 with base per pupil funding remaining the same as the prior year. Since then, per pupil funding increased 2.2% in 2013-14, 4.1% in 2014-15 and 2.4% in 2015-16 to a current funding level of \$7,420 per student. Funding for 2016-

17 is projected to increase 3.7% to \$7,695 per student. Maintaining or increasing enrollment and sustaining the growth in K-12 funding continue to be uncertain and a challenge for most charter schools.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Community Leadership Academy's finances for all those with an interest in the Academy's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be submitted in writing and addressed to Ron Jajdelski, Executive Director, Community Leadership Academy, Inc., 6880 Holly Court, Commerce City, CO 80022.

BASIC FINANCIAL STATEMENTS

COMMUNITY LEADERSHIP ACADEMY, INC.

STATEMENT OF NET POSITION

June 30, 2016

	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and Investments	\$ 3,952,333	\$ -	\$ 3,952,333
Restricted Cash and Investments	-	3,406,550	3,406,550
Accounts Receivable	104,793	-	104,793
Grants Receivable	221,711	-	221,711
Inventory	4,924	-	4,924
Capital Assets, Not Being Depreciated	-	1,570,000	1,570,000
Capital Assets, Net of Accumulated Depreciation	<u>119,943</u>	<u>18,359,082</u>	<u>18,479,025</u>
TOTAL ASSETS	<u>4,403,704</u>	<u>23,335,632</u>	<u>27,739,336</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pensions, Net of Accumulated Amortization	<u>2,352,303</u>	<u>-</u>	<u>2,352,303</u>
LIABILITIES			
Accounts Payable	30,727	-	30,727
Accrued Salaries and Benefits	228,726	-	228,726
Accrued Interest Payable	-	742,572	742,572
Noncurrent Liabilities			
Due Within One Year	-	165,000	165,000
Due in More Than One Year	-	23,805,025	23,805,025
Net Pension Liability	<u>9,800,894</u>	<u>-</u>	<u>9,800,894</u>
TOTAL LIABILITIES	<u>10,060,347</u>	<u>24,712,597</u>	<u>34,772,944</u>
DEFERRED INFLOWS OF RESOURCES			
Pensions, Net of Accumulated Amortization	<u>138,873</u>	<u>-</u>	<u>138,873</u>
NET POSITION			
Net Investment in Capital Assets	119,943	(4,040,943)	(3,921,000)
Restricted for Debt Service	-	2,560,869	2,560,869
Restricted for Repair and Replacement	-	103,109	103,109
Restricted for Emergencies	284,000	-	284,000
Unrestricted	<u>(3,847,156)</u>	<u>-</u>	<u>(3,847,156)</u>
TOTAL NET POSITION	<u>\$ (3,443,213)</u>	<u>\$ (1,376,965)</u>	<u>\$ (4,820,178)</u>

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

COMMUNITY LEADERSHIP ACADEMY, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2016

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>	
		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>
PRIMARY GOVERNMENT			
Governmental Activities			
Instruction	\$ 3,987,281	\$ 12,255	\$ 795,238
Supporting Services	2,446,289	-	160,506
Food Service	479,147	6,567	438,958
Total Governmental Activities	6,912,717	18,822	1,394,702
Business-Type Activities			
Building Corporation	600,486	-	-
Building Corporation II	1,356,662	-	-
Total Business-Type Activities	1,957,148	-	-
TOTAL PRIMARY GOVERNMENT	\$ 8,869,865	\$ 18,822	\$ 1,394,702
		GENERAL REVENUES	
		Per Pupil Revenue	
		At-Risk Supplemental Aid	
		Additional At-Risk Funding	
		Capital Construction	
		Investment Income	
		Miscellaneous	
		TRANSFERS	
		TOTAL GENERAL REVENUES AND TRANSFERS	
		CHANGE IN NET POSITION	
		NET POSITION, Beginning	
		NET POSITION, Ending	

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

NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION

GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
\$ (3,179,788)	\$ -	\$ (3,179,788)
(2,285,783)	-	(2,285,783)
<u>(33,622)</u>	<u>-</u>	<u>(33,622)</u>
 (5,499,193)	 -	 (5,499,193)
 -	(600,486)	(600,486)
<u>-</u>	<u>(1,356,662)</u>	<u>(1,356,662)</u>
 -	(1,957,148)	(1,957,148)
<u>(5,499,193)</u>	<u>(1,957,148)</u>	<u>(7,456,341)</u>
 7,210,214	-	7,210,214
16,872	-	16,872
10,669	-	10,669
233,056	-	233,056
11,172	4,004	15,176
48,010	-	48,010
<u>(1,543,430)</u>	<u>1,543,430</u>	<u>-</u>
 5,986,563	 1,547,434	 7,533,997
 487,370	(409,714)	77,656
<u>(3,930,583)</u>	<u>(967,251)</u>	<u>(4,897,834)</u>
\$ <u>(3,443,213)</u>	\$ <u>(1,376,965)</u>	\$ <u>(4,820,178)</u>

COMMUNITY LEADERSHIP ACADEMY, INC.

BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2016

	<u>GENERAL</u>
ASSETS	
Cash and Investments	\$ 3,952,333
Accounts Receivable	104,793
Grants Receivable	221,711
Inventory	4,924
TOTAL ASSETS	\$ 4,283,761
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ 30,727
Accrued Salaries and Benefits	228,726
TOTAL LIABILITIES	259,453
FUND BALANCE	
Nonspendable Inventory	4,924
Restricted for Emergencies	284,000
Unrestricted, Unassigned	3,735,384
TOTAL FUND BALANCE	4,024,308
TOTAL LIABILITIES AND FUND BALANCE	\$ 4,283,761
 Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Total Fund Balance of the Governmental Fund	\$ 4,024,308
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	119,943
Long-term liabilities and related items, including net pension liability (\$9,800,894), deferred outflows of resources \$2,352,303, and pension-related deferred inflows of resources (\$138,873), are not due and payable in the current year and, therefore, are not reported in governmental funds.	(7,587,464)
Total Net Position of Governmental Activities	\$ (3,443,213)

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

COMMUNITY LEADERSHIP ACADEMY, INC.

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
 Year Ended June 30, 2016

	<u>GENERAL</u>
REVENUES	
Local Sources	\$ 7,288,218
State Sources	586,097
Federal Sources	<u>1,069,202</u>
TOTAL REVENUES	<u>8,943,517</u>
EXPENDITURES	
Instruction	3,313,656
Supporting Services	3,690,562
Food Service	<u>479,147</u>
TOTAL EXPENDITURES	<u>7,483,365</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>1,460,152</u>
OTHER FINANCING SOURCES (USES)	
Transfers In	63
Transfers Out	<u>(24,000)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(23,937)</u>
NET CHANGE IN FUND BALANCE	1,436,215
FUND BALANCE, Beginning	<u>2,588,093</u>
FUND BALANCE, Ending	<u>\$ 4,024,308</u>

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:

Net Change in Fund Balance of the Governmental Fund	\$ 1,436,215
Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and are allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlay \$37,273 exceeded depreciation expense (\$18,240) in the current year.	19,033
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This amount represents the change in net pension liability (\$1,947,048), pension-related deferred outflows of resources \$1,117,457, and pension-related deferred inflows of resources (\$138,287) in the current year.	<u>(967,878)</u>
Change in Net Position of Governmental Activities	<u>\$ 487,370</u>

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

COMMUNITY LEADERSHIP ACADEMY, INC.

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2016

	<u>BUILDING CORPORATION</u>	<u>BUILDING CORPORATION II</u>	<u>TOTAL</u>
ASSETS			
CURRENT ASSETS			
Restricted Cash and Investments	\$ <u>1,145,338</u>	\$ <u>2,261,212</u>	\$ <u>3,406,550</u>
NONCURRENT ASSETS			
Capital Assets, Not Being Depreciated	820,000	750,000	1,570,000
Capital Assets, Net of Accumulated Depreciation	<u>6,415,617</u>	<u>11,943,465</u>	<u>18,359,082</u>
TOTAL NONCURRENT ASSETS	<u>7,235,617</u>	<u>12,693,465</u>	<u>19,929,082</u>
TOTAL ASSETS	<u>8,380,955</u>	<u>14,954,677</u>	<u>23,335,632</u>
LIABILITIES			
CURRENT LIABILITIES			
Accrued Interest Payable	252,188	490,384	742,572
Loans Payable, Current Portion	<u>165,000</u>	<u>-</u>	<u>165,000</u>
TOTAL CURRENT LIABILITIES	<u>417,188</u>	<u>490,384</u>	<u>907,572</u>
NONCURRENT LIABILITIES			
Loans Payable	<u>7,740,025</u>	<u>16,065,000</u>	<u>23,805,025</u>
TOTAL LIABILITIES	<u>8,157,213</u>	<u>16,555,384</u>	<u>24,712,597</u>
NET POSITION			
Net Investment in Capital Assets	(669,408)	(3,371,535)	(4,040,943)
Restricted for Debt Service	838,093	1,722,776	2,560,869
Restricted for Repair and Replacement	<u>55,057</u>	<u>48,052</u>	<u>103,109</u>
TOTAL NET POSITION	<u>\$ 223,742</u>	<u>\$ (1,600,707)</u>	<u>\$ (1,376,965)</u>

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

COMMUNITY LEADERSHIP ACADEMY, INC.

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2016

	<u>BUILDING CORPORATION</u>	<u>BUILDING CORPORATION II</u>	<u>TOTAL</u>
OPERATING REVENUES			
Lease Revenue	\$ 669,375	\$ 850,118	\$ 1,519,493
OPERATING EXPENSES			
Depreciation	94,748	173,988	268,736
Debt Service			
Interest	<u>505,738</u>	<u>1,182,674</u>	<u>1,688,412</u>
TOTAL OPERATING EXPENSES	<u>600,486</u>	<u>1,356,662</u>	<u>1,957,148</u>
NET OPERATING INCOME (LOSS)	68,889	(506,544)	(437,655)
NONOPERATING REVENUES			
Investment Income	<u>1,239</u>	<u>2,765</u>	<u>4,004</u>
NET INCOME (LOSS) BEFORE TRANSFERS	70,128	(503,779)	(433,651)
Transfers In	-	24,000	24,000
Transfers Out	<u>(63)</u>	<u>-</u>	<u>(63)</u>
CHANGE IN NET POSITION	70,065	(479,779)	(409,714)
NET POSITION, Beginning	<u>153,677</u>	<u>(1,120,928)</u>	<u>(967,251)</u>
NET POSITION, Ending	<u>\$ 223,742</u>	<u>\$ (1,600,707)</u>	<u>\$ (1,376,965)</u>

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

COMMUNITY LEADERSHIP ACADEMY, INC.

STATEMENT OF CASH FLOWS

PROPRIETARY FUNDS

Increase (Decrease) in Cash and Cash Equivalents
Year Ended June 30, 2016

	<u>BUILDING CORPORATION</u>	<u>BUILDING CORPORATION II</u>	<u>TOTAL</u>
CASH FLOWS FROM OPERATING ACTIVITIES			
Lease Payments Received	\$ 669,375	\$ 850,118	\$ 1,519,493
Loan Principal Paid	(155,000)	-	(155,000)
Interest Paid	(508,831)	(1,182,118)	(1,690,949)
Net Cash Provided (Used) by Operating Activities	<u>5,544</u>	<u>(332,000)</u>	<u>(326,456)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Construction and Acquisition of Capital Assets	-	(61,688)	(61,688)
Payments from Other Funds	-	24,000	24,000
Payments to Other Funds	(63)	-	(63)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(63)</u>	<u>(37,688)</u>	<u>(37,751)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Income Received	<u>1,239</u>	<u>2,765</u>	<u>4,004</u>
NET CHANGE IN CASH AND CASH EQUIVALENTS	6,720	(366,923)	(360,203)
CASH AND CASH EQUIVALENTS, Beginning	<u>1,138,618</u>	<u>2,628,135</u>	<u>3,766,753</u>
CASH AND CASH EQUIVALENTS, Ending	\$ <u>1,145,338</u>	\$ <u>2,261,212</u>	\$ <u>3,406,550</u>
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Net Operating Income (Loss)	\$ 68,889	\$ (506,544)	\$ (437,655)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Depreciation	94,748	173,988	268,736
Amortization of Discount	1,363	-	1,363
Changes in Assets and Liabilities Related to Operations			
Accrued Interest Payable	(4,456)	556	(3,900)
Loans Payable	(155,000)	-	(155,000)
Net Cash Provided (Used) by Operating Activities	<u>\$ 5,544</u>	<u>\$ (332,000)</u>	<u>\$ (326,456)</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Community Leadership Academy, Inc. (the “School”) was organized in 2004 pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Adams County School District 14 in the State of Colorado. In 2011, the School entered into a contract with the Colorado Charter School Institute (the “Institute”) to authorize the School pursuant to the Colorado Charter Institute Act. The current contract expires on June 30, 2021. The School currently operates an elementary school, the Community Leadership Academy, and a middle and high school, Victory Preparatory Academy. The activities of both schools are included in these financial statements.

The accounting policies of the School conform to generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting policies. The more significant of the School’s accounting policies are described below.

Reporting Entity

The financial reporting entity consists of the School, organizations for which the School is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the School. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the School. Legally separate organizations for which the School is financially accountable are considered part of the reporting entity. Financial accountability exists if the School appoints a voting majority of the organization’s governing board or if the organization is fiscally dependent on the School, and the School is able to impose its will on the organization or the organization has the potential to provide benefits to, or impose financial burdens on, the School.

The School includes the Community Leadership Academy Building Corporation (the “Corporation”) and the Community Leadership Academy Building Corporation II (the “Corporation II”) within its reporting entity. The entities were formed to acquire and hold real and/or personal property for, and to lease or make the same available for use by, the School, and to otherwise provide facilities, equipment and other physical plant and related support to the School. The Corporation and the Corporation II are blended into the School’s financial statements as enterprise funds, and do not issue separate financial statements.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the School. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements (Continued)

Separate financial statements are provided for the governmental fund and the proprietary funds. Major individual funds are reported as 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* as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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 year or soon enough thereafter to pay liabilities of the current year. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current year. Intergovernmental revenues, grants and interest income associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the School. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

The School reports the following major governmental fund:

General Fund - This fund is the general operating fund of the School. It is currently used to account for all financial activities of the School.

The School reports two major proprietary funds, as follows:

Building Corporation - This fund is used to account for the financial activities of the Corporation, which are primarily for capital purposes and the related debt service.

Building Corporation II - This fund accounts for the financial activities of the Corporation II, including the acquisition and construction of a high school facility, and the related debt service.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Balance/Net Position

Cash and Investments - Cash equivalents include investments with original maturities of ninety days or less. Investments are stated at fair value. The local government investment pools are reported at the net asset value per share, which is measured using amortized cost.

Receivables - All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Inventory - Food inventory is stated at average cost. Inventory is recorded as an asset when individual items are purchased and as an expense when consumed. Donated inventories, received at no cost under a program supported by the federal government, are valued based upon the cost provided by the federal government.

Capital Assets - Capital assets are reported in the government-wide financial statements and the proprietary funds in the fund financial statements. Capital assets are defined as assets with an initial, individual cost of \$5,000 or more, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the acquisition value on the date of donation.

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

Buildings and Improvements	25 - 100 years
Equipment	5 - 20 years

Interest incurred during construction is included in the capitalized value of the related capital assets in the business-type activities and the proprietary funds.

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

Compensated Absences - Employees are allowed to accumulate unused vacation and paid time off (PTO) up to 14 days. Upon termination of employment from the School, an employee will be compensated for all accrued vacation time and PTO at the rate of \$100 per day. A liability for these compensated absences is not reported in the financial statements because the amount is insignificant.

Long-Term Debt - In the government-wide financial statements and the proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net position. Premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. In the fund financial statements, governmental funds recognize the face amount of debt issued as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs, whether or not withheld from the debt proceeds, are reported as current expenses or expenditures.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**Assets, Liabilities and Fund Balance/Net Position (Continued)**

Pensions - The School participates in the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan 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 and deductions from the SDTF's fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used by the SDTF. 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.

Net Position/Fund Balance - In the government-wide and fund financial statements, net position and fund balance are restricted when constraints placed on the use of resources are externally imposed. The Board of Directors is authorized to establish a fund balance commitment through passage of a resolution, and may assign fund balances to a specific purpose through an informal action.

The School has not established a formal policy for its use of restricted and unrestricted fund balances. However, if both restricted and unrestricted fund balances are available for a specific purpose, the School uses restricted fund balance first, followed by committed, assigned, and unassigned balances.

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

At June 30, 2016, the Corporation II had a negative net position of \$1,600,707. Management expects this negative balance to be eliminated as the Corporation II's debt is paid.

NOTE 3: CASH AND INVESTMENTS

Cash and investments at June 30, 2016, consisted of the following.

Petty Cash	\$ 100
Deposits	127,569
Investments	<u>7,231,214</u>
Total	<u><u>\$ 7,358,883</u></u>

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

Cash and Investments	\$ 3,952,333
Restricted Cash and Investments	<u>3,406,550</u>
Total	<u><u>\$ 7,358,883</u></u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

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

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The 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 uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2016, the School had bank deposits of \$30,306 collateralized with securities held by the financial institution's agent but not in the School's name.

Investments

The School is required to comply with State statutes which specify investment instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk.

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

Interest Rate Risk - State statutes generally limit investments to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years.

Credit Risk - State statutes limit most investments to those with certain ratings from nationally recognized statistical rating organizations, depending on the type of investment.

Concentration of Credit Risk - State statutes do not limit the amount the School may invest in a single issuer, except for corporate securities.

Local Government Investment Pools - At June 30, 2016, the School had \$3,824,664 invested in the Colorado Surplus Asset Fund Trust (CSAFE), and the Corporation and the Corporation II had \$1,145,338 and \$2,261,212, respectively, invested in the Colorado Local Government Liquid Asset Trust (Colotrust), investment vehicles established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating the Pools. The Pools operate in conformity with the Securities and Exchange Commission's Rule 2a-7, with each share valued at \$1. The Pools are rated AAAM by Standard and Poor's. Investments of the Pools are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

COMMUNITY LEADERSHIP ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 3: CASH AND INVESTMENTS (Continued)

Restricted Cash and Investments

Investments of \$1,145,338 and \$2,261,212 have been restricted by the Corporation and the Corporation II, respectively, for future debt service and building repair and replacement.

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, was as follows:

	<u>Balances</u> 6/30/15	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> 6/30/16
Governmental Activities				
Capital Assets, Being Depreciated				
Equipment	\$ 128,736	\$ 37,273	\$ -	\$ 166,009
Less Accumulated Depreciation	<u>(27,826)</u>	<u>(18,240)</u>	<u>-</u>	<u>(46,066)</u>
Governmental Activities Capital Assets, Net	<u>\$ 100,910</u>	<u>\$ 19,033</u>	<u>\$ -</u>	<u>\$ 119,943</u>
Business-Type Activities				
Capital Assets, Not Being Depreciated				
Land	<u>\$ 1,570,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,570,000</u>
Total Capital Assets, Not Being Depreciated	<u>1,570,000</u>	<u>-</u>	<u>-</u>	<u>1,570,000</u>
Capital Assets, Being Depreciated				
Buildings and Improvements	18,843,264	-	-	18,843,264
Equipment	<u>591,049</u>	<u>-</u>	<u>-</u>	<u>591,049</u>
Total Capital Assets, Being Depreciated	<u>19,434,313</u>	<u>-</u>	<u>-</u>	<u>19,434,313</u>
Less Accumulated Depreciation				
Buildings and Improvements	(633,321)	(214,456)	-	(847,777)
Equipment	<u>(173,174)</u>	<u>(54,280)</u>	<u>-</u>	<u>(227,454)</u>
Total Accumulated Depreciation	<u>(806,495)</u>	<u>(268,736)</u>	<u>-</u>	<u>(1,075,231)</u>
Total Capital Assets, Being Depreciated, Net	<u>18,627,818</u>	<u>(268,736)</u>	<u>-</u>	<u>18,359,082</u>
Business-Type Activities Capital Assets, Net	<u>\$ 20,197,818</u>	<u>\$ (268,736)</u>	<u>\$ -</u>	<u>\$ 19,929,082</u>

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

Governmental Activities	
Instruction	\$ 11,582
Supporting Services	<u>6,658</u>
Total	<u>\$ 18,240</u>

COMMUNITY LEADERSHIP ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 5: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended June 30, 2016:

	Balances <u>6/30/15</u>	<u>Additions</u>	<u>Payments</u>	Balances <u>6/30/16</u>	Due Within <u>One Year</u>
Business-Type Activities					
2008 Building Loan	\$ 8,090,000	\$ -	\$ 155,000	\$ 7,935,000	\$ 165,000
Discount	(31,338)	-	(1,363)	(29,975)	-
2013 Building Loan	<u>16,065,000</u>	<u>-</u>	<u>-</u>	<u>16,065,000</u>	<u>-</u>
Total	<u>\$24,123,662</u>	<u>\$ -</u>	<u>\$ 153,637</u>	<u>\$23,970,025</u>	<u>\$ 165,000</u>

In February, 2008, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$8,810,000 Charter School Revenue Bonds, Series 2008. Proceeds of the bonds were loaned to the Corporation under a mortgage and loan agreement to construct an elementary school building. The School is obligated under a lease agreement to make monthly lease payments to the Corporation for use of the building. The Corporation is required to make equal loan payments to the Trustee, for payment of the bonds. The bonds accrue interest at rates ranging from 5.75% to 6.5%. Interest payments are due semi-annually on January 1 and July 1. Principal payments are due annually on July 1, through 2038.

On August 16, 2013, CECFA issued \$16,065,000 Charter School Revenue Bonds, Series 2013. Proceeds were loaned to the Corporation II to finance the construction and equipping of a middle and high school facility. The School is obligated under a lease agreement to make monthly payments to the Corporation II for using the facilities. The Corporation II is required to make equal loan payments to the Trustee, for payment of the bonds. The bonds accrue interest at rates ranging from 7% to 7.45%. Interest payments are due semi-annually on February 1 and August 1. Principal payments are due annually on August 1, from 2017 through 2048.

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 165,000	\$ 1,681,750	\$ 1,846,750
2018	235,000	1,669,875	1,904,875
2019	250,000	1,655,150	1,905,150
2020	265,000	1,639,500	1,904,500
2021	280,000	1,622,412	1,902,412
2022 - 2026	1,690,000	7,807,814	9,497,814
2027 - 2031	2,310,000	7,166,095	9,476,095
2032 - 2036	3,180,000	6,265,832	9,445,832
2037 - 2041	4,405,000	4,991,222	9,396,222
2042 - 2046	6,245,000	3,077,251	9,322,251
2047 - 2049	<u>4,975,000</u>	<u>573,836</u>	<u>5,548,836</u>
Total	<u>\$ 24,000,000</u>	<u>\$ 38,150,737</u>	<u>\$ 62,150,737</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 6: INTERFUND TRANSACTIONS

During the year ended June 30, 2016, the General Fund transferred \$24,000 to the Corporation II to fund the repair and replacement reserve required by the Corporation II's loan agreement (See Note 5). In addition, the Corporation transferred \$63 in excess interest earnings to the General Fund.

NOTE 7: RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School accounts for and finances its risk activities in the General Fund.

The School purchases commercial insurance for workers compensation risks. For its risk of property loss or damage and general liability, the School participates in the Colorado School Districts Self-Insurance Pool (CSDSIP).

The CSDSIP is sponsored by the Colorado Association of School Boards (CASB) and operates as a self-insurance pool comprised of various school districts and other related public educational entities within the State of Colorado. The School pays an annual premium to the CSDSIP for property and liability insurance coverage. The CSDSIP will be self-sustaining through member premiums and will reinsure through a duly authorized insurer. The reinsurance covers claims against the CSDSIP in excess of specific claim amounts and in the aggregate in an amount and at limits determined by the CSDSIP to be adequate to protect the solvency of the CSDSIP.

NOTE 8: DEFINED BENEFIT PENSION PLAN

General Information

Plan Description - The School contributes to the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). All employees of the School participate in the SDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS) assigns the authority to establish and amend plan provisions to the State Legislature. PERA issues a publicly available financial report that includes information on the SDTF. That report may be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided - The SDTF provides retirement, disability, and survivor benefits to plan participants or their beneficiaries. Retirement benefits are determined by the amount of service credit earned or purchased, highest average salary, the benefit structure in place, the benefit option selected at retirement, and age at retirement. The retirement benefit is the greater of the a) highest average salary multiplied by 2.5% and then multiplied by years of service credit, or b) the value of the participant's contribution account plus an equal match on the retirement date, annualized into a monthly amount based on life expectancy and other actuarial factors. In no case can the benefit amount exceed the highest average salary or the amount allowed by applicable federal regulations.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)**General Information** (Continued)

Retirees who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs) as established by State statutes. Retirees who began employment before January 1, 2007, receive an annual increase of 2%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% or the average consumer price index for the prior calendar year. Retirees that began employment after January 1, 2007, receive an annual increase of the lesser of 2% or the average consumer price index for the prior calendar year, with certain limitations.

Disability benefits are available for plan participants once they reach five years of earned service credit and meet the definition of a disability. The disability benefit amount is based on the retirement benefit formula described previously, considering a minimum of twenty years of service credit.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure in place, and the qualified survivor receiving the benefits.

Contributions - The School and eligible employees are required to contribute to the SDTF at rates established by Title 24, Article 51, Part 4 of the CRS. These contribution requirements are established and may be amended by the State Legislature. The contribution rate for employees is 8% of covered salaries. The School's contribution rate for calendar years 2015 and 2016 was 18.35% and 19.15% of covered salaries, respectively. However, a portion of the School's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 9). The School's contributions to the SDTF for the year ended June 30, 2016, were \$553,177, equal to the required contributions.

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

At June 30, 2016, the School reported a net pension liability of \$9,800,894, representing its proportionate share of the net pension liability of the SDTF. The net pension liability was measured at December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Changes in assumptions and other inputs since the prior measurement date did not significantly affect the total pension liability. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. The School's proportion of the net pension liability was based on the School's contributions to the SDTF for the calendar year ended December 31, 2015, relative to the contributions of all participating employers. At December 31, 2015, the School's proportion was 0.0640820292%, which was an increase of 0.0061344288% from its proportion measured at December 31, 2014.

For the year ended June 30, 2016, the School recognized pension expense of \$1,494,630. At June 30, 2016, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

COMMUNITY LEADERSHIP ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 129,422	\$ 369
Changes of assumptions and other inputs	-	138,504
Net difference between projected and actual earnings on plan investments	819,012	-
Changes in proportion	1,106,472	-
Contributions subsequent to the measurement date	<u>297,397</u>	<u>-</u>
 Total	 <u>\$ 2,352,303</u>	 <u>\$ 138,873</u>

School contributions subsequent to the measurement date of \$297,397 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,

2017	\$ 736,950
2018	648,170
2019	360,025
2020	<u>170,888</u>
 Total	 <u>\$ 1,916,033</u>

Actuarial Assumptions - The actuarial valuation as of December 31, 2014, determined the total pension liability using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Price inflation	2.8%
Real wage growth	1.1%
Wage inflation	3.9%
Salary increases, including wage inflation	3.9% - 10.1%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.5%
Future post-retirement benefit increases:	
Hired prior to 1/1/07	2%
Hired after 12/31/06	ad hoc

Mortality rates were based on the RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with males set back one year, and females set back two years.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)**

The actuarial assumptions used in the December 31, 2014, 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 governing board on November 13, 2012, and an economic assumption study adopted by PERA's governing board on November 15, 2013, and January 17, 2014.

The long-term expected rate of return on plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

The most recent analysis of the long-term expected rate of return was presented to the PERA governing board on November 15, 2013, and included the target allocation and best estimates of geometric real rates of return for each major asset class, as follows:

Asset Class	Target Allocation	10 year Expected Geometric Real Rate of Return
U.S. Equity - Large Cap	26.76%	5.00%
U.S. Equity - Small Cap	4.40%	5.19%
Non U.S. Equity - Developed	22.06%	5.29%
Non U.S. Equity - Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Government/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	100.00%	

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and the employer contributions will be made at the rates specified in State statutes, which currently require annual increases, to a total of 20.15% of covered salaries for the year ended December 31, 2018. When the actuarially determined funding ratio reaches 103%, the employer contribution rate will decrease 0.5% each year, to a minimum of 10.15%. Based on those assumptions, the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments to current participants. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. In addition, the discount rate did not change from the prior measurement date.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 8: 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 Net Pension Liability to Changes in the Discount Rate - The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 7.5%, as well as the School's proportionate share of the net pension liability if it were calculated using a discount that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate, as follows:

	<u>1% Decrease (6.5%)</u>	<u>Current Discount Rate (7.5%)</u>	<u>1% Increase (8.5%)</u>
Proportionate share of the net pension liability	<u>\$ 12,704,823</u>	<u>\$ 9,800,894</u>	<u>\$ 7,385,367</u>

Pension Plan Fiduciary Net Position - Detailed information about the SDTF's fiduciary net position is available in PERA's separately issued financial report, which may be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 9: POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description - The School contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by the PERA. The HCTF provides a health care premium subsidy to PERA benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained as described previously.

Funding Policy - The School is required to contribute at a rate of 1.02% of covered salaries for all PERA participants. No employee contributions are required. The contribution requirements for the School are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The School's apportionment to the HCTF for the years ended June 30, 2016, 2015 and 2014 was \$30,094, \$26,780, \$22,394, respectively, equal to the required amounts for each year.

NOTE 10: COMMITMENTS AND CONTINGENCIES**Claims and Judgments**

The School participates in a number of federal and state programs that are fully or partially funded by revenues received from other governmental entities. Expenditures financed by these revenues are subject to audit by the appropriate government. If expenditures are disallowed due to noncompliance with program regulations, the School may be required to reimburse the other government. At June 30, 2016, significant amounts of related expenditures have not been audited but the School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position in the School.

NOTES TO FINANCIAL STATEMENTS

June 30, 2016

NOTE 10: **COMMITMENTS AND CONTINGENCIES** (Continued)

Tabor Amendment

In November 1992, Colorado voters approved the Tabor Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The Amendment is subject to many interpretations, but the School believes it is in substantial compliance with the Amendment. In accordance with the Amendment, the School has established an emergency reserve representing 3% of qualifying expenditures. At June 30, 2016, the reserve was reported as restricted fund balance in the General Fund, in the amount of \$284,000.

REQUIRED SUPPLEMENTARY INFORMATION

COMMUNITY LEADERSHIP ACADEMY, INC.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AND CONTRIBUTIONS

PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO SCHOOL DIVISION TRUST FUND

June 30, 2016

	<u>12/31/15</u>	<u>12/31/14</u>	<u>12/31/13</u>
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY			
School's Proportion of the Net Pension Liability	0.0640820292%	0.0579476004%	0.0493566656%
School's Proportionate Share of the Net Pension Liability	\$ 9,800,894	\$ 7,853,846	\$ 6,295,429
School's Covered-Employee Payroll	\$ 2,793,277	\$ 2,427,589	\$ 1,989,724
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	351%	324%	316%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	59%	63%	64%
	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/14</u>
SCHOOL CONTRIBUTIONS			
Statutorily Required Contribution	\$ 523,083	\$ 443,208	\$ 351,007
Contributions in Relation to the Statutorily Required Contribution	<u>(523,083)</u>	<u>(443,208)</u>	<u>(351,007)</u>
Contribution Deficiency (Excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
School's Covered-Employee Payroll	\$ 2,950,423	\$ 2,625,539	\$ 2,195,467
Contributions as a Percentage of Covered-Employee Payroll	17.73%	16.88%	15.99%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

See the accompanying Independent Auditors' Report.

COMMUNITY LEADERSHIP ACADEMY, INC.

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2016

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Per Pupil Revenue	\$ 7,084,700	\$ 7,031,300	\$ 7,210,214	\$ 178,914
Pupil Activities	7,000	7,000	12,255	5,255
Food Service Fees	-	-	6,567	6,567
Investment Income	2,000	2,000	11,172	9,172
Miscellaneous	35,000	35,000	48,010	13,010
Total Local Sources	<u>7,128,700</u>	<u>7,075,300</u>	<u>7,288,218</u>	<u>212,918</u>
State Sources				
At-Risk Supplemental Aid	-	-	16,872	16,872
Additional At-Risk Funding	-	-	10,669	10,669
Capital Construction	141,600	225,000	233,056	8,056
Grants	195,400	219,800	325,500	105,700
Total State Sources	<u>337,000</u>	<u>444,800</u>	<u>586,097</u>	<u>141,297</u>
Federal Sources				
Grants	949,000	960,400	1,069,202	108,802
TOTAL REVENUES	<u>8,414,700</u>	<u>8,480,500</u>	<u>8,943,517</u>	<u>463,017</u>
EXPENDITURES				
Instruction				
Salaries	2,139,000	2,045,300	2,020,450	24,850
Employee Benefits	771,000	750,200	677,224	72,976
Purchased Services	90,800	127,800	175,543	(47,743)
Supplies and Materials	431,900	431,900	327,223	104,677
Property and Equipment	115,000	115,000	112,715	2,285
Miscellaneous	1,400	1,400	501	899
Total Instruction	<u>3,549,100</u>	<u>3,471,600</u>	<u>3,313,656</u>	<u>157,944</u>
Supporting Services				
Salaries	659,200	752,900	775,723	(22,823)
Employee Benefits	237,400	258,200	247,645	10,555
Purchased Services	2,704,600	2,633,000	2,387,761	245,239
Supplies and Materials	307,900	307,900	252,906	54,994
Property and Equipment	50,000	50,000	25,479	24,521
Miscellaneous	10,100	10,100	1,048	9,052
Total Supporting Services	<u>3,969,200</u>	<u>4,012,100</u>	<u>3,690,562</u>	<u>321,538</u>

(Continued)

See the accompanying Independent Auditors' Report.

COMMUNITY LEADERSHIP ACADEMY, INC.

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2016

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	VARIANCE Positive (Negative)
EXPENDITURES (Continued)				
Food Service				
Salaries	96,300	96,300	108,578	(12,278)
Employee Benefits	45,400	45,400	54,618	(9,218)
Purchased Services	27,000	27,000	22,545	4,455
Supplies and Materials	300,000	300,000	293,406	6,594
Miscellaneous	3,300	3,300	-	3,300
Total Food Service	<u>472,000</u>	<u>472,000</u>	<u>479,147</u>	<u>(7,147)</u>
Contingency	<u>2,647,300</u>	<u>3,088,900</u>	<u>-</u>	<u>3,088,900</u>
TOTAL EXPENDITURES	<u>10,637,600</u>	<u>11,044,600</u>	<u>7,483,365</u>	<u>3,561,235</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(2,222,900)</u>	<u>(2,564,100)</u>	<u>1,460,152</u>	<u>4,024,252</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	63	63
Transfers Out	<u>(24,000)</u>	<u>(24,000)</u>	<u>(24,000)</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(24,000)</u>	<u>(24,000)</u>	<u>(23,937)</u>	<u>63</u>
NET CHANGE IN FUND BALANCE	<u>(2,246,900)</u>	<u>(2,588,100)</u>	<u>1,436,215</u>	<u>4,024,315</u>
FUND BALANCE, Beginning	<u>2,246,900</u>	<u>2,588,100</u>	<u>2,588,093</u>	<u>(7)</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,024,308</u>	<u>\$ 4,024,308</u>

See the accompanying Independent Auditors' Report.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2016

NOTE 1: SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND CONTRIBUTIONS

The Public Employees' Retirement Association of Colorado School Division Trust Fund's net pension liability and associated amounts are measured annually at December 31, based on an actuarial valuation as of the previous December 31. The School's contributions and related ratios represent cash contributions and any related accruals that coincide with the School's fiscal year ending on June 30.

Changes in Assumptions and Other Inputs

For the year ended June 30, 2016, the total pension liability was determined by an actuarial valuation as of December 31, 2014. The following programming and methodology changes were made since the prior actuarial valuation as of December 31, 2013.

- Valuation of the full survivor benefit without any reduction for possible remarriage.
- Reflection of the employer match on separation benefits for all eligible years.
- Reflection of one year of service eligibility for survivor annuity benefit.
- Refinement of the 18 month annual increase timing.
- Refinements to directly value certain and life, modified cash refund and pop-up benefit forms
- Recognition merit salary increases in the first projection year.
- Elimination of the assumption that 35% of future disabled members elect to receive a refund.
- Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
- Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

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

The School adheres to the following procedures to establish the budgetary information reflected in the financial statements.

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