

**THE CLASSICAL ACADEMY
(A COMPONENT UNIT OF ACADEMY SCHOOL DISTRICT TWENTY)**

**FINANCIAL STATEMENTS AND
INDEPENDENT AUDITOR'S REPORTS**

FOR THE YEAR ENDED JUNE 30, 2017

**THE CLASSICAL ACADEMY
(A COMPONENT UNIT OF ACADEMY SCHOOL DISTRICT TWENTY)
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INDEPENDENT AUDITORS' REPORT

Board of Directors
The Classical Academy (a component unit of Academy School District Twenty)
Colorado Springs, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of The Classical Academy (a component unit of Academy School District Twenty), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of proportionate share of the net pension liability, schedule of employer contributions, budgetary comparison schedule – general fund, budgetary comparison schedule – fundraising fund, and budgetary comparison schedule – building corporation as 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 required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 29, 2017, on our consideration of The Classical Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of The Classical Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering The Classical Academy's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Greenwood Village, Colorado
September 29, 2017

**THE CLASSICAL ACADEMY
(A COMPONENT UNIT OF ACADEMY SCHOOL DISTRICT TWENTY)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

As management of The Classical Academy (TCA), we offer readers of the basic financial statements this narrative and analysis of the financial activities of TCA for the year ended June 30, 2017.

Financial Highlights

The year ended June 30, 2017 was the 20th year of operations for TCA. The General Fund balance increased \$870,892 to \$6,411,271 in the year ended June 30, 2017. This was over the budgeted amount by \$1,244,861 (see page 33).

The operations of TCA are funded primarily by tax revenue received under the State School Finance Act (the Act). Tax revenue under the Act for the year from Per Pupil Revenue was \$24,151,863. TCA operated within its General Fund expenditure budget during the fiscal year. A budget for each fund was approved for the fiscal year. A revised budget was approved in the second half of the fiscal year for the General Fund, Fundraising Fund, and Special Revenue Fund (Building Corporation).

Overview of Financial Statements

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

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

The statement of activities presents information showing how TCA's net position changed during the 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 the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future periods (for example, salaries and benefits earned but unpaid as of year-end).

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. TCA keeps track of these monies to ensure and demonstrate compliance with finance-related legal requirements.

TCA adopts an annual budget for its General Fund, Fundraising Fund, and Building Fund. Budgetary comparisons (pages 33 - 35) have been provided for the General Fund, Fundraising Fund, and Building Fund to demonstrate actual results and variances to the budget.

Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

**THE CLASSICAL ACADEMY
(A COMPONENT UNIT OF ACADEMY SCHOOL DISTRICT TWENTY)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Government-wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of TCA's financial position (see page 7). As of June 30, 2017, TCA's assets and deferred outflows of resources were inferior to liabilities and deferred inflows of resources by \$46,660,940. Approximately \$871,664 of these funds is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. In addition, \$1,170,755 is restricted for reserves required as security for the bonds issued to finance the buildings, and \$649,577 is restricted for donor purpose. Accordingly, these funds are not available to satisfy general operating expenses of TCA. In addition, (\$2,038,115) of these funds represent investments in capital assets (net of depreciation) and the long-term liabilities related to capital assets. The remaining deficit balance of (\$47,314,821) is due to the net pension liability resulting from the implementation of Governmental Accounting Standards Board Statement No. 68, *Accounting and Financial Reporting for Revenues*, (GASB 68). This implementation has no effect on either cash flow, or the organization's ability to meet TCA's ongoing financial obligations. See Note 5 for further explanation of the pension plan.

Government-wide Summary and Comparison

	2017	2016
ASSETS		
Current and Other Assets	\$ 16,130,147	\$ 21,396,336
Capital Assets	40,905,503	35,278,292
Total Assets	57,035,650	56,674,628
 DEFERRED OUTFLOWS OF RESOURCES		
Loss on Refunding	5,625,328	5,940,886
Related to Pension	35,868,896	6,670,324
Total Deferred Outflows of Resources	41,494,224	12,611,210
 LIABILITIES		
Current and Other Liabilities	3,585,256	3,526,022
Noncurrent Liabilities	141,195,409	98,004,480
Total Liabilities	144,780,665	101,530,502
 DEFERRED INFLOWS OF RESOURCES	410,149	651,342
 NET POSITION (DEFICIT)		
Net Investment in Capital Assets (Deficit)	(2,038,115)	(4,675,482)
Restricted:		
Emergencies	871,664	815,608
Repair and Replacement	1,170,755	2,533,265
Donor Purpose	649,577	1,077,856
Unrestricted	(47,314,821)	(32,647,253)
 Total Net Position	\$ (46,660,940)	\$ (32,896,006)

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(A COMPONENT UNIT OF ACADEMY SCHOOL DISTRICT TWENTY)
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

Government-wide Summary and Comparison (Continued)

	<u>2017</u>	<u>2016</u>
REVENUES		
Program Revenues:		
Charges for Services	\$ 1,026,005	\$ 1,017,176
Operating Grants	603,408	591,461
Capital Grants	838,108	886,971
Total Program Revenues	<u>2,467,521</u>	<u>2,495,608</u>
General Revenues:		
Per Pupil Revenue	24,151,863	23,391,251
Mill Levy Override	2,627,874	2,627,874
Grants and Donations	854,921	875,164
Investment Earnings	44,625	31,313
Other	118,097	28,891
Total General Revenue	<u>27,797,380</u>	<u>26,954,493</u>
 Total Revenues	 30,264,901	 29,450,101
 EXPENSES		
Instruction	29,433,342	19,549,615
Support Services	12,234,325	8,410,013
Debt Service	2,362,168	2,400,280
Total Expenses	<u>44,029,835</u>	<u>30,359,908</u>
 CHANGE IN NET POSITION	 (13,764,934)	 (909,807)
Net Position - Beginning	<u>(32,896,006)</u>	<u>(31,986,199)</u>
 NET POSITION - ENDING	 <u><u>\$ (46,660,940)</u></u>	 <u><u>\$ (32,896,006)</u></u>

Financial Analysis of TCA's Funds

Governmental Funds. The focus of TCA's Governmental Funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing TCA's financing requirements. In particular, unassigned fund balance may serve as a useful measure of TCA's net resources available for spending at the end of the fiscal year (page 9).

The General Fund is the major operating fund of TCA. For the current fiscal year the fund balance increased by \$870,892 to \$6,411,271 (page 10).

The Fundraising Fund is used for a number of student activities, including athletics, clubs, fundraising, PTOs, etc. The fund balance decreased by \$531,567 during the year primarily due to spending for capital construction from donations designated for such use. Other sources of revenue, primarily donations to the Annual Fund campaign and student fees were spent for athletic club expenses, campus needs, and to supplement increases in personnel costs.

The Building Fund comprises the activity of the TCA Building Corporation (TBC), and is used for capital assets such as land, buildings, improvements, and includes the debt associated with those assets.

As of the end of the current fiscal year, the TCA's Governmental Funds in the aggregate reported

**THE CLASSICAL ACADEMY
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MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2017**

a combined ending fund balance of \$14,649,273, a decrease of \$5,288,908 from the previous year (page 10). The decrease reflects capital construction expenditures, primarily for the completion of the Central Elementary Campus renovation and addition.

General Fund Budgetary Highlights

TCA's final budget for expenditures was \$28,824,593 for the year ended June 30, 2017. Actual expenditures were \$27,851,828, resulting in a favorable variance of \$972,765 (page 33).

The favorable variance in the General Fund was due to conservative budget estimates for student count, Per Pupil Funding and personnel expenses. The remaining favorable variances were spread across departments and programs and were not substantial for any individual program.

Capital Asset and Debt Administration

Capital Assets. TCA's investment in capital assets as of June 30, 2017, amounts to \$40,905,503 (net of accumulated depreciation). This investment in capital assets includes land, buildings, and improvements. This is an increase of \$5,627,211 and is due to the following projects:

- Modular building for College Pathways administrative staff (completed August 2016)
- Multi-purpose athletic field at the North Campus (completed in October 2016)
- Renovation and addition at the Central Campus (substantially completed in Spring 2017)

In November 2016, voters approved a capital bond issued for TCA's authorizer, Academy School District 20 (ASD20). TCA will receive \$21.05 million over the next 5-7 years, encompassing three tranches of funding. TCA currently has access to \$14.64 million from the first tranche, and is using the proceeds to construct an auxiliary gymnasium, theater/auditorium, and high school cafeteria/commons.

See Note 3 for further detail on capital assets.

Long-term Debt. As of June 30, 2017, TCA had outstanding debt of \$52,046,087. This debt is the result of bonds issued during fiscal year 2014-15 that were used to refinance the 2003 and 2008 bonds. These bond issues are collateralized by land and buildings.

Long-term debt is detailed in Note 4 to the financial statements.

Economic Factors and Next Year's Budget

The primary factors driving the budget for TCA are student enrollment and per pupil funding (PPF). Enrollment for 2016-17 school year was 3,452 full time equivalent (FTE) students. The enrollment projected for the 2017-18 school year is expected to be approximately 3,405 FTE students. This factor was considered in preparing TCA's budget for 2017-18 fiscal year. The growth in General Fund revenue is derived from the increase in student FTE, and augmented by an increase in per pupil funding. PPF for fiscal year 2016-17 was \$7,041 and is anticipated to be \$7,175 for fiscal year 2017-18.

Requests for Information

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

Mark VanGambleare, Chief Financial Officer
The Classical Academy 975 Stout Road
Colorado Springs, Colorado 80921
(719) 488-6291

**THE CLASSICAL ACADEMY
(A COMPONENT UNIT OF ACADEMY SCHOOL DISTRICT TWENTY)
STATEMENT OF NET POSITION
JUNE 30, 2017**

	<u>Primary Government Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 11,510,862
Restricted Cash and Investments	4,551,402
Prepaid Expenses	49,237
Accounts Receivable	3,683
Due from District 20	14,963
Capital Assets, Not Being Depreciated	4,893,690
Capital Assets, Net	<u>36,011,813</u>
Total Assets	<u>57,035,650</u>
DEFERRED OUTFLOWS OF RESOURCES	
Loss on Refunding	5,625,328
Related to Pension	<u>35,868,896</u>
Total Deferred Outflows of Resources	<u>41,494,224</u>
LIABILITIES	
Accounts Payable	185,485
Accrued Salaries and Benefits	1,295,364
Accrued Interest	350,805
Unearned Revenue	25
Noncurrent Liabilities:	
Current Portion of Long-Term Debt	1,753,577
Long-Term Debt	50,420,202
Net Pension Liability	<u>90,775,207</u>
Total Liabilities	<u>144,780,665</u>
DEFERRED INFLOWS OF RESOURCES	
Related to Pension	<u>410,149</u>
NET POSITION (DEFICIT)	
Net Investment in Capital Assets (Deficit)	(2,038,115)
Restricted:	
TABOR	871,664
Replacement Repair and Contingency	1,170,755
Donor Purpose	649,577
Unrestricted (Deficit)	<u>(47,314,821)</u>
Total Net Position (Deficit)	<u>\$ (46,660,940)</u>

See accompanying Notes to Financial Statements.

**THE CLASSICAL ACADEMY
(A COMPONENT UNIT OF ACADEMY SCHOOL DISTRICT TWENTY)
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2017**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
FUNCTIONS/PROGRAMS					
Governmental Activities:					
Instruction	\$ 29,433,342	\$ 899,462	\$ 603,408	\$ 838,108	\$ (27,092,364)
Support Services	12,234,325	126,543	-	-	(12,107,782)
Interest on Long-Term Debt	2,362,168	-	-	-	(2,362,168)
Total Governmental Activities	\$ 44,029,835	\$ 1,026,005	\$ 603,408	\$ 838,108	(41,562,314)
GENERAL REVENUES					
State Categorical Revenue					24,151,863
Mill Levy Override					2,627,874
Grants and Contributions Not Restricted to Specific Programs					854,921
Investment Income					44,625
Other Revenue					118,097
Total General Revenues					27,797,380
CHANGE IN NET POSITION					(13,764,934)
Net Position - Beginning					(32,896,006)
NET POSITION (DEFICIT) - ENDING					\$ (46,660,940)

See accompanying Notes to Financial Statements.

THE CLASSICAL ACADEMY
(A COMPONENT UNIT OF ACADEMY SCHOOL DISTRICT TWENTY)
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2017

	General	Fundraising	Building	Total
ASSETS				
ASSETS				
Cash and Investments	\$ 7,845,188	\$ 3,600,442	\$ 65,232	\$ 11,510,862
Restricted Cash and Investments	-	-	4,551,402	4,551,402
Prepaid Items	29,216	20,021	-	49,237
Accounts Receivable	-	-	3,683	3,683
Due from Other Funds	17,589	-	50,000	67,589
Due from District 20	14,963	-	-	14,963
Total Assets	\$ 7,906,956	\$ 3,620,463	\$ 4,670,317	\$ 16,197,736
LIABILITIES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	150,321	\$ 12,743	\$ 22,421	\$ 185,485
Accrued Salaries and Benefits	1,295,364	-	-	1,295,364
Due to Other Funds	50,000	17,589	-	67,589
Unearned Revenue	-	25	-	25
Total Liabilities	1,495,685	30,357	22,421	1,548,463
FUND BALANCE				
Nonspendable	29,216	20,021	-	49,237
Restricted:				
TABOR	871,664	-	-	871,664
Donor Restricted	-	649,577	-	649,577
Repair and Replacement	-	-	150,000	150,000
Contingency	-	-	1,020,755	1,020,755
Debt Service	-	-	3,477,141	3,477,141
Assigned:				
Student Activities	-	2,920,508	-	2,920,508
Subsequent Year Budget	487,000	-	-	487,000
Unassigned	5,023,391	-	-	5,023,391
Total Fund Balance	6,411,271	3,590,106	4,647,896	14,649,273
Total Liabilities and Fund Balance	\$ 7,906,956	\$ 3,620,463	\$ 4,670,317	\$ 16,197,736
Total Fund Balance for Governmental Funds				\$ 14,649,273
Amounts reported for government 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 governmental funds.				40,905,503
Long-term liabilities, including loans payable are not due and payable in the Current Period, and therefore, are not reported in the governmental funds				
Bonds and Note Payable				(49,517,936)
Premium on Bonds Payable				(2,528,151)
Accrued Interest Payable				(350,805)
Compensated Absences				(127,692)
Net Pension Liability				(90,775,207)
Deferred outflows of resources used in governmental activities are not financial resources and, therefore, are not reported in governmental funds				
Related to pension				35,868,896
Loss on Refunding				5,625,328
Deferred inflows of resources related to pension used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds				(410,149)
Total Net Position of Governmental Activities				\$ (46,660,940)

See accompanying Notes to Financial Statements.

**THE CLASSICAL ACADEMY
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STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2017**

	General	Fundraising	Building	Total
REVENUES				
Revenue from Local Sources	\$ 26,918,861	\$ 1,754,383	\$ -	28,673,244
Revenue from State Sources	1,075,260	-	-	1,075,260
Revenue from Federal Sources	353,675	-	-	353,675
Other Revenue	144,345	10,556	7,821	162,722
Total Revenues	<u>28,492,141</u>	<u>1,764,939</u>	<u>7,821</u>	<u>30,264,901</u>
EXPENDITURES				
Current				
Instruction	16,343,743	1,034,942	-	17,378,685
Support Services	7,516,483	437,611	87,203	8,041,297
Capital Outlay	-	32,474	6,457,997	6,490,471
Debt Service				
Principal	-	-	1,480,904	1,480,904
Interest	-	-	2,162,452	2,162,452
Total Expenditures	<u>23,860,226</u>	<u>1,505,027</u>	<u>10,188,556</u>	<u>35,553,809</u>
Excess of Revenues Over (Under) Expenditures	4,631,915	259,912	(10,180,735)	(5,288,908)
OTHER FINANCING SOURCES (USES)				
Transfer In	230,579	-	4,552,502	4,783,081
Transfers Out	(3,991,602)	(791,479)	-	(4,783,081)
Total Other Financing Sources (Uses)	<u>(3,761,023)</u>	<u>(791,479)</u>	<u>4,552,502</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	870,892	(531,567)	(5,628,233)	(5,288,908)
Fund Balances - Beginning	5,540,379	4,121,673	10,276,129	19,938,181
FUND BALANCES - ENDING	<u>\$ 6,411,271</u>	<u>\$ 3,590,106</u>	<u>\$ 4,647,896</u>	<u>\$ 14,649,273</u>

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

Net Changes in Fund Balances - Governmental Funds \$ (5,288,908)

Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures.

However, for governmental activities those costs are capitalized in the statement of net position and are allocated over their estimated useful lives as annual depreciation expenses in the statement of activities:

Capital Outlay	6,558,899
Depreciation Expense	(1,707,080)
Contributed Capital Assets	846,857
Loss on Disposal	(71,465)

The issuance of long-term debt provides current financial resources to funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

Neither transaction, however, has any effect on net position.

Principal Payments 1,480,904

Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:

Amortization of premium	110,533
Amortization of Loss on Refunding	(315,558)

Some expenses in the statement of activities do not require the use of current financial resources and are, therefore, not reported as expenditures in the governmental funds.

Change in Compensated Absences (7,376)

Interest payable on debt is not recorded on the fund statements because it is not a current use of cash.

Interest is accrued on the governmentwide statements since the liability is to be paid in the near term. 5,309

Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

The (increases) decreases in these activities consist of:

Pension Expense (15,377,049)

Change in Net Position for Governmental Activities \$ (13,764,934)

See accompanying Notes to Financial Statements.

**THE CLASSICAL ACADEMY
(A COMPONENT UNIT OF ACADEMY SCHOOL DISTRICT TWENTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Organization

The Classical Academy (TCA) was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within Academy School District Twenty (the District) in the State of Colorado. TCA began operations in 1996.

The accounting policies of TCA conform to accounting principles generally accepted in the United States of America as applicable to governmental units. Following is a summary of the more significant accounting policies.

Reporting Entity

The financial reporting entity consists of TCA and organizations for which TCA is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of TCA. In addition, any legally separate organizations for which TCA is financially accountable are considered part of the reporting entity. Financial accountability exists if TCA 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 TCA.

As required by accounting principles generally accepted in the United States of America, these basic financial statements present the financial activities of TCA and its component unit. A component unit is a legally separate organization for which TCA is financially accountable or that provide services to TCA. TCA follows the Governmental Accounting Standards Board (GASB) accounting pronouncements, which provide guidance for determining the governmental activities, organizations, and functions that should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

TCA includes the TCA Building Corporation (Building Corporation) within its reporting entity. The Building Corporation was organized exclusively for the purpose of holding title to real and personal property and to make that property available for use by TCA. As TCA has the ability to elect and remove Board members of the Building Corporation and the Building Corporation provides services entirely to TCA, the Building Corporation is recorded as a blended component unit under the provisions of GASB Statement No. 14, *The Financial Reporting Entity* as amended by GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*, and the Building Corporation is presented as a special revenue fund (Building Fund). Separate financial statements are not prepared.

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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity (Continued)

The Building Corporation leases facilities to TCA. Lease payments between TCA and the Building Corporation are treated as transfers in to the Building Corporation and transfers out to the General Fund. Transfers in and transfers out are eliminated in the governmental activities.

Under current GASB pronouncements, TCA has been determined to be a component unit of the District – the primary government. As such, TCA's financial results are included in the District's Comprehensive Annual Financial Report.

Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements (*i.e.*, the statement of net position and the statement of activities) report information on all of TCA's financial activities. Governmental activities are normally supported by taxes and intergovernmental revenue. Business-type activities rely, to a significant extent, on fees and charges for support. TCA has no business-type activities. The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. Per pupil funding under the School Finance Act is reported as state categorical revenue.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows. The effect of interfund activity has been removed from the government-wide statements.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, the operating statement presents increases and decreases in net current assets, and unassigned fund balance is a measure of available spendable resources. This means that only current liabilities are generally included on the governmental fund balance sheet.

Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Measurable means the amount of the transaction can be determined; available means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. Revenues are considered to be available if collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred and expected to be paid with current available resources.

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

**THE CLASSICAL ACADEMY
(A COMPONENT UNIT OF ACADEMY SCHOOL DISTRICT TWENTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Accounting

The accounts of TCA are organized on the basis of funds. The operations of the Governmental Funds are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue and expenditures. Resources are allocated to and accounted for in the Governmental Funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

TCA reports the following major funds:

General Fund - This fund is the general operating fund of TCA and is used to account for and report all financial resources not accounted for and reported in another fund.

Fundraising Fund - This fund qualifies as a special revenue fund and is used to account for revenue from contributions, grants, and student activities used to support certain TCA activities.

Building Corporation - This fund qualifies as a special revenue fund and is used to account for financial activities of the Building Corporation, primarily related to capital assets and the related debt service.

Budget

An annual budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America, including accrued salaries and benefits.

TCA prepares an annual budget and presents it to its Board for approval. During the year ended June 30, 2017, one original and one amended budget was presented to and approved by the Board. Budgets are required by state statutes for all Governmental Funds. Total expenditures for each fund may not legally exceed the amount appropriated.

Net Position/Fund Balance Restricted for TABOR

Article X, Section 20 of the Colorado Constitution (TABOR Amendment) requires restrictions of net position and fund balance for an emergency reserve equal to 3% of the General Fund's applicable operating revenues less transfers, grant revenues, and donations.

Cash & Investments

TCA's investments are reported at fair value except for money market funds which are measured at amortized cost.

Capital Assets

Capital assets are utilized for general operations and are capitalized at acquisition cost if purchased or estimated acquisition cost if donated, at the time of purchase or donation. Capital assets are reported in the government-wide financial statements.

**THE CLASSICAL ACADEMY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Capital Assets (Continued)

The monetary threshold for capitalization of assets is \$5,000. TCA's capital assets are depreciated using the straight-line method over the estimated useful lives of the capital assets as follows:

Equipment	5 Years
Buildings and Improvements	30 Years

Deferred Outflows of Resources

Deferred outflows of resources are a consumption of net position by a government that is applicable to a future period. It is recorded in the statement of net position but is not recognized in the financial statements as an expense until the period(s) for which it relates. Deferred outflows of resources for TCA as of June 30, 2017 consists of deferred losses on debt refundings and pension related items.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow or resources (revenue) until that time. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The deferred inflows of resources reported in the governmental activities is due to pension related items.

Accrued Salaries and Benefits/Compensated Absences

These amounts represent salaries and benefits earned by TCA employees, but unpaid at year-end. TCA's policy allows certain classes of employees to accumulate vacation and staff leave. Accumulated leave is paid upon termination of employment if the employee has accrued a minimum number of days.

Fund Balance

In accordance with Governmental Accounting Standards Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions* (GASB 54) TCA reports its fund balance based primarily on the extent to which TCA is bound to honor constraints.

Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form (prepaid amounts) or legally or contractually required to be maintained intact.

Restricted fund balance represents amount constrained to specific purposes by external parties, enabling legislation and/or constitutional provisions. TCA's restricted fund balance is constrained by constitutional provision (TABOR), donor restrictions and debt service requirements.

Committed fund balance represents amounts constrained by the highest level of decision making authority (TCA's Board) and has been constrained through Board action. Only through similar Board action can the commitment be changed. TCA does not have any committed fund balance at June 30, 2017.

**THE CLASSICAL ACADEMY
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NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balance (Continued)

Assigned fund balance represents funds that are intended to be used for a specific purpose but the constraint need not be from the highest level of decision making authority. Assignment of funds is largely through the adherence to TCA policy relating to the purpose of the special revenue fund the amounts is initially recorded in.

When both restricted and unrestricted resources are available for use, it is TCA's policy to use restricted resources first, followed by committed then assigned, then unassigned.

Revenue and Expenditures

Revenue for the Governmental Funds are recorded when they are determined to be both measurable and available. Generally, State of Colorado per pupil funding, donations and other income are recognized when received. Grants are recognized when qualifying expenditures are incurred. Expenditures for the Governmental Funds are recorded when the related fund liability is incurred and expected to be paid with current available resources. TCA does not utilize encumbrance accounting.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues, expenses, gains, losses and other changes in net position during the reporting period. Actual results could differ from those estimates.

NOTE 2 CASH AND INVESTMENTS

Investment Policy and Compliance

TCA's investment policy conforms to state statute for governmental entities. All accounts established at financial institutions should, in the aggregate, total less than \$250,000 so as to provide maximum insurance coverage provided by the FDIC. If, however, deposits exceed the \$250,000 insurance coverage level, the excess must be (1) fully collateralized at face value with government securities, (2) separately segregated in TCA's name, and (3) held at a Federal Reserve Bank or another depository.

Deposits with Financial Institutions

Custodial credit risk is the risk that in the event of failure of the custodian, the value of TCA's deposits or investments may not be returned. Colorado State statutes govern TCA's deposit of cash. The Colorado Public Deposit Protection Act (PDPA) requires TCA to make deposits only in eligible public depositories as defined by the regulators. Amounts on deposits in excess of federal insurance levels must be collateralized.

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JUNE 30, 2017**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Deposits with Financial Institutions (Continued)

The PDPA requires the eligible depository with public deposits in excess of the federal insurance levels to create single institution collateral pools for all public funds. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. Up to \$250,000 of daily deposit balances on hand at banking institutions is covered by federal depository insurance. The fair value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

Cash and investments as of June 30, 2017 consist of the following:

Cash Deposits	\$ 9,014,423
Restricted Cash and Investments	4,551,402
Certificate of Deposits	2,496,439
Total Cash and Investments	<u>\$ 16,062,264</u>

TCA 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. State statutes do not address custodial risk. Local governments may invest in the following.

- Obligations of the U.S. 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 limit the maturity date of U.S. Agency securities to five years from the date of purchase, unless the governing board authorized the investment for a period in excess of five years.

Investments as of June 30, 2017 consist of the following:

<u>Investments</u>	<u>Less Than 1 Year</u>	<u>1 to 5 years</u>	<u>Fair Value</u>
Federal Home Loan Bank	\$ 399,512	\$ 400,072	\$ 799,584
Federal Farm Credit Bank	-	832,304	832,304
Federal National Mortgage Association	-	210,000	210,000
Money Market Funds	2,709,514	-	2,709,514
	<u>\$ 3,109,026</u>	<u>\$ 1,442,376</u>	<u>\$ 4,551,402</u>

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NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Credit Risk

State law limits investments for school districts to U.S. Treasury issues, other federally backed notes and credits, and other agency offerings without limitation. State law further limits investments in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by a nationally recognized statistical rating organization (NRSRO). State statutes limit investments in U.S. Agency securities to the highest rating issued by two or more NRSROs.

Investments	AA+*	AAAm*	Fair Value
Federal Home Loan Bank	\$ 799,584	\$ -	\$ 799,584
Federal Farm Credit Bank	832,304	-	832,304
Federal National Mortgage Association	210,000	-	210,000
Money Market Funds	-	2,709,514	2,709,514
	<u>\$ 1,841,888</u>	<u>\$ 2,709,514</u>	<u>\$ 4,551,402</u>

*Standard and Poor's Rating

Concentration of Credit Risk

State statutes generally do not limit the amount TCA may invest in one issuer. As of June 30, 2017, TCA had investments in Federal Home Loan Bank and Federal Farm Credit Bank, which represented a concentration of more than 5.00% of total investments.

Restricted Cash and Investments

Cash and investments of \$4,551,402 have been restricted in the Building Corporation for debt services in accordance with the bond agreements. Included in the total restricted cash and investment balance, \$150,000 has been restricted in the Building Corporation for replacements, repairs, and contingencies relating to the building in accordance with the lease agreements.

Fair Value Measurement

TCA categorized 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; and Level 3 inputs are significant unobservable inputs. TCA has the following recurring fair value measurements as of June 30, 2017:

Investments	Level 1	Level 2	Level 3	Fair Value
Federal Home Loan Bank	\$ -	\$ 799,584	\$ -	\$ 799,584
Federal Farm Credit Bank	-	832,304	-	832,304
Federal National Mortgage Association	-	210,000	-	210,000
	<u>\$ -</u>	<u>\$ 1,841,888</u>	<u>\$ -</u>	<u>\$ 1,841,888</u>

**THE CLASSICAL ACADEMY
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NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurement (Continued)

As of June 30, 2017, TCA had \$2,709,514 invested in government money market funds administered by Wells Fargo. Contributions and redemptions of the government money market funds are transacted at \$1.00 per share and have maturities of less than one year. In addition, the government money market funds maintain a weighted average maturity of less than 60 days and a weighted average life of less than 120 days. The government money market funds are measured at amortized cost and therefore, are not categorized in a level.

NOTE 3 CAPITAL ASSETS

As of June 30, 2017, capital assets of TCA consisted of the following:

	<u>June 30, 2016</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2017</u>
Governmental Activities				
Capital Assets Not Being Depreciated				
Land	\$ 4,024,412	\$ -	\$ -	4,024,412
Construction-in-Progress	1,734,949	869,278	(1,734,949)	869,278
Total Capital Assets				
Not Being Depreciated	5,759,361	869,278	(1,734,949)	4,893,690
Capital Assets Being Depreciated				
Building and Improvements	45,168,432	8,244,328	(153,143)	53,259,617
Transportation and Facility Equipment	50,715	27,099	-	77,814
Total Capital Assets				
Being Depreciated	45,219,147	8,271,427	(153,143)	53,337,431
Less Accumulated Depreciation:				
Building and Improvements	(15,680,475)	(1,679,981)	81,678	(17,278,778)
Transportation and Facility Equipment	(19,741)	(27,099)	-	(46,840)
Total Accumulated Depreciation	(15,700,216)	(1,707,080)	81,678	(17,325,618)
Total Capital Assets				
Being Depreciated, Net	29,518,931	6,564,347	(71,465)	36,011,813
Total Capital Assets	<u>\$ 35,278,292</u>	<u>\$ 7,433,625</u>	<u>\$ (1,806,414)</u>	<u>\$ 40,905,503</u>

Depreciation

Depreciation expense was charged to functions of the primary government as follows:

Governmental Activities	
Instruction	\$ 1,280,310
Support Services	426,770
	<u>\$ 1,707,080</u>

**THE CLASSICAL ACADEMY
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NOTE 4 LONG-TERM DEBT

Long-term debt activity for the fiscal year was as follows:

	June 30, 2016	Additions	Deletions	June 30, 2017	Amounts Due Within One Year
Compensated Absences	\$ 120,316	\$ 93,195	\$ (85,819)	\$ 127,692	\$ 127,692
Building Loans	50,395,000	-	(1,305,000)	49,090,000	1,335,000
Premium	2,638,684	-	(110,533)	2,528,151	110,533
Notes Payable	603,840	-	(175,904)	427,936	180,352
Net Pension Liability	45,958,393	44,816,814	-	90,775,207	-
Total	<u>\$ 99,716,233</u>	<u>\$ 44,910,009</u>	<u>\$ (1,677,256)</u>	<u>\$ 142,948,986</u>	<u>\$ 1,753,577</u>

Compensated Absences

As of June 30, 2017, no amount of compensated absences are considered matured and therefore in accordance with GASB Interpretation No. 6, *Recognition and Measurement of Certain Liabilities and Expenditures in the Governmental Fund Financial Statements* no amount of compensated absences are recorded in the General Fund.

Building Loans

In February 2015, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$13,315,000 Charter School Refunding Revenue Bonds (The Classical Academy Project), Series 2015A, and \$1,455,000 Charter School Refunding Revenue Bonds (The Classical Academy Project), Series 2015B at a premium totaling \$16,223,198. In connection with the refunding of the 2008 series, TCA recognized a loss on refunding totaling \$2,659,290, which is recorded as a deferred outflow on the statement of net position and will be amortized over the remaining life of the 2008 series.

Proceeds of the Bonds were used to defease the CECFA Charter School Revenue Bonds, Series 2008 A and B (Note 7). Proceeds of the Bonds were loaned to the Building Corporation to finance the construction of educational facilities for use by TCA and Pikes Peak Community College. Pikes Peak Community College is obligated under a lease agreement to make monthly rental payments of \$7,083 to TCA from September 1, 2009 through June 30, 2039, with optional monthly payments of \$3,542 thereafter, through June 30, 2048, and to reimburse TCA for utilities, janitorial and maintenance costs. TCA is obligated under a lease agreement to make monthly lease payments to the Building Corporation for using the facilities.

The Building Corporation is required to make equal loan payments to the trustee for payment of the Bonds. Annual principal payments and semi-annual interest payments, with interest accruing at rates ranging from 2.75% to 5.25%, are required under the Bond indenture. The Bonds mature on December 1, 2038, and are collateralized by the facilities. The balance outstanding on the bonds at June 30, 2017 was \$14,375,000.

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JUNE 30, 2017**

NOTE 4 LONG-TERM DEBT (CONTINUED)

Building Loans (Continued)

In September 2014, CECFA issued \$36,595,000 Charter School Refunding and Improvement Revenue Bonds (The Classical Academy Project), Series 2014. Proceeds of the Bonds were used to refund and subsequently pay in full the CECFA Charter School Revenue Bonds, Series 2003 at a premium totaling \$37,877,520. In connection with the refunding of the 2003 series, TCA recognized a loss on refunding totaling \$3,798,795, which is recorded as a deferred outflow on the statement of net position and will be amortized over the remaining life of the 2003 series. The proceeds were loaned to the Building Corporation under a loan agreement to construct educational facilities.

TCA is obligated under a lease agreement to make monthly lease payments to the Building Corporation for use of the facilities. The Building Corporation is required to make equal loan payments to the trustee, for payment of the Bonds. Annual principal payments and semi-annual interest payments, with interest accruing at rates ranging from 2.75% to 5.25%, are required under the Bond indenture. The Bonds mature on December 1, 2039, and are collateralized by the facilities.

The balance outstanding on the bonds at June 30, 2017 was \$34,715,000. Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 1,335,000	\$ 2,164,438	\$ 3,499,438
2019	1,380,000	2,134,287	3,514,287
2020	1,420,000	2,090,475	3,510,475
2021	1,475,000	2,045,162	3,520,162
2022	1,530,000	1,992,850	3,522,850
2023-2027	8,655,000	8,694,787	17,349,787
2028-2032	10,920,000	6,436,850	17,356,850
2033-2037	13,715,000	3,632,300	17,347,300
2038-2040	8,660,000	688,400	9,348,400
Total	<u>\$ 49,090,000</u>	<u>\$ 29,879,549</u>	<u>\$ 78,969,549</u>

Notes Payable

TCA entered into an agreement with the District to purchase an existing District school facility for \$1,900,000. TCA paid \$400,000 to the District in January 2004, and entered into a loan agreement for the remainder of the purchase price. Interest accrues on the note at 2.50% per annum and monthly principal and interest payments are made through November 1, 2019. The note is held within the Building Corporation.

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 180,352	\$ 8,641	\$ 188,993
2019	184,913	4,080	188,993
2020	62,671	327	62,998
Total	<u>\$ 427,936</u>	<u>\$ 13,048</u>	<u>\$ 440,984</u>

**THE CLASSICAL ACADEMY
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JUNE 30, 2017**

NOTE 5 DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

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

Benefits provided. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchases, 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% and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100% match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

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

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

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JUNE 30, 2017**

NOTE 5 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the retirement benefit formula shown above considering a minimum 20 years of service credit, if deemed disabled. Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

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

	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 %

¹Rates 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 TCA is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF for TCA for the year ended June 30, 2017 was \$2,523,065.

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NOTE 5 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

At June 30, 2017, TCA reported a liability of \$90,775,207 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. TCA's proportion of the net pension liability was based on TCA'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 TCA's proportion was 0.304882%, which was an increase of 0.004388% from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, TCA recognized pension expense of \$15,377,049 which is recorded in the statement of activities. At June 30, 2017, TCA reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 1,134,829	\$ 799
Changes of Assumptions or Other Inputs	29,454,662	409,350
Net Difference Between Projected and Actual		
Earnings on Pension Plan Investments	3,035,334	-
Changes in Proportion and Differences Between Contributions		
Recognized and Proportionate Share of Contributions	967,078	-
Contributions Subsequent to the Measurement Date	1,276,993	-
Total	<u>\$ 35,868,896</u>	<u>\$ 410,149</u>

\$1,276,993 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2018	\$ 13,832,583
2019	13,644,422
2020	6,674,474
2021	30,275
Total	<u>\$ 34,181,754</u>

**THE CLASSICAL ACADEMY
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JUNE 30, 2017**

NOTE 5 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

Actuarial Cost Method	Entry Age
Price Inflation	2.80%
Real Wage Growth	1.10%
Wage Inflation	3.90%
Salary Increases, Including Wage Inflation	3.90 - 10.10%
Long-Term Investment Rate of Return, Net of Pension Plan	
Investment Expenses, Including Price Inflation	7.50%
Discount rate	7.50%
Future Post Retirement Benefit Increases:	
PERA Benefit Structure Hired Prior to January 1, 2007; and DPS Benefit Structure (Automatic)	2.00%
PERA Benefit Structure hired after December 31, 2006 (Ad Hoc, Substantively Automatic)	Financed by the Annual Increase Reserve

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

Actuarial Cost Method	Entry Age
Price Inflation	2.40%
Real Wage Growth	1.10%
Wage Inflation	3.50%
Salary Increases, Including Wage Inflation	3.50 - 9.70%
Long-Term Investment Rate of Return, Net of Pension Plan	
Investment Expenses, Including Price Inflation	7.25%
Discount rate	5.26%
Future Post Retirement Benefit Increases:	
PERA Benefit Structure Hired Prior to January 1, 2007; and DPS Benefit Structure (Automatic)	2.00%
PERA Benefit Structure hired after December 31, 2006 (Ad Hoc, Substantively Automatic)	Financed by the Annual Increase Reserve

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 CLASSICAL ACADEMY
(A COMPONENT UNIT OF ACADEMY SCHOOL DISTRICT TWENTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

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

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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.

**THE CLASSICAL ACADEMY
(A COMPONENT UNIT OF ACADEMY SCHOOL DISTRICT TWENTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 DEFINED BENEFIT PENSION PLAN (CONTINUED)

- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

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

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%.

**THE CLASSICAL ACADEMY
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NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 DEFINED BENEFIT PENSION PLAN (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 to actuarial method and assumptions outlined 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 and 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 of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of each month.

**THE CLASSICAL ACADEMY
(A COMPONENT UNIT OF ACADEMY SCHOOL DISTRICT TWENTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 5 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Based on the above assumptions and methods, the GASB Statement No. 67 projection test indicates the SCHDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 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 GASB Statement No. 67 projection test indicated the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments of 7.50 percent was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use a municipal bond index rate and the discount rate was 7.50 percent, 2.24 percent higher compared to the current measurement date.

Sensitivity of TCA'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):

	1% Decrease (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
Proportionate Share of the Net Pension Liability	\$ 114,146,906	\$ 90,775,207	\$ 71,739,804

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

NOTE 6 POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description

TCA 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.

**THE CLASSICAL ACADEMY
(A COMPONENT UNIT OF ACADEMY SCHOOL DISTRICT TWENTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 6 POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

Funding Policy

TCA is required to contribute at a rate of 1.02 % of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for TCA are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contributions of HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. TCA's contributions to HCTF for the years ended June 30, 2015, 2016 and 2017 were \$142,410, \$152,219 and \$151,198, respectively, equal to the required contributions for each year.

NOTE 7 COMMITMENTS AND CONTINGENCIES

TABOR Amendment

Article X, Section 20 of the Colorado Constitution (TABOR Amendment) requires state and local governments to establish an emergency reserve, limits spending to a predefined benchmark and places restrictions on multiple fiscal year debt. The TABOR Amendment is complex and subject to judicial interpretation. However, as of June 30, 2017, TCA believes it has complied with the TABOR requirements. At June 30, 2017, TCA's reserve of \$871,664 was reported as a restricted fund balance in the General Fund.

Defeased Bonds

With the issuance of the 2015A and B CECFA bonds, proceeds were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments for the 2008 A&B Bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the financial statements. The outstanding balance of the defeased bonds at June 30, 2017 was \$13,125,000.

NOTE 8 SELF-FUNDED DENTAL PLAN

TCA maintains a self-funded dental plan for its employees. An estimated liability for claims incurred-but-not-recorded of \$67,696 at June 30, 2017 has been recorded in accrued salaries and benefits for the General Fund on the balance sheet. TCA's maximum exposure under the plan is approximately \$660,000 with an annual maximum of \$1,200 per enrollee. Claims did not exceed TCA's insurance coverage during fiscal years 2017, 2016, and 2015.

Changes in the estimated liability under the plan are as follows:

	2017	2016
Beginning Balance - July 1	\$ 58,974	\$ 30,000
Current Year Claims and Fees	238,488	227,106
Claims Paid	(229,766)	(198,132)
Ending Balance - June 30	<u>\$ 67,696</u>	<u>\$ 58,974</u>

**THE CLASSICAL ACADEMY
(A COMPONENT UNIT OF ACADEMY SCHOOL DISTRICT TWENTY)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2017**

NOTE 9 RELATED-PARTY TRANSACTIONS

State categorical revenue consists of cash payments passed through the District totaling \$24,151,863 for the year ended June 30, 2017. In addition, as of June 30, 2017 TCA had \$14,963 due from the District related to grant expenditures incurred during 2017.

TCA entered into a loan agreement with the District to purchase an existing District building (see Note 4). The balance on the note at June 30, 2017 was \$427,936. The note requires monthly payments and matures on November 1, 2019.

NOTE 10 RISK MANAGEMENT

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

**THE CLASSICAL ACADEMY
(A COMPONENT UNIT OF ACADEMY SCHOOL DISTRICT TWENTY)
SCHEDULE OF PROPORTIONATE SHARE OF NET PENSION LIABILITY
LAST TEN FISCAL YEARS**

	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
TCA's Proportion of the Net Pension Liability	0.305%	0.305%	0.290%	0.290%
TCA's Proportionate Share of the Net Pension Liability	\$ 90,775,207	\$ 45,958,392	\$ 39,753,073	\$ 36,878,850
TCA's Covered Payroll	\$ 13,610,248	\$ 13,043,786	\$ 12,287,493	\$ 11,655,865
TCA's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	666.96%	352.34%	323.52%	316.40%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	43.10%	59.20%	62.84%	64.07%

Note: Information is not available prior to 2013. In future reports, additional years

**THE CLASSICAL ACADEMY
(A COMPONENT UNIT OF ACADEMY SCHOOL DISTRICT TWENTY)
SCHEDULE OF EMPLOYER CONTRIBUTIONS
LAST TEN FISCAL YEARS**

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 2,523,065	\$ 2,379,751	\$ 2,018,836	\$ 1,810,158
Contributions in Relation to the Contractually Required Contribution	<u>2,523,065</u>	<u>2,379,751</u>	<u>2,018,836</u>	<u>1,810,158</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TCA's Covered Payroll	<u>\$ 13,727,480</u>	<u>\$ 13,420,962</u>	<u>\$ 12,287,493</u>	<u>\$ 11,655,865</u>
Contributions as a Percentage of Covered Payroll	18.38%	17.73%	16.43%	15.53%

Note: Information is not available prior to 2014. In future reports, additional years will be added until 10 years historical data are presented.

**THE CLASSICAL ACADEMY
(A COMPONENT UNIT OF ACADEMY SCHOOL DISTRICT TWENTY)
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUE				
Local Sources				
Per Pupil Revenue	\$ 23,447,000	\$ 24,051,000	\$ 24,151,863	\$ 100,863
Mill Levy Override	2,628,000	2,627,874	2,627,874	-
Grants	10,000	10,000	12,581	2,581
Rental Income	127,000	127,100	126,543	(557)
Investment Income	8,000	8,000	26,248	18,248
Miscellaneous	30,000	30,000	118,097	88,097
State Sources				
Special Education	250,000	233,000	237,152	4,152
Capital Construction	797,000	814,650	838,108	23,458
Federal Sources				
Impact Aid	64,000	64,000	73,137	9,137
Special Education	275,000	275,000	280,538	5,538
Total Revenues	<u>27,636,000</u>	<u>28,240,624</u>	<u>28,492,141</u>	<u>251,517</u>
EXPENDITURES				
Instructional and Supporting Services	23,569,000	24,191,540	23,394,173	797,367
Capital Outlay	425,000	466,053	466,053.00	-
Total Expenditures	<u>23,994,000</u>	<u>24,657,593</u>	<u>23,860,226</u>	<u>797,367</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	210,000	210,000	230,579	20,579
Transfers Out	(3,787,000)	(4,167,000)	(3,991,602)	175,398
Total Other Financing Sources (Uses)	<u>(3,577,000)</u>	<u>(3,957,000)</u>	<u>(3,761,023)</u>	<u>195,977</u>
NET CHANGE IN BALANCE	65,000	(373,969)	870,892	1,244,861
Fund Balance - Beginning	<u>5,130,000</u>	<u>5,540,379</u>	<u>5,540,379</u>	<u>-</u>
FUND BALANCE - ENDING	<u><u>\$ 5,195,000</u></u>	<u><u>\$ 5,166,410</u></u>	<u><u>\$ 6,411,271</u></u>	<u><u>\$ 1,244,861</u></u>

**THE CLASSICAL ACADEMY
(A COMPONENT UNIT OF ACADEMY SCHOOL DISTRICT TWENTY)
BUDGETARY COMPARISON SCHEDULE
FUNDRAISING FUND
YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUE				
Local Sources				
Fee and Service Revenue	\$ 818,000	\$ 818,000	\$ 899,462	\$ 81,462
Contributions and Donations	817,000	817,000	854,921	37,921
Investment Income	6,000	6,000	10,556	4,556
Total Revenues	<u>1,641,000</u>	<u>1,641,000</u>	<u>1,764,939</u>	<u>123,939</u>
EXPENDITURES				
Instructional and Supporting Services	1,301,000	1,511,000	1,472,553	38,447
Capital Outlay	-	-	32,474	(32,474)
Total Expenditures	<u>1,301,000</u>	<u>1,511,000</u>	<u>1,505,027</u>	<u>5,973</u>
OTHER FINANCING USES				
Transfers Out	(210,000)	(791,480)	(791,479)	1
Total Other Financing Uses	<u>(210,000)</u>	<u>(791,480)</u>	<u>(791,479)</u>	<u>1</u>
NET CHANGE IN BALANCE	130,000	(661,480)	(531,567)	129,913
Fund Balance - Beginning	<u>4,033,000</u>	<u>4,121,673</u>	<u>4,121,673</u>	<u>-</u>
FUND BALANCE - ENDING	<u>\$ 4,163,000</u>	<u>\$ 3,460,193</u>	<u>\$ 3,590,106</u>	<u>\$ 129,913</u>

**THE CLASSICAL ACADEMY
(A COMPONENT UNIT OF ACADEMY SCHOOL DISTRICT TWENTY)
BUDGETARY COMPARISON SCHEDULE
BUILDING CORPORATION
YEAR ENDED JUNE 30, 2017**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
REVENUE				
Local Sources				
Investment Income	\$ 6,000	\$ 6,000	\$ 7,821	\$ 1,821
Total Revenues	6,000	6,000	7,821	1,821
EXPENDITURES				
Administrative and Supporting Services	75,000	75,000	87,203	(12,203)
Capital Outlay	-	6,457,997	6,457,997	-
Debt Service				
Principal	1,305,000	1,305,000	1,480,904	(175,904)
Interest	2,367,000	2,367,000	2,162,452	204,548
Total Expenditures	3,747,000	10,204,997	10,188,556	16,441
OTHER FINANCING SOURCES				
Transfers In	3,787,000	4,748,480	4,552,502	(195,978)
Total Other Financing Sources	3,787,000	4,748,480	4,552,502	(195,978)
NET CHANGE IN BALANCE	46,000	(5,450,517)	(5,628,233)	(177,716)
Fund Balance - Beginning	(2,332,000)	10,276,129	10,276,129	-
FUND BALANCE - ENDING	<u>\$ (2,286,000)</u>	<u>\$ 4,825,612</u>	<u>\$ 4,647,896</u>	<u>\$ (177,716)</u>



**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Board of Directors
The Classical Academy (a component unit of Academy School District Twenty)
Colorado Springs, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of The Classical Academy (a component unit of Academy School District Twenty), as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise The Classical Academy's basic financial statements, and have issued our report thereon dated September 29, 2017.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

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

Purpose of this Report

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



CliftonLarsonAllen LLP

Greenwood, Colorado
September 29, 2017