

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

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

**FOR THE YEAR ENDED JUNE 30, 2019**

**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, 2019, 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, 2019, 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, required pension information, required OPEB information, and budgetary comparison information 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 October 2, 2019, 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 results 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  
October 2, 2019

**THE CLASSICAL ACADEMY  
(A COMPONENT UNIT OF ACADEMY SCHOOL DISTRICT TWENTY)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

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, 2019.

**Financial Highlights**

The year ended June 30, 2019 was the 22<sup>nd</sup> year of operations for TCA. The General Fund balance increased \$2,274,381 to \$9,516,670 in the year ended June 30, 2019. This was over the budgeted amount by \$2,551,340 (see page 47).

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 \$26,023,373. 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 47 – 49) 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, 2019**

**Government-wide Financial Analysis**

As noted previously, net position may serve over time as a useful indicator of TCA's financial position (see page 8). As of June 30, 2019, TCA's assets and deferred outflows of resources were inferior to liabilities and deferred inflows of resources by \$45,131,407. \$965,960 of these funds is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. In addition, \$1,292,827 is restricted for reserves required as security for the bonds issued to finance the buildings, and \$235,627 is restricted for donor purpose. Accordingly, these funds are not available to satisfy general operating expenses of TCA. In addition, \$11,760,358 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 (\$59,386,179) 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 Statement No. 68). See Note 5 for further explanation of the pension plan.

**Government-wide Summary and Comparison**

	2019	2018
<b>ASSETS</b>		
Current and Other Assets	\$ 20,005,237	\$ 17,962,123
Capital Assets	52,032,602	50,776,163
Total Assets	72,037,839	68,738,286
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Loss on Refunding	4,994,212	5,309,770
Related to OPEB	113,243	82,511
Related to Pension	14,291,676	28,506,609
Total Deferred Outflows of Resources	19,399,131	33,898,890
<b>LIABILITIES</b>		
Current and Other Liabilities	4,349,788	4,683,728
Noncurrent Liabilities	96,003,557	148,624,583
Total Liabilities	100,353,345	153,308,311
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Related to OPEB	27,009	56,229
Related to Pension	36,188,023	4,379,976
Total Deferred Outflows of Resources	36,215,032	4,436,205
<b>NET POSITION (DEFICIT)</b>		
Net Investment in Capital Assets (Deficit)	11,760,358	9,144,031
Restricted:		
Emergencies	965,960	895,912
Repair and Replacement	1,292,827	1,184,761
Donor Purpose	235,627	288,472
Unrestricted	(59,386,179)	(66,620,516)
Total Net Position	\$ (45,131,407)	\$ (55,107,340)

**THE CLASSICAL ACADEMY  
(A COMPONENT UNIT OF ACADEMY SCHOOL DISTRICT TWENTY)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

	<u>2019</u>	<u>2018</u>
<b>REVENUES</b>		
Program Revenues:		
Charges for Services	\$ 1,020,747	\$ 916,657
Operating Grants	840,496	786,865
Capital Grants	<u>3,441,915</u>	<u>12,008,775</u>
Total Program Revenues	5,303,158	13,712,297
General Revenues:		
Per Pupil Revenue	26,023,373	24,733,091
Mill Levy Override	2,627,874	2,627,874
Grants and Donations	800,047	1,105,939
Investment Earnings	424,592	145,894
Other	<u>396,705</u>	<u>56,571</u>
Total General Revenue	<u>30,272,591</u>	<u>28,669,369</u>
Total Revenues	35,575,749	42,381,666
<b>EXPENSES</b>		
Instruction	16,485,317	32,207,278
Support Services	6,843,576	14,097,105
Debt Service	<u>2,270,923</u>	<u>2,346,724</u>
Total Expenses	<u>25,599,816</u>	<u>48,651,107</u>
<b>CHANGE IN NET POSITION</b>	9,975,933	(6,269,441)
Net Position - Beginning of Year	<u>(55,107,340)</u>	<u>(48,837,899)</u>
<b>NET POSITION - END OF YEAR</b>	<u>\$ (45,131,407)</u>	<u>\$ (55,107,340)</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 10).

The General Fund is the major operating fund of TCA. For the current fiscal year the fund balance increased by \$2,274,381 to \$9,516,670 (page 12).

The Fundraising Fund is used for a number of student activities, including athletics, clubs, fundraising, PTOs, etc. The fund balance decreased by \$98,658 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 CLASSICAL ACADEMY  
(A COMPONENT UNIT OF ACADEMY SCHOOL DISTRICT TWENTY)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

The Building Fund comprises the activity of the TCA Building Corporation (TBC), and is used to account for capital outlay associated with capital assets and payment of principal and interest on the outstanding long-term debt of The Classical Academy.

As of the end of the current fiscal year, the TCA's Governmental Funds in the aggregate reported a combined ending fund balance of \$17,710,398, an increase of \$2,283,828 from the previous year (page 12). The increase is related to a growth in per pupil revenue, an awarded safety grant, the PERA On-Behalf payment provided by the State and expenditures that were favorable to the planned budget.

**General Fund Budgetary Highlights**

TCA's final budget for expenditures was \$31,980,233 for the year ended June 30, 2019 (including transfers). Actual expenditures were \$30,002,104, resulting in a favorable variance of \$1,978,129 (page 47).

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, 2019, amounts to \$52,032,602 (net of accumulated depreciation). This investment in capital assets includes land, buildings, and improvements. This is an increase of \$1,256,439 (net of accumulated depreciation) and is due to the following projects completed in 2019:

- North Library and North Elementary Office Remodel
- North Campus Expansion
- College Pathways Chemistry Lab
- Multi-Purpose Field Dugouts

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 had access to \$14.64 million from the first tranche, and used 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, 2019, TCA had building loans of \$48,682,085 and an outstanding note payable of \$62,671 due to the Academy School District Twenty. 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.

**THE CLASSICAL ACADEMY  
(A COMPONENT UNIT OF ACADEMY SCHOOL DISTRICT TWENTY)  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019**

**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 2018-19 school year was 3,404 full time equivalent (FTE) students. The enrollment budgeted for the 2019-20 school year is 3,358 FTE students. This factor was considered in preparing TCA's budget for 2019-20 fiscal year. The growth in General Fund revenue is derived by a budgeted increase in per pupil revenue of 2.6%, offset by a planned decrease in funded pupil count. PPF for fiscal year 2018-19 was \$7,708 and is anticipated to be \$8,017 for fiscal year 2019-20.

**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, 2019**

	<u>Primary Government Governmental Activities</u>
<b>ASSETS</b>	
Cash and Investments	\$ 15,305,372
Restricted Cash and Investments	4,628,673
Prepaid Expenses	49,126
Accounts Receivable	22,066
Capital Assets, Not Being Depreciated	4,086,410
Capital Assets, Net	<u>47,946,192</u>
Total Assets	<u>72,037,839</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Loss on Refunding	4,994,212
Related to OPEB	113,243
Related to Pension	<u>14,291,676</u>
Total Deferred Outflows of Resources	<u>19,399,131</u>
<b>LIABILITIES</b>	
Accounts Payable	127,068
Accrued Salaries and Benefits	2,156,284
Accrued Interest	341,023
Due to District 20	11,487
Noncurrent Liabilities:	
Current Portion of Long-Term Debt	1,713,926
Long-Term Debt	47,151,552
OPEB Liability	2,323,792
Net Pension Liability	<u>46,528,213</u>
Total Liabilities	<u>100,353,345</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to OPEB	27,009
Related to Pension	<u>36,188,023</u>
Total Deferred Inflows of Resources	<u>36,215,032</u>
<b>NET POSITION (DEFICIT)</b>	
Net Investment in Capital Assets	11,760,358
Restricted:	
TABOR	965,960
Replacement Repair and Contingency	1,292,827
Donor Purpose	235,627
Unrestricted (Deficit)	<u>(59,386,179)</u>
Total Net Position (Deficit)	<u>\$ (45,131,407)</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, 2019**

	Program Revenues				Net (Expense) Revenue and Changes in Net Position
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
<b>FUNCTIONS/PROGRAMS</b>					
Governmental Activities:					
Instruction	\$ 16,485,317	\$ 893,721	\$ 840,496	\$ 882,619	\$ (13,868,481)
Support Services	6,843,576	127,026	-	2,559,296	(4,157,254)
Interest on Long-Term Debt	2,270,923	-	-	-	(2,270,923)
Total Governmental Activities	<u>\$ 25,599,816</u>	<u>\$ 1,020,747</u>	<u>\$ 840,496</u>	<u>\$ 3,441,915</u>	(20,296,658)
<b>GENERAL REVENUES</b>					
State Categorical Revenue					26,023,373
Mill Levy Override					2,627,874
Grants and Contributions Not Restricted to Specific Programs					800,047
Investment Income					424,592
Other Revenue					<u>396,705</u>
Total General Revenues					<u>30,272,591</u>
<b>CHANGE IN NET POSITION</b>					9,975,933
Net Position - Beginning of Year					<u>(55,107,340)</u>
<b>NET POSITION (DEFICIT) - END OF YEAR</b>					<u>\$ (45,131,407)</u>

See accompanying Notes to Financial Statements.

**THE CLASSICAL ACADEMY  
(A COMPONENT UNIT OF ACADEMY SCHOOL DISTRICT TWENTY)  
BALANCE SHEET – GOVERNMENTAL FUNDS  
JUNE 30, 2019**

	General	Fundraising	Building	Total
<b>ASSETS</b>				
<b>ASSETS</b>				
Cash and Investments	\$ 11,754,955	3,376,199	\$ 174,218	\$ 15,305,372
Restricted Cash and Investments	-	-	4,628,673	4,628,673
Prepaid Items	26,766	22,360	-	49,126
Accounts Receivable	-	925	21,141	22,066
Due from Other Funds	8,401	-	-	8,401
Total Assets	\$ 11,790,122	\$ 3,399,484	\$ 4,824,032	\$ 20,013,638
 <b>LIABILITIES AND FUND BALANCE</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 105,681	\$ 21,387	\$ -	\$ 127,068
Accrued Salaries and Benefits	2,156,284	-	-	2,156,284
Due to District 20	11,487	-	-	11,487
Due to Other Funds	-	8,401	-	8,401
Total Liabilities	2,273,452	29,788	-	2,303,240
 <b>FUND BALANCE</b>				
Nonspendable	26,766	22,360	-	49,126
Restricted:				
TABOR	965,960	-	-	965,960
Donor Restricted	-	235,627	-	235,627
Repair and Replacement	-	-	175,000	175,000
Contingency	-	-	1,117,827	1,117,827
Debt Service	-	-	3,531,205	3,531,205
Assigned:				
Capital Projects	300,000	-	-	300,000
Subsequent Year Expenditures	166,000	-	-	166,000
Student Activities	-	3,111,709	-	3,111,709
Unassigned	8,057,944	-	-	8,057,944
Total Fund Balance	9,516,670	3,369,696	4,824,032	17,710,398
Total Liabilities and Fund Balance	\$ 11,790,122	\$ 3,399,484	\$ 4,824,032	\$ 20,013,638

See accompanying Notes to Financial Statements.

**THE CLASSICAL ACADEMY  
(A COMPONENT UNIT OF ACADEMY SCHOOL DISTRICT TWENTY)  
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2019**

Total Fund Balance for Governmental Funds	\$ 17,710,398
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.	52,032,602
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	(46,437,671)
Premium on Bonds Payable	(2,307,085)
Accrued Interest Payable	(341,023)
Compensated Absences	(120,722)
OPEB Liability	(2,323,792)
Net Pension Liability	(46,528,213)
Deferred outflows of resources used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	
Related to Pension	14,291,676
Related to OPEB	113,243
Loss on Refunding	4,994,212
Deferred inflows of resources related to pension used in governmental activities are not financial resources, and, therefore, are not reported in the governmental funds	
Related to Pension	(36,188,023)
Related to OPEB	(27,009)
Total Net Position of Governmental Activities	\$ (45,131,407)

See accompanying Notes to Financial Statements.

**THE CLASSICAL ACADEMY  
(A COMPONENT UNIT OF ACADEMY SCHOOL DISTRICT TWENTY)  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –  
GOVERNMENTAL FUNDS  
YEAR ENDED JUNE 30, 2019**

	<u>General</u>	<u>Fundraising</u>	<u>Building</u>	<u>Total</u>
<b>REVENUES</b>				
Revenue from Local Sources	\$ 28,995,560	\$ 1,693,768	\$ -	30,689,328
Revenue from State Sources	1,488,104	-	-	1,488,104
Revenue from Federal Sources	362,904	-	-	362,904
Other Revenue	620,561	65,755	134,981	821,297
<b>Total Revenues</b>	<u>31,467,129</u>	<u>1,759,523</u>	<u>134,981</u>	<u>33,361,633</u>
<b>EXPENDITURES</b>				
Current				
Instruction	17,599,255	1,109,222	-	18,708,477
Support Services	7,552,666	127,955	80,222	7,760,843
Capital Outlay	732,565	111,648	131,236	975,449
Debt Service				
Principal	-	-	1,564,913	1,564,913
Interest	-	-	2,068,123	2,068,123
<b>Total Expenditures</b>	<u>25,884,486</u>	<u>1,348,825</u>	<u>3,844,494</u>	<u>31,077,805</u>
Excess of Revenues Over (Under) Expenditures	5,582,643	410,698	(3,709,513)	2,283,828
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	809,356	300,000	3,817,618	4,926,974
Transfers Out	(4,117,618)	(809,356)	-	(4,926,974)
<b>Total Other Financing Sources (Uses)</b>	<u>(3,308,262)</u>	<u>(509,356)</u>	<u>3,817,618</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	2,274,381	(98,658)	108,105	2,283,828
Fund Balances - Beginning of Year	<u>7,242,289</u>	<u>3,468,354</u>	<u>4,715,927</u>	<u>15,426,570</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 9,516,670</u>	<u>\$ 3,369,696</u>	<u>\$ 4,824,032</u>	<u>\$ 17,710,398</u>

See accompanying Notes to Financial Statements.

**THE CLASSICAL ACADEMY  
(A COMPONENT UNIT OF ACADEMY SCHOOL DISTRICT TWENTY)  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2019**

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

Net Changes in Fund Balances - Governmental Funds	\$ 2,283,828
<p>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:</p>	
Capital Outlay	975,449
Depreciation Expense	(2,278,306)
Contributed Capital Assets	2,559,296
<p>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.</p>	
Principal Payments	1,564,913
<p>Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, were as these amounts are deferred and amortized in the statement of activities:</p>	
Amortization of premium	110,533
Amortization of Loss on Refunding	(315,558)
<p>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.</p>	
Change in Compensated Absences	8,759
<p>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 government-wide statements since the liability is to be paid in the near term.</p>	
	2,225
<p>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:</p>	
OPEB Expense	(34,354)
Pension Income	5,039,526
Change in Contributions Subsequent to Measurement Date	59,622
Change in Net Position for Governmental Activities	\$ 9,975,933

See accompanying Notes to Financial Statements.

**THE CLASSICAL ACADEMY  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**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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**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.

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**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, 2019, 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  
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**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, 2019 consists of deferred losses on debt refundings, pension related items and OPEB 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.

**Long-Term Debt**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures/expenses.

**Postemployment Benefits Other Than Pensions (OPEB)**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Health Care Trust Fund (HCTF) administered by the Public Employees' Retirement Association of Colorado (PERA) and additions to/deductions from the HCTF's fiduciary net position have been determined on the same basis as they are reported by the HCTF. For this purpose, the HCTF recognizes benefit payments when due and payable in accordance with benefit terms. Investments are reported at fair value. See Note 6 for additional information.

**Net Pension Liability**

The Classical Academy's governmental activities report a net pension liability as of June 30, 2019. The Classical Academy is required to report their proportionate share of PERA's unfunded pension liability. See Note 5 for additional information.

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**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. The deferred inflows of resources reported in the governmental activities is due to pension related items and OPEB related items.

**On-Behalf Payments**

GAAP requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of Colorado makes direct on-behalf payments for retirement benefits to Colorado PERA. Beginning on July 1, 2018, the State of Colorado is required to make a payment to PERA each year equal to \$225 million. PERA allocates the contribution to the trust funds of the State, School, Denver Public Schools, and Judicial Division Trust Funds of PERA, as proportionate to the annual payroll of each division. This annual payment is required on July 1st of each year thereafter until there are no unfunded actuarial accrued liabilities of any division of PERA that receives the direct distribution. The amount of on-behalf payments made for The Classical Academy by the State of Colorado has been recorded in the fund financial statements.

**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. TCA had \$49,126 in nonspendable fund balance at June 30, 2019.

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. TCA had \$6,025,619 in restricted fund balance at June 30, 2019.

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 had \$0 of committed fund balance at June 30, 2019.

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**NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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. TCA had \$3,577,709 in assigned fund balance at June 30, 2019.

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.

**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.

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.

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

Cash and investments as of June 30, 2019 consist of the following:

Cash Deposits	\$ 1,218,455
Restricted Cash and Investments	4,628,673
Investments	11,586,917
Certificate of Deposits	2,500,000
Total Cash and Investments	\$ 19,934,045

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, 2019 consist of the following:

Investments	Less Than 1 Year	1 to 5 years	Fair Value
Federal Home Loan Bank	\$ 405,716	\$ 404,416	\$ 810,132
Federal Farm Credit Bank	1,200,304	-	1,200,304
U.S Treasury Bonds	4,814,847	-	4,814,847
Money Market Funds	9,390,307	-	9,390,307
	\$ 15,811,174	\$ 404,416	\$ 16,215,590

**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).

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

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	\$ 810,132	\$ -	\$ 810,132
Federal Farm Credit Bank	1,200,304	-	1,200,304
U.S Treasury Bonds	-	4,814,847	4,814,847
Money Market Funds	-	9,390,307	9,390,307
	<u>\$ 2,010,436</u>	<u>\$ 14,205,154</u>	<u>\$ 16,215,590</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, 2019, TCA had investments in Federal Farm Credit Bank, which represented a concentration of more than 5% of total investments.

**Restricted Cash and Investments**

Cash and investments of \$4,628,673 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, \$175,000 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, 2019:

Investments	Level 1	Level 2	Level 3	Fair Value
Federal Home Loan Bank	\$ -	\$ 810,132	\$ -	\$ 810,132
Federal Farm Credit Bank	-	1,200,304	-	1,200,304
U.S Treasury Bonds	4,814,847	-	-	4,814,847
	<u>\$ 4,814,847</u>	<u>\$ 2,010,436</u>	<u>\$ -</u>	<u>\$ 6,825,283</u>

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

As of June 30, 2019, TCA had \$1,324,464 and \$8,065,843 invested in government money market funds administered by Wells Fargo and Federated Governmental Obligations Fund #636, respectively. Contributions and redemptions of the government money market funds and the Federated Governmental Obligations Fund are transacted at \$1.00 per share and have maturities of less than one year. In addition, the government money market funds and Federated Governmental Obligations Fund 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 and the Federated Governmental Obligations Fund are rated AAAM by Standard & Poor's and are valued at amortized cost. Based on the valuation method, additional disclosures are not required under GASB Statement No. 72.

**NOTE 3 CAPITAL ASSETS**

As of June 30, 2019, capital assets of TCA consisted of the following:

	<u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>June 30, 2019</u>
Governmental Activities				
Capital Assets, Not Depreciated:				
Land	\$ 4,024,412	\$ -	\$ -	\$ 4,024,412
Construction-in-Progress	11,542,117	3,610,939	15,091,058	61,998
Total Capital Assets, Not Depreciated	<u>15,566,529</u>	<u>3,610,939</u>	<u>15,091,058</u>	<u>4,086,410</u>
Capital Assets, Being Depreciated:				
Building and Improvements	54,226,960	15,014,864	-	69,241,824
Transportation and Facility Equipment	118,066	-	-	118,066
Total Capital Assets Being Depreciated	<u>54,345,026</u>	<u>15,014,864</u>	<u>-</u>	<u>69,359,890</u>
Accumulated Depreciation:				
Building and Improvements	(19,081,505)	(2,269,220)	-	(21,350,725)
Transportation and Facility Equipment	<u>(53,887)</u>	<u>(9,086)</u>	<u>-</u>	<u>(62,973)</u>
Facility Equipment				
Total Accumulated Depreciation	<u>(19,135,392)</u>	<u>(2,278,306)</u>	<u>-</u>	<u>(21,413,698)</u>
Total Capital Assets				
Being Depreciated, Net	<u>35,209,634</u>	<u>12,736,558</u>	<u>-</u>	<u>47,946,192</u>
Total Capital Assets	<u>\$ 50,776,163</u>	<u>\$ 16,347,497</u>	<u>\$ 15,091,058</u>	<u>\$ 52,032,602</u>

**Depreciation**

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

Governmental Activities	
Instruction	\$ 1,708,730
Support Services	<u>569,576</u>
	<u>\$ 2,278,306</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, 2018	Additions	Deletions	June 30, 2019	Amounts Due Within One Year
Compensated Absences	\$ 129,481	\$ 108,577	\$ (117,336)	\$ 120,722	\$ 120,722
Building Loans	47,755,000	-	(1,380,000)	46,375,000	1,420,000
Premium	2,417,618	-	(110,533)	2,307,085	110,533
Notes Payable	247,584	-	(184,913)	62,671	62,671
OPEB Liability	2,229,486	94,306	-	2,323,792	-
Net Pension Liability	97,650,341	-	(51,122,128)	46,528,213	-
Total	<u>\$ 150,429,510</u>	<u>\$ 202,883</u>	<u>\$ (52,914,910)</u>	<u>\$ 97,717,483</u>	<u>\$ 1,713,926</u>

**Compensated Absences**

As of June 30, 2019, 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, 2019 was \$13,540,000.

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**NOTE 4 LONG-TERM DEBT (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, 2019 was \$32,835,000. Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 1,420,000	\$ 2,045,162	\$ 3,465,162
2021	1,475,000	1,992,650	3,467,650
2022	1,530,000	1,938,088	3,468,088
2023	1,590,000	1,877,262	3,467,262
2024	1,660,000	1,814,038	3,474,038
2025-2029	9,465,000	7,893,237	17,358,237
2030-2034	12,010,000	5,341,900	17,351,900
2035-2039	14,915,000	2,433,500	17,348,500
2040	2,310,000	92,400	2,402,400
Total	<u>\$ 46,375,000</u>	<u>\$ 25,428,237</u>	<u>\$ 71,803,237</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>
2020	\$ 62,671	\$ 327	\$ 62,998
Total	<u>\$ 62,671</u>	<u>\$ 327</u>	<u>\$ 62,998</u>

**THE CLASSICAL ACADEMY  
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**NOTE 5 DEFINED BENEFIT PENSION PLAN**

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

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. A brief description of some of the major changes to plan provisions required by SB 18-200 for the SCHDTF are listed below. A full copy of the bill can be found online at [www.leg.colorado.gov](http://www.leg.colorado.gov).

- Increases employer contribution rates for the SCHDTF by 0.25 percent on July 1, 2019.
- Increases employee contribution rates for the SCHDTF by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- As specified in C.R.S. § 24-51-413, the State is required to contribute \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, increases the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.
- Member contributions, employer contributions, the direct distribution from the State, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

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**NOTE 5 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

**General Information about the Pension Plan**

*Plan Description:* Eligible employees of TCA are provided with pensions through the TCA 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](http://www.copera.org/investments/pera-financial-reports).

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

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

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases, the service retirement benefit is limited to 100% 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.

As of December 31, 2018, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments in certain years, referred to as annual increases in the C.R.S. Pursuant to SB 18-200, there are no annual increases (AI) for 2018 and 2019 for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure will receive an annual increase, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 1.5 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year.

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Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 will receive the lesser of an annual increase of 1.5 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The automatic adjustment provision may raise or lower the aforementioned AI for a given year by up to one-quarter of 1 percent based on the parameters specified C.R.S. § 24-51-413.

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 of TCA 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:

	January 1, 2018 Through December 31, 2018	January 1, 2019 Through June 30, 2019
Employer Contribution Rate <sup>1</sup>	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) <sup>1</sup>	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF <sup>1</sup>	9.13 %	9.13 %
Amortization Equalization Disbursement (AED) as Specified in C.R.S. § 24-51-411 <sup>1</sup>	4.50 %	4.50 %
Supplemental Amortization Equalization Disbursement (SAED) as Specified in C.R.S. § 24-51-411 <sup>1</sup>	5.50 %	5.50 %
Total Employer Contribution Rate to the SCHDTF <sup>1</sup>	19.13 %	19.13 %

<sup>1</sup>Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

As specified in C.R.S. § 24-51-413, the State is required to contribute \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes

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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, 2019 were \$2,817,569.

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

The net pension liability for the SCHDTF was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll forward the total pension liability to December 31, 2018. TCA's proportion of the net pension liability was based on TCA's contributions to the SCHDTF for the calendar year 2018 relative to the total contributions of participating employers and the State to the SCHDTF.

At June 30, 2019, TCA reported a liability for its proportionate share of the net pension liability that reflected a reduction for State pension support provided to TCA under the direct distribution provision to allocate funds from the State of Colorado budget to PERA on an annual basis beginning in July 2018. The amount recognized by TCA as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with TCA were as follows:

TCA's Proportionate Share of the Net Pension Liability	\$ 46,528,213
State's Proportionate Share of the Net Pension Liability Associated with TCA	<u>6,362,087</u>
Total	<u>\$ 52,890,300</u>

At December 31, 2018, TCA's proportion was 0.26277%, which was a decrease of 0.03922% from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, TCA recognized pension income of \$5,039,526 and revenue of \$32,685 for the support provided by the State as a nonemployer contributing entity. At June 30, 2019, 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	\$ 1,578,289	\$ -
Changes of Assumptions or Other Inputs	8,684,694	28,935,544
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	2,536,078	-
Changes in Proportion and Differences Between Contributions Recognized and Proportionate Share of Contributions	83,268	7,252,479
Contributions Subsequent to the Measurement Date	<u>1,409,347</u>	<u>-</u>
Total	<u>\$ 14,291,676</u>	<u>\$ 36,188,023</u>

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\$1,409,347 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, 2020. 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>	
2020	\$ (4,604,000)
2021	(12,116,389)
2022	(7,972,589)
2023	1,387,284
Total	<u>\$ (23,305,694)</u>

*Actuarial Assumptions*

The December 31, 2017 actuarial valuation used the following actuarial cost method, actuarial assumptions, and other inputs:

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 <sup>1</sup>	4.78%
Future Post Retirement Benefit Increases:	
PERA Benefit Structure Hired Prior to January 1, 2007; and DPS Benefit Structure (Automatic)	2% Compounded Annually
PERA Benefit Structure hired after December 31, 2006 (Ad Hoc, Substantively Automatic)	Financed by the Annual Increase Reserve

The revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2017 to December 31, 2018:

Discount rate	7.25%
Future Post Retirement Benefit Increases:	
PERA Benefit Structure Hired Prior to January 1, 2007; and DPS Benefit Structure (Automatic)	0% through 2019 and 1.5% Compounded Annually, Thereafter
PERA Benefit Structure hired after December 31, 2006 (Ad Hoc, Substantively Automatic)	Financed by the Annual Increase Reserve

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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 based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2017 valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012 through December 31, 2015, as well as, the October 28, 2016 actuarial assumptions workshop and were adopted by PERA's Board during the November 18, 2016 Board meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the SCHDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed 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 most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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<u>Asset Class</u>	<u>Target Allocation</u>	<u>30-Year Expected Geometric Real Rate of Return</u>
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
<b>Total</b>	<u>100.00</u>	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

*Discount Rate:* The discount rate used to measure the total pension liability was 7.25%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include 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 0.5% 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.

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- As specified in law, the State of Colorado, as a nonemployer contributing entity, will provide an annual direct distribution of \$225,000,000, commencing July 1, 2018, and is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- 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 Annual Increase Reserve (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. 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 middle of the year.

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 available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%.

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25% and the municipal bond index rate of 3.43% were used in the discount rate determination resulting in a discount rate of 4.78%.

*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 7.25%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.25%) or one percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate Share of the Net Pension Liability	\$ 59,152,663	\$ 46,528,213	\$ 35,934,170

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**NOTE 5 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

*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](http://www.copera.org/investments/pera-financial-reports).

**NOTE 6 POSTEMPLOYMENT HEALTHCARE BENEFITS**

**General Information about the OPEB Plan**

*Plan Description*

Eligible employees of TCA are provided with OPEB through the Health Care Trust Fund (HCTF) - a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan administered by the Public Employees' Retirement Association of Colorado (PERA). The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Benefits Provided*

The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four divisions (State Division, School Division, Local Government Division and Judicial Division Trust Funds), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

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

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**NOTE 6 POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)**

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

*PERA Benefit Structure*

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

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

*Contributions*

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and TCA is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from TCA were \$150,231 for the year ended June 30, 2019.

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

At June 30, 2019, TCA reported a liability of \$2,323,792 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2018. TCA's proportion of the net OPEB liability was based on the TCA's contributions to the HCTF for the calendar year 2018 relative to the total contributions of participating employers to the HCTF.

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**NOTE 6 POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)**

At December 31, 2018, TCA's proportion was 0.17079% which was a decrease of 0.00075% from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, TCA recognized OPEB expense of \$37,532. At June 30, 2019, TCA reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 8,434	\$ 3,537
Changes of Assumptions or Other Inputs	16,301	-
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	13,363	-
Changes in Proportion and Differences Between Contributions Recognized and Proportionate Share of Contributions	-	23,472
Contributions Subsequent to the Measurement Date	75,145	-
Total	\$ 113,243	\$ 27,009

\$75,145 reported as deferred outflows of resources related to OPEB resulting from TCA contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2020	\$ 258
2021	258
2022	261
2023	9,539
2024	740
Thereafter	33
Total	\$ 11,089

*Actuarial Assumptions*

The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs:

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**NOTE 6 POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)**

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% in the Aggregate
Long-Term Investment Rate of Return, Net of OPEB Plan	
Investment Expenses, Including Price Inflation	7.25%
Discount Rate <sup>1</sup>	7.25%
Health Care Cost Trend Rates	
Service-based Premium Subsidy	0.00%
PERACare Medicare Plans	5.00%
Medicare Part A Premiums	3.25% for 2018 Gradually Rising to 5.00% in 2025

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

The actuarial assumptions used in the December 31, 2017, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012 through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as discussed below.

In determining the additional liability for PERACare enrollees who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following monthly costs/premiums are assumed for 2018 for the PERA Benefit Structure:

<b>Medicare Plan</b>	<b>Cost for Members Without Medicare Part A</b>	<b>Premiums for Members Without Medicare Part A</b>
Self-Funded Medicare Supplement Plans	\$ 736	\$ 367
Kaiser Permanente Medicare Advantage HMO	602	236
Rocky Mountain Health Plans Medicare HMO	611	251
UnitedHealthcare Medicare HMO	686	213

The 2018 Medicare Part A premium is \$422 per month.

In determining the additional liability for PERACare enrollees in the PERA Benefit Structure who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following chart details the initial expected value of Medicare Part A benefits, age adjusted to age 65 for the year following the valuation date:

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**NOTE 6 POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)**

<b>Medicare Plan</b>	<b>Cost for Members Without Medicare Part A</b>
Self-Funded Medicare Supplement Plans	\$ 289
Kaiser Permanente Medicare Advantage HMO	300
Rocky Mountain Health Plans Medicare HMO	270
UnitedHealthcare Medicare HMO	400

All costs are subject to the health care cost trend rates, as discussed below.

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2017, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

<b>Year</b>	<b>PERACare Medicare Plans</b>	<b>Medicare Part A Premiums</b>
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.25%
2023	5.00%	4.50%
2024	5.00%	4.75%
2025+	5.00%	5.00%

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

**THE CLASSICAL ACADEMY  
(A COMPONENT UNIT OF ACADEMY SCHOOL DISTRICT TWENTY)  
NOTES TO FINANCIAL STATEMENTS  
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**NOTE 6 POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)**

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

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

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

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

The mortality assumption for disabled retirees was based on 90% of the RP-2014 Disabled Retiree Mortality Table.

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

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2018 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

**THE CLASSICAL ACADEMY  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 6 POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)**

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four of five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the HCTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed 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 most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
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
<b>Total</b>	<u>100.00</u>	

In setting the long-term expected rate of return, projections employed to model future returns provide a range of expected long-term returns that, including expected inflation, ultimately support a long-term expected rate of return assumption of 7.25%.

*Sensitivity of TCA's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates*

The following presents TCA's proportionate share of the net OPEB liability, as well as what TCA's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

**THE CLASSICAL ACADEMY  
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NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 6 POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)**

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare Trend Rate	4.00%	5.00%	6.00%
Initial Medicare Part A Trend Rate	2.25%	3.25%	4.25%
Ultimate Medicare Part A Trend Rate	4.00%	5.00%	6.00%
Proportionate Share of the Net OPEB Liability	\$ 2,259,623	\$ 2,323,792	\$ 2,397,597

*Discount Rate*

The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2018, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- 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.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the HCTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate. There was no change in the discount rate from the prior measurement date.

**THE CLASSICAL ACADEMY  
(A COMPONENT UNIT OF ACADEMY SCHOOL DISTRICT TWENTY)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 6 POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)**

*Sensitivity of TCA's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate*

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate Share of the Net OPEB Liability	\$ 2,600,121	\$ 2,323,792	\$ 2,087,556

*OPEB plan fiduciary net position*

Detailed information about the HCTF plan's fiduciary net position is available in the separately issued comprehensive annual financial report issued by PERA. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**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, 2019, TCA believes it has complied with the TABOR requirements. At June 30, 2019, TCA's reserve of \$965,960 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, 2019 was \$13,055,000.

**THE CLASSICAL ACADEMY  
(A COMPONENT UNIT OF ACADEMY SCHOOL DISTRICT TWENTY)  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2019**

**NOTE 8 LIABILITY FOR UNSUBMITTED CLAIMS**

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors. The carrying amount of claim liabilities are stated at anticipated cost for claims expected to be paid during the next year. The estimated claim liability of \$844,260 as of June 30, 2019, and \$799,523 as of June 30, 2018, represents an estimate of IBNR claims. This plan is included in TCA's general fund within the financial statement line accrued salaries and benefits. The following presents the changes in claims liability balances during the current fiscal year ended June 30, 2019 and prior fiscal year ended June 30, 2018:

	<u>2019</u>	<u>2018</u>
Beginning Balance - July 1	\$ 799,523	\$ 224,412
Current Year Claims and Fees	1,482,883	3,435,545
Claims Paid	<u>(1,438,146)</u>	<u>(2,860,434)</u>
Ending Balance - June 30	<u>\$ 844,260</u>	<u>\$ 799,523</u>

**NOTE 9 RELATED-PARTY TRANSACTIONS**

State categorical revenue consists of cash payments passed through the District totaling \$26,023,372 for the year ended June 30, 2019. In addition, as of June 30, 2019 TCA had \$11,487 due to the District.

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, 2019 was \$62,671. 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 THE NET PENSION LIABILITY  
LAST SIX FISCAL YEARS**

Fiscal Year	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Plan Measurement Date	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013
TCA's Proportion of the Net Pension Liability	0.262766538%	0.301982292%	0.304882153%	0.300493717%	0.293307900%	0.289133111%
TCA's Proportionate Share of the Net Pension Liability	\$ 46,528,213	\$ 97,650,341	\$ 90,775,207	\$ 45,958,392	\$ 39,753,073	\$ 36,878,850
State's Proportionate Share of the Net Pension Liability Associated with the TCA **	6,362,087	-	-	-	-	-
Total	<u>\$ 52,890,300</u>	<u>\$ 97,650,341</u>	<u>\$ 90,775,207</u>	<u>\$ 45,958,392</u>	<u>\$ 39,753,073</u>	<u>\$ 36,878,850</u>
TCA's Covered Payroll	14,445,628	13,952,522	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	322.09%	699.88%	666.96%	352.34%	323.52%	316.40%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	57.01%	43.96%	43.10%	59.20%	62.80%	64.06%

\* The amounts presented for each fiscal year were determined as of December 31 based on the measurement date of the Plan. Information earlier than 2014 was not available.

\*\* A direct distribution provision to allocate funds from the State of Colorado budget to Colorado PERA on an annual basis began in July 2018 based on Senate Bill 18-200.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 2,817,569	\$ 2,672,087	\$ 2,523,065	\$ 2,379,751	\$ 2,018,836	\$ 1,810,158
Contributions in Relation to the Contractually Required Contribution	<u>2,817,569</u>	<u>2,672,087</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
TCA's Covered Payroll	<u>\$ 14,728,535</u>	<u>\$ 14,153,567</u>	<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	19.13%	18.88%	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)  
SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
LAST THREE FISCAL YEARS**

Fiscal Year	<u>2019</u>	<u>2018</u>	<u>2017</u>
Plan Measurement Date	December 31, 2018	December 31, 2017	December 31, 2016
TCA's Proportion of the OPEB Liability	0.170798971%	0.171551725%	0.173298589%
TCA's Proportionate Share of the OPEB Liability	\$ 2,323,792	\$ 2,229,486	\$ 2,246,875
TCA's Covered Payroll	\$ 14,445,628	\$ 13,952,522	\$ 13,610,248
TCA's Proportionate Share of the OPEB Liability as a Percentage of its Covered Payroll	16.09%	15.98%	16.51%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	17.03%	17.53%	16.72%

\* The amounts presented for each fiscal year were determined as of December 31 based on the measurement date of the Plan. Information earlier than 2017 was not available.

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contribution	\$ 150,231	\$ 144,366	\$ 140,020	\$ 136,894	\$ 125,332	\$ 118,890
Contributions in Relation to the Contractually Required Contribution	<u>150,231</u>	<u>144,366</u>	<u>140,020</u>	<u>136,894</u>	<u>125,332</u>	<u>118,890</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
TCA's Covered Payroll	<u>\$ 14,728,535</u>	<u>\$ 14,153,567</u>	<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	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%

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, 2019**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Local Sources				
Per Pupil Revenue	\$ 25,867,000	\$ 26,015,000	\$ 26,023,373	\$ 8,373
Mill Levy Override	2,628,000	2,627,874	2,627,874	-
Grants	225,000	225,000	217,287	(7,713)
Rental Income	128,000	128,000	127,026	(974)
Investment Income	90,000	130,000	224,485	94,485
Miscellaneous	10,000	10,000	396,076	386,076
State Sources				
State Contribution	-	-	377,865	377,865
Special Education	232,000	232,000	227,620	(4,380)
Capital Construction	802,000	850,000	882,619	32,619
Federal Sources				
Impact Aid	60,000	70,000	91,960	21,960
Special Education	275,000	275,400	270,944	(4,456)
Total Revenues	<u>30,317,000</u>	<u>30,563,274</u>	<u>31,467,129</u>	<u>903,855</u>
<b>EXPENDITURES</b>				
Instructional and Supporting Services	26,839,000	26,900,233	25,151,921	1,748,312
Capital Outlay	740,000	995,000	732,565	262,435
Total Expenditures	<u>27,579,000</u>	<u>27,895,233</u>	<u>25,884,486</u>	<u>2,010,747</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	1,365,000	1,140,000	809,356	(330,644)
Transfers Out	(4,085,000)	(4,085,000)	(4,117,618)	(32,618)
Total Other Financing Sources (Uses)	<u>(2,720,000)</u>	<u>(2,945,000)</u>	<u>(3,308,262)</u>	<u>(363,262)</u>
<b>NET CHANGE IN BALANCE</b>	18,000	(276,959)	2,274,381	2,551,340
Fund Balance - Beginning of Year	<u>6,065,000</u>	<u>7,242,289</u>	<u>7,242,289</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ 6,083,000</u></u>	<u><u>\$ 6,965,330</u></u>	<u><u>\$ 9,516,670</u></u>	<u><u>\$ 2,551,340</u></u>

**THE CLASSICAL ACADEMY  
(A COMPONENT UNIT OF ACADEMY SCHOOL DISTRICT TWENTY)  
BUDGETARY COMPARISON SCHEDULE  
FUNDRAISING FUND  
YEAR ENDED JUNE 30, 2019**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Local Sources				
Fee and Service Revenue	\$ 869,000	\$ 868,700	\$ 893,721	\$ 25,021
Contributions and Donations	771,000	771,000	800,047	29,047
Investment Income	22,000	22,000	65,755	43,755
Total Revenues	<u>1,662,000</u>	<u>1,661,700</u>	<u>1,759,523</u>	<u>97,823</u>
<b>EXPENDITURES</b>				
Instructional and Supporting Services	1,031,000	1,215,400	1,237,177	(21,777)
Capital Outlay	-	35,000	111,648	(76,648)
Total Expenditures	<u>1,031,000</u>	<u>1,250,400</u>	<u>1,348,825</u>	<u>(98,425)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	300,000	300,000	300,000	-
Transfers Out	(1,365,000)	(1,140,000)	(809,356)	330,644
Total Other Financing Sources (Uses)	<u>(1,065,000)</u>	<u>(840,000)</u>	<u>(509,356)</u>	<u>330,644</u>
<b>NET CHANGE IN BALANCE</b>	(434,000)	(428,700)	(98,658)	330,042
Fund Balance - Beginning of Year	<u>4,416,000</u>	<u>3,468,354</u>	<u>3,468,354</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u>\$ 3,982,000</u>	<u>\$ 3,039,654</u>	<u>\$ 3,369,696</u>	<u>\$ 330,042</u>

**THE CLASSICAL ACADEMY  
(A COMPONENT UNIT OF ACADEMY SCHOOL DISTRICT TWENTY)  
BUDGETARY COMPARISON SCHEDULE  
BUILDING CORPORATION  
YEAR ENDED JUNE 30, 2019**

	Budget		Actual	Variance Positive (Negative)
	Original	Final		
<b>REVENUE</b>				
Local Sources				
Investment Income	\$ 8,000	\$ 8,000	\$ 134,352	\$ 126,352
Miscellaneous	-	-	629	629
Total Revenues	<u>8,000</u>	<u>8,000</u>	<u>134,981</u>	<u>126,981</u>
<b>EXPENDITURES</b>				
Administrative and Supporting Services	75,000	75,000	80,222	(5,222)
Capital Outlay	-	175,000	131,236	43,764
Debt Service				
Principal	1,380,000	1,380,000	1,564,913	(184,913)
Interest	2,289,000	2,289,024	2,068,123	220,901
Total Expenditures	<u>3,744,000</u>	<u>3,919,024</u>	<u>3,844,494</u>	<u>74,530</u>
<b>OTHER FINANCING SOURCES</b>				
Transfers In	<u>3,785,000</u>	<u>3,785,000</u>	<u>3,817,618</u>	<u>32,618</u>
Total Other Financing Sources	<u>3,785,000</u>	<u>3,785,000</u>	<u>3,817,618</u>	<u>32,618</u>
<b>NET CHANGE IN BALANCE</b>	49,000	(126,024)	108,105	234,129
Fund Balance - Beginning of Year	<u>4,674,000</u>	<u>4,715,927</u>	<u>4,715,927</u>	<u>-</u>
<b>FUND BALANCE - END OF YEAR</b>	<u><u>\$ 4,723,000</u></u>	<u><u>\$ 4,589,903</u></u>	<u><u>\$ 4,824,032</u></u>	<u><u>\$ 234,129</u></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, 2019, 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 October 2, 2019.

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



**CliftonLarsonAllen LLP**

Greenwood, Colorado  
October 2, 2019