

**Community Leadership Academy, Inc.**

Financial Statements

June 30, 2019



# Community Leadership Academy, Inc.

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## Independent Auditors' Report

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Community Leadership Academy, Inc., as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements of Community Leadership Academy, Inc., as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditors' Responsibility**

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

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

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of Community Leadership Academy, Inc., as of June 30, 2019, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Hick & Company, PC*

Greenwood Village, Colorado  
September 18, 2019



# **COMMUNITY LEADERSHIP ACADEMY, INC.**

## **MANAGEMENT DISCUSSION AND ANALYSIS**

As management of the Community Leadership Academy, Inc., (also referred to as the “Academy”) we offer readers of the audited financial statements this narrative overview and analysis of the financial activities of the Academy for the fiscal year ended June 30, 2019. Community Leadership Academy, Inc. provides instructional programs at two locations, the elementary Pre-K through 5<sup>th</sup> grades are served at the Community Leadership Academy on Holly Street and the secondary grades 6 through 12 are served at the Victory Preparatory Academy on Quebec Street. The activities of both schools are included in the financial statements and were included in the audit of Community Leadership Academy, Inc.

## **FINANCIAL HIGHLIGHTS**

In 2018 the Academy implemented GASB 75 which requires reporting of the Academy’s share of Postemployment Healthcare Benefits administered by the Public Employees’ Retirement Association of Colorado (PERA). Under GASB 75, the Academy’s proportionate share of the net OPEB liability of the Health Care Trust Fund (HTCF) is recorded as a liability of the Academy. At June 30, 2019 the net pension liability was \$513,453 compared to \$488,648 the prior year.

Under GASB 68, which was implemented in 2015, the Academy’s proportionate share of the net pension liability of the Colorado state retirement system, the Public Employees Retirement Association (PERA), is recorded as a liability of the Academy. At June 30, 2018 the net pension liability was \$10,280,597 compared to \$21,398,364 the prior year.

Deferred outflows decreased to \$3,302,197 compared to \$6,534,888 the prior year. Deferred inflows increased to \$7,925,321 compared to \$1,084,422 the prior year.

The Community Leadership Academy Building Corporation was formed for the specific purpose to hold title to real and/or personal property for the Academy at its Holly Street location, to make the same available for use by the school, and to otherwise provide a public building, facilities, and equipment to the elementary school. Ending net position of the Building Corporation at June 30, 2019 increased \$104,641 to \$510,053.

A second building corporation, known as Community Leadership Academy Building Corporation II, was created to hold title to real and/or personal property for the Academy at its Quebec Street location, to make the same available for use by the secondary school, and to otherwise provide a public building, facilities, and equipment to the school. Ending net position of Building Corporation II at June 30, 2019 decreased \$86,072 to (\$1,826,731).

## OVERVIEW OF FINANCIAL STATEMENTS

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

### **Government-wide Financial Statements:**

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

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

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

The government-wide statement of activities distinguishes functions/programs of the Academy supported primarily by per pupil revenue (PPR) passed through from the Colorado Charter School Institute (CSI). The governmental activities of the Academy include instruction, supporting services and food service expenses. The government-wide financial statements can be found on pages 3-4 of this report.

### **Fund Financial Statements:**

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

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

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

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

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

**Notes to the Financial Statements:** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This information is provided on pages 11 through 32.

## GOVERNMENT-WIDE FINANCIAL STATEMENT ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Academy, liabilities exceeded assets by \$10,878,078 as of the close of the 2018-19 fiscal year compared to \$12,319,165 the prior year. The negative balance is primarily due to the adoption of GASB Statement No. 68 in 2015 and No. 75 in 2018 whereby the Academy reports its proportionate share of the state retirement system plan and postemployment healthcare benefits as liabilities on its financial statement. The net pension liability at the end of the current fiscal year is \$10,280,597 compared to \$21,398,364 for 2018. The net OPEB liability at the end of the current fiscal year is \$513,453 compared to \$488,648 for 2018.

### Statement of Net Position Governmental and Business Type Activities

	30-Jun-19	30-Jun-18	Net Change
Current and other assets	\$ 9,716,669	\$ 9,237,369	\$ 479,300
Capital assets	\$ 19,226,552	\$ 19,508,491	\$ (281,939)
TOTAL ASSETS	\$ 28,943,221	\$ 28,745,860	\$ 197,361
DEFERRED OUTFLOWS OF RESOURCES	\$ 3,302,197	\$ 6,534,888	\$ (3,232,691)
Current liabilities	\$ 1,345,015	\$ 1,305,731	\$ 39,284
Other liabilities	\$ 33,853,160	\$ 45,209,760	\$ (11,356,600)
TOTAL LIABILITIES	\$ 35,198,175	\$ 46,515,491	\$ (11,317,316)
DEFERRED INFLOWS OF RESOURCES	\$ 7,925,321	\$ 1,084,422	\$ 6,840,899
Net Position			
Net Investment in Capital Assets	\$ (4,097,558)	\$ (4,064,257)	\$ (33,301)
Restricted for Debt Service	\$ 2,708,924	\$ 2,687,661	\$ 21,263
Restricted for Repairs & Replacement	\$ 162,307	\$ 154,896	\$ 7,411
Restricted for Emergencies	\$ 338,000	\$ 314,000	\$ 24,000
Unrestricted	\$ (9,989,751)	\$ (11,411,465)	\$ 1,421,714
TOTAL NET POSITION	\$ (10,878,078)	\$ (12,319,165)	\$ 1,441,087

Cash and investments make up 33.1% of the Academy's total assets of which 37.5% is restricted in the building corporations for repair and replacement of capital assets and to repay debt. Capital assets, which reflect the Academy's investment in real and personal property and equipment, currently make up 66.4% of total assets. The remaining assets, primarily grants receivable, make up 0.5% of total assets. Overall total assets increased \$197,361 primarily due to current assets accumulated from current operations offset by depreciating capital assets.

Net deferred outflows related to pensions decreased from \$6,515,696 for 2018 to \$3,271,695 for 2019. Deferred outflows related to postemployment benefits were \$30,502 at year end compared to \$19,192 the prior year.

Deferred inflows related to pensions increased to \$7,919,773 for 2019 compared to \$1,070,315 for 2018. Deferred inflows related to postemployment benefits totaled \$5,548 at year end compared to \$14,107 the prior year.

Liabilities decreased by \$11,317,316 primarily due to the changes to pension and OPEB liabilities and principal paid on outstanding debt. Current liabilities increased by \$39,284.

**Community Leadership Academy, Inc.**  
**Statement of Activities**  
**For the Years Ended June 30, 2019 and June 30, 2018**

	<u>30-Jun-19</u>	<u>30-Jun-18</u>	<u>Net Change</u>
Program Revenue:			
Charges for Services	\$ 14,807	\$ 18,258	\$ (3,451)
Grants & Contributions	\$ 1,345,708	\$ 1,160,123	\$ 185,585
Total Program Revenue	<u>\$ 1,360,515</u>	<u>\$ 1,178,381</u>	<u>\$ 182,134</u>
General Revenue:			
Per Pupil Operating Revenue	\$ 6,933,218	\$ 7,278,288	\$ (345,070)
At-Risk Supplemental Aid	\$ 55,274	\$ 59,048	\$ (3,774)
Mill Levy Equalization	\$ 274,006	\$ -	\$ 274,006
Capital Construction Grant	\$ 249,842	\$ 242,420	\$ 7,422
Investment Income	\$ 188,829	\$ 99,843	\$ 88,986
Miscellaneous	\$ 44,219	\$ 73,987	\$ (29,768)
Total General Revenue	<u>\$ 7,745,388</u>	<u>\$ 7,753,586</u>	<u>\$ (8,198)</u>
Total Revenue	<u>\$ 9,105,903</u>	<u>\$ 8,931,967</u>	<u>\$ 173,936</u>
Expenses:			
Current:			
Instruction	\$ 2,859,248	\$ 6,564,204	\$ (3,704,956)
Supporting Services	\$ 2,379,774	\$ 3,500,831	\$ (1,121,057)
Food Service	\$ 517,756	\$ 543,737	\$ (25,981)
Building Corporation	\$ 567,836	\$ 580,936	\$ (13,100)
Building Corporation II	\$ 1,340,202	\$ 1,351,644	\$ (11,442)
Total Expenses	<u>\$ 7,664,816</u>	<u>\$ 12,541,352</u>	<u>\$ (4,876,536)</u>
CHANGE IN NET POSITION	\$ 1,441,087	\$ (3,609,385)	\$ 5,050,472
NET POSTION, Beginning (Restated)	\$ (12,319,165)	\$ (8,709,780)	\$ (3,609,385)
NET POSTION, Ending	<u>\$ (10,878,078)</u>	<u>\$ (12,319,165)</u>	<u>\$ 1,441,087</u>

Total revenue increased \$173,936 primarily from grants and contributions which increased by \$185,585 due to a new ELPA Excellence grant to serve middle school level students. Per pupil revenue decreased by \$345,070 due to 86 fewer students offset by a \$417 increase to per pupil operating revenue from the State. Mill levy equalization,

which is a new source of revenue for 2019, totaled \$274,006. Investment income increased \$88,986 due to improved earnings rates and more funds invested.

Overall expenditures decreased \$4,876,536 primarily due to changes in pension and OPEB liabilities, inflows, outflows and related pension expense recognized under GASB 68 and 75. Instructional expenses decreased by \$3,704,956 while supporting services expenses decreased by \$1,121,057. Food Service costs driven by the number of meals served decreased \$25,981 from the prior year due to decline in enrollment.

## ANALYSIS OF THE FUND FINANCIAL STATEMENTS

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

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

This is the fourteenth full year of operations for the Academy. Governmental Fund revenue for FY 2018-19 was \$9,121,076 compared to \$8,897,735 the prior year. School finance revenue makes up 76% of the Academy's total revenue compared to 82.2% the prior year. Per pupil funding increased from \$7,904 to \$8,321 while enrollment decreased by 86 students resulting in a decrease in per pupil operating revenue by \$345,070. Other local revenue increased \$28,903 due to increased interest income offset by Erate rebates now applied to discounted services instead of reporting as revenue. State revenue increased \$542,028 primarily due to two new sources of revenue, mill levy override revenue totaling \$274,006 and ELPA Excellence grant funds totaling \$205,057. Revenue from Federal sources decreased only slightly by \$2,520.

As of the end of the current fiscal year, the Academy reported an ending fund balance in its governmental fund of \$5,765,423 compared to \$5,339,081 the prior year, an increase of \$426,342 compared to \$855,858 the prior year. Revenues increased \$223,341 while expenditures increased \$725,902. Expenditure increases were primarily due to improvements to salaries and benefits for employees in an attempt to reduce staff turnover.

**Proprietary Funds:** The combined net position of the building corporations as of June 30, 2019 is (\$1,316,678) compared to (\$1,335,247) for the prior year. The current year increase of \$18,569 is made up of net income of \$104,641 from the Building Corporation and a net loss of (\$86,072) from Building Corporation II from normal operations.

## BUDGETARY HIGHLIGHTS

The Academy approves a budget in June based on enrollment projections for the following school year. In December, after enrollment is finalized, the budget may be amended. For 2018-19 the budget was amended to adjust appropriations for loss of revenue due to decreased enrollment and to recognize spending from new State funding sources. Overall expected revenues and other financing sources decreased \$565,400 while budgeted expenditures and other uses decreased \$365,400 resulting in a projected use of reserves of \$200,000 in the amended budget.

The majority of Academy spending in the Governmental Fund is for salaries and benefits at 55.2% of total expenditures for 2018-19 compared to 51.5% the prior year. Facility lease fees make up 21.9% of total expenditures in 2018-19 compared to 23.9% the prior year. Other purchased services make up 13.1% compared to 14.5% the prior year. Other purchased services include transportation, maintenance, insurance, technology, accounting and legal services from various providers, and general and central services purchased from the authorizer, Colorado Charter School Institute. Remaining expenditures are primarily for supplies and property.

Revenue in the General Fund was \$198,076 more than expected primarily due to increased investment income, unexpected state funding for at-risk students and recognition of the Academy's proportionate share of PERA contributions paid by the State. Expenditures were \$394,221 under budget, a variance of 4.3%. Instructional costs were under budget by \$115,623 due to staff turnover causing temporary vacancies during the year. Support services were under budget by \$273,354 primarily due to purchased services for general and central administration fees being less than expected and the 1% CDE fee rebated to charter schools authorized by the Colorado Charter School Institute. Facilities maintenance and operations were under budget due to deferred maintenance projects and property acquisitions and reduced cost of supplies. Food service was under budget by \$5,244. Expenditures did not exceed the amount appropriated for fiscal year 2018-19 and is therefore in compliance with State statute.

## CAPITAL ASSETS AND LONG-TERM DEBT

**Capital assets:** The Community Leadership Academy Building Corporation owns land with a carrying value of \$820,000 and building and improvements capitalized at \$6,867,919 at June 30, 2018. Equipment totaled \$284,093. The net carrying value of Building Corporation capital assets after subtracting accumulated depreciation is \$6,953,834.

Building Corporation II owns land with a carrying value of \$750,000. At the end of 2017-18 the total capitalized value for buildings and improvements is \$11,975,345 and for equipment is \$306,956. The net carrying value of Building Corporation II capital assets after subtracting accumulated depreciation is \$12,182,367.

**Long-term debt:** In February 2008, the Building Corporation issued \$8,810,000 in bonds under an agreement with the Colorado Educational and Cultural Facilities

Authority (CECFA) at a net interest cost of 6.5%. The proceeds were used, in part to create a debt service reserve of \$675,714 and pay debt issuance costs of \$300,644. The remaining proceeds were used to acquire capital assets described above for the Building Corporation. The Academy makes lease payments to the Building Corporation for use of the facility, which the corporation uses to make the required principal and interest payments on the bonds. These transactions flow through the State intercept program where the State withholds a portion of the school finance act funding and transfers the funds to the designated trustee that in turn makes the principal and interest payments when due.

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

## **ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

Enrollment is critical to generating the funding needed to meet the challenges related to debt obligations. The Academy developed a strategic growth plan to ensure that it remains financially stable as it expands to a Pre-K through 12<sup>th</sup> grade school. The economy appears to be recovering with consistent increases to per pupil funding in recent years. Management continues to monitor the changes in per pupil funding and operating costs to ensure that the budget is balanced and that the Academy meets its obligations.

During 2013-14 through 2015-16 a portion of the interest on the 2013 bond issue were paid from the capitalized interest fund created from the bond proceeds. In 2016-17 the Academy was responsible for the full annual obligation related to the Series 2013 bond. The Academy has reached a level of enrollment that generates the revenue necessary to pay the maximum lease payments due to Building Corporation II. The lease payments to the Building Corporation for principal and interest due on the 2008 bond issue have stabilized and have no increased impact on future fiscal years.

In November of 2000 voters in Colorado approved a provision to the Colorado constitution providing that K-12 funding would increase at pupil growth, plus inflation, plus 1% for 10 years and thereafter, growth plus inflation. As a result of this provision the single most important factor in projecting revenues is estimated future inflation. There was a significant recession during 2008-09 that continued through the 2011-12 fiscal year resulting in deflation (negative growth). In an effort to balance its budget, the State rescinded funding approved for public schools. Per pupil funding declined each

year for four years and then stabilized in 2012-13 with base per pupil funding remaining the same as the prior year. Since then, per pupil funding increased 2.2% in 2013-14, 4.1% in 2014-15, 2.4% in 2015-16, 3.6% in 2016-17, 2.8% in 2017-18 and 5.3% for 2018-19. Funding for 2019-20 is projected to increase 3% to \$8,570 per student. Maintaining or increasing enrollment and sustaining the growth in K-12 funding continue to be uncertain and a challenge for most charter schools.

## **REQUESTS FOR INFORMATION**

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

## **Basic Financial Statements**

**Community Leadership Academy, Inc.**  
Statement of Net Position  
June 30, 2019

	Governmental Activities	Business-Type Activities	Total
<b>Assets</b>			
Cash and Investments	\$ 5,985,875	\$ -	\$ 5,985,875
Restricted Cash and Investments	-	3,597,228	3,597,228
Accounts Receivable	53,347	-	53,347
Grants Receivable	73,244	-	73,244
Inventory	6,975	-	6,975
Capital Assets, <i>Not Being Depreciated</i>	-	1,570,000	1,570,000
Capital Assets, <i>Net of Accumulated Depreciation</i>	90,351	17,566,201	17,656,552
Total Assets	<u>6,209,792</u>	<u>22,733,429</u>	<u>28,943,221</u>
<b>Deferred Outflows of Resources</b>			
Pensions, <i>Net of Accumulated Amortization</i>	3,271,695	-	3,271,695
OPEB, <i>Net of Accumulated Amortization</i>	30,502	-	30,502
Total Deferred Outflows of Resources	<u>3,302,197</u>	<u>-</u>	<u>3,302,197</u>
<b>Liabilities</b>			
Accounts Payable	88,881	-	88,881
Accrued Salaries and Benefits	265,137	-	265,137
Unearned Revenues	-	-	-
Accrued Interest Payable	-	725,997	725,997
Noncurrent Liabilities			
Due Within One Year	-	265,000	265,000
Due in More Than One Year	-	23,059,110	23,059,110
Net Pension Liability	10,280,597	-	10,280,597
Net OPEB Liability	513,453	-	513,453
Total Liabilities	<u>11,148,068</u>	<u>24,050,107</u>	<u>35,198,175</u>
<b>Deferred Inflows of Resources</b>			
Pensions, <i>Net of Accumulated Amortization</i>	7,919,773	-	7,919,773
OPEB, <i>Net of Accumulated Amortization</i>	5,548	-	5,548
Total Deferred Inflows of Resources	<u>7,925,321</u>	<u>-</u>	<u>7,925,321</u>
<b>Net Position</b>			
Net Investment in Capital Assets	90,351	(4,187,909)	(4,097,558)
Restricted for:			
Debt Service	-	2,708,924	2,708,924
Repair and Replacement	-	162,307	162,307
Emergencies	338,000	-	338,000
Unrestricted	<u>(9,989,751)</u>	<u>-</u>	<u>(9,989,751)</u>
Total Net Position	<u>\$ (9,561,400)</u>	<u>\$ (1,316,678)</u>	<u>\$ (10,878,078)</u>

See Notes to Financial Statements.

**Community Leadership Academy, Inc.**  
**Statement of Activities**  
For the Year Ended June 30, 2019

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position		
		Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
<b>Primary Government</b>						
<i>Governmental Activities</i>						
Instruction	\$ 2,859,248	\$ 5,862	\$ 766,439	\$ (2,086,947)	\$ -	\$ (2,086,947)
Supporting Services	2,379,774	-	167,027	(2,212,747)	-	(2,212,747)
Food Service	517,756	8,945	412,242	(96,569)	-	(96,569)
Total Governmental Activities	5,756,778	14,807	1,345,708	(4,396,263)	-	(4,396,263)
<i>Business-Type Activities</i>						
Building Corporation I	567,836	-	-	-	(567,836)	(567,836)
Building Corporation II	1,340,202	-	-	-	(1,340,202)	(1,340,202)
Total Business-Type Activities	1,908,038	-	-	-	(1,908,038)	(1,908,038)
Total Primary Government	\$ 7,664,816	\$ 14,807	\$ 1,345,708	(4,396,263)	(1,908,038)	(6,304,301)
<b>General Revenues</b>						
Per Pupil Revenue				6,933,218	-	6,933,218
Mill Levy Equalization				274,006	-	274,006
At-Risk Supplemental Aid				47,043	-	47,043
Additional At-Risk Funding				8,231	-	8,231
Capital Construction				249,842	-	249,842
Investment Income				127,733	61,096	188,829
Other				44,219	-	44,219
<b>Transfers</b>				(1,865,511)	1,865,511	-
Total General Revenues and Transfers				5,818,781	1,926,607	7,745,388
Change in Net Position				1,422,518	18,569	1,441,087
<b>Net Position, Beginning of year</b>				(10,983,918)	(1,335,247)	(12,319,165)
<b>Net Position, End of year</b>				\$ (9,561,400)	\$ (1,316,678)	\$ (10,878,078)

**Community Leadership Academy, Inc.**  
 Balance Sheet  
 Governmental Fund  
 June 30, 2019

	General
<b>Assets</b>	
Cash and Investments	\$ 5,985,875
Accounts Receivable	53,347
Grants Receivable	73,244
Inventory	6,975
Total Assets	\$ 6,119,441
<b>Liabilities and Fund Balance</b>	
<i>Liabilities</i>	
Accounts Payable	\$ 88,881
Accrued Salaries and Benefits	265,137
Unearned Revenues	-
Total Liabilities	354,018
<i>Fund Balance</i>	
Nonspendable Inventory	6,975
Restricted for Emergencies	338,000
Unrestricted, Unassigned	5,420,448
Total Fund Balance	5,765,423
Total Liabilities and Fund Balance	\$ 6,119,441

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

Total Fund Balance of the Governmental Fund	\$ 5,765,423
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	90,351
Long-term liabilities and related items are not due and payable in the current year, and, therefore, are not reported in governmental funds:	
Net pension liability	(10,280,597)
Pension-related deferred outflows of resources	3,271,695
Pension-related deferred inflows of resources	(7,919,773)
Net OPEB liability	(513,453)
OPEB-related deferred outflows of resources	30,502
OPEB-related deferred inflows of resources	(5,548)
Total Net Position of Governmental Activities	\$ (9,561,400)

**Community Leadership Academy, Inc.**  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Fund  
For the Year Ended June 30, 2019

	General
<b>Revenues</b>	
Local Sources	\$ 7,119,977
State Sources	1,195,078
Federal Sources	806,021
Total Revenues	9,121,076
<b>Expenditures</b>	
Instruction	3,581,677
Supporting Services	4,642,346
Food Service	517,756
Total Expenditures	8,741,779
<b>Excess of Revenues Over Expenditures</b>	379,297
<b>Other Financing Sources (Uses)</b>	
Transfers In (Out)	47,045
<b>Net Change in Fund Balance</b>	426,342
<b>Fund Balance, <i>Beginning of year</i></b>	5,339,081
<b>Fund Balance, <i>End of year</i></b>	\$ 5,765,423

## Community Leadership Academy, Inc.

### Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities For the Year Ended June 30, 2019

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

Net Change in Fund Balance of the Governmental Fund	\$ 426,342
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Depreciation expense	(23,196)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This includes changes in the following:	
Net pension liability	11,117,767
Pension-related deferred outflows of resources	(3,244,001)
Pension-related deferred inflows of resources	(6,849,458)
Net OPEB liability	(24,805)
OPEB-related deferred outflows of resources	11,310
OPEB-related deferred inflows of resources	<u>8,559</u>
Change in Net Position of Governmental Activities	<u>\$ 1,422,518</u>

**Community Leadership Academy, Inc.**  
Statement of Net Position  
Proprietary Funds  
June 30, 2019

	<u>Building Corporation</u>	<u>Building Corporation II</u>	<u>Total</u>
<b>Assets</b>			
<i>Current Assets</i>			
Restricted Cash and Investments	\$ 1,177,423	\$ 2,419,805	\$ 3,597,228
<i>Noncurrent Assets</i>			
Capital Assets, <i>Not Being Depreciated</i>	820,000	750,000	1,570,000
Capital Assets, <i>Net of Accumulated Depreciation</i>	<u>6,133,834</u>	<u>11,432,367</u>	<u>17,566,201</u>
Total Noncurrent Assets	<u>6,953,834</u>	<u>12,182,367</u>	<u>19,136,201</u>
Total Assets	<u>8,131,257</u>	<u>14,602,172</u>	<u>22,733,429</u>
<b>Liabilities</b>			
<i>Current Liabilities</i>			
Accrued Interest Payable	237,094	488,903	725,997
Loan Payable, <i>Current Portion</i>	<u>195,000</u>	<u>70,000</u>	<u>265,000</u>
Total Current Liabilities	<u>432,094</u>	<u>558,903</u>	<u>990,997</u>
<i>Noncurrent Liabilities</i>			
Loan Payable	<u>7,189,110</u>	<u>15,870,000</u>	<u>23,059,110</u>
Total Liabilities	<u>7,621,204</u>	<u>16,428,903</u>	<u>24,050,107</u>
<b>Net Position</b>			
Net Investment in Capital Assets	(430,276)	(3,757,633)	(4,187,909)
Restricted for:			
Debt Service	884,747	1,824,177	2,708,924
Repair and Replacement	<u>55,582</u>	<u>106,725</u>	<u>162,307</u>
Total Net Position	<u>\$ 510,053</u>	<u>\$ (1,826,731)</u>	<u>\$ (1,316,678)</u>

**Community Leadership Academy, Inc.**  
Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Funds  
For the Year Ended June 30, 2019

	Building Corporation	Building Corporation II	Total
<b>Operating Revenues</b>			
Lease Revenue	\$ 669,188	\$ 1,243,368	\$ 1,912,556
Total Operating Revenues	<u>669,188</u>	<u>1,243,368</u>	<u>1,912,556</u>
<b>Operating Expenses</b>			
Depreciation	92,287	166,456	258,743
Debt Service			
Interest	<u>475,549</u>	<u>1,173,746</u>	<u>1,649,295</u>
Total Operating Expenses	<u>567,836</u>	<u>1,340,202</u>	<u>1,908,038</u>
<b>Net Operating Income (Loss)</b>	101,352	(96,834)	4,518
<b>Nonoperating Revenues</b>			
Investment Income	<u>18,452</u>	<u>42,644</u>	<u>61,096</u>
<b>Net Income (Loss) Before Transfers</b>	119,804	(54,190)	65,614
Transfers In (Out)	<u>(15,163)</u>	<u>(31,882)</u>	<u>(47,045)</u>
<b>Change in Net Position</b>	104,641	(86,072)	18,569
<b>Net Position, Beginning of year</b>	<u>405,412</u>	<u>(1,740,659)</u>	<u>(1,335,247)</u>
<b>Net Position, End of year</b>	<u>\$ 510,053</u>	<u>\$ (1,826,731)</u>	<u>\$ (1,316,678)</u>

## Community Leadership Academy, Inc.

### Statement of Cash Flows Proprietary Funds For the Year Ended June 30, 2019

	Building Corporation	Building Corporation II	Total
<b>Cash Flows From Operating Activities</b>			
Lease Payments Received	\$ 669,188	\$ 1,243,368	\$ 1,912,556
Loan Principal Paid	(185,000)	(65,000)	(250,000)
Loan Interest Paid	(479,505)	(1,175,642)	(1,655,147)
Net Cash Provided (Used) by Operating Activities	4,683	2,726	7,409
<b>Cash Flows From Capital and Related Financing Activities</b>			
Payments to Other Funds	(15,163)	(31,882)	(47,045)
<b>Cash Flows From Investing Activities</b>			
Investment Income Received	18,452	42,644	61,096
<b>Net Change in Cash and Cash Equivalents</b>	7,972	13,488	21,460
<b>Cash and Cash Equivalents, <i>Beginning of year</i></b>	1,169,451	2,406,317	3,575,768
<b>Cash and Cash Equivalents, <i>End of year</i></b>	\$ 1,177,423	\$ 2,419,805	\$ 3,597,228
<b>Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>			
Net Operating Income (Loss)	\$ 101,352	\$ (96,834)	\$ 4,518
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Depreciation Expense	92,286	166,456	258,742
Amortization of Discount	1,362	-	1,362
Changes in Assets and Liabilities			
Accrued Interest Payable	(5,317)	(1,896)	(7,213)
Loan Payable	(185,000)	(65,000)	(250,000)
Net Cash Provided (Used) by Operating Activities	\$ 4,683	\$ 2,726	\$ 7,409

# Community Leadership Academy, Inc.

Notes to Financial Statements

June 30, 2019

## **Note 1: Summary of Significant Accounting Policies**

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

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

### **Reporting Entity**

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

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

### **Government-wide and Fund Financial Statements**

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

# Community Leadership Academy, Inc.

Notes to Financial Statements

June 30, 2019

## Note 1: Summary of Significant Accounting Policies (Continued)

### **Government-wide and Fund Financial Statement** (Continued)

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

Separate financial statements are provided for the governmental fund and the proprietary funds. Major individual funds are reported as separate columns in the fund financial statements.

### **Measurement Focus, Basis of Accounting and Financial Statement Presentation**

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

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

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

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

# Community Leadership Academy, Inc.

Notes to Financial Statements

June 30, 2019

## Note 1: Summary of Significant Accounting Policies (Continued)

### **Measurement Focus, Basis of Accounting and Financial Statement Presentation** (Continued)

The School reports the following major governmental fund:

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

The School reports two major proprietary funds, as follows:

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

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

### **Assets, Liabilities and Fund Balance/Net Position**

*Cash Equivalents* - For purposes of the statement of cash flows, cash equivalents include investments with original maturities of three months or less.

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

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

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

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

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

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

**Community Leadership Academy, Inc.**  
Notes to Financial Statements  
June 30, 2019

**Note 1: Summary of Significant Accounting Policies** (Continued)

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

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

*Unearned Revenues* - Unearned revenues include grants received before eligibility requirements established by the provider have been met.

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

*Long-Term Debt* - In the government-wide financial statements and the proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net position. Premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. In the fund financial statements, governmental funds recognize the face amount of debt issued as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as current expenses or expenditures.

*Pensions* - The School participates in the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position, and additions to and deductions from the SDTF's fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used by the SDTF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Employer contributions are recognized when the compensation is payable to the employees.

*Postemployment Benefits Other Than Pensions (OPEB)* - The School participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by the Public Employees' Retirement Association of Colorado (PERA). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position, and additions to and deductions from the HCTF's fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used by the HCTF. For this purpose, the HCTF recognizes benefit payments when due and payable in accordance with the benefit terms. Employer contributions are recognized when the compensation is payable to the employees.

**Community Leadership Academy, Inc.**  
Notes to Financial Statements  
June 30, 2019

**Note 1: Summary of Significant Accounting Policies (Continued)**

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

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

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

**Subsequent Events**

We have evaluated subsequent events through September 18, 2019, the date the financial statements were available to be issued.

**Note 2: Stewardship, Compliance and Accountability**

**Accountability**

At June 30, 2019, the Corporation II had a negative net position of \$1,826,731. Management expects this negative balance to be eliminated as the Corporation II's debt is paid.

**Note 3: Cash and Investments**

Cash and investments at June 30, 2019, consisted of the following:

Deposits	\$ 114,635
Investments	<u>9,468,468</u>
Total	<u>\$ 9,583,103</u>

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

Cash and Investments	\$ 5,985,875
Restricted Cash and Investments	<u>3,597,228</u>
Total	<u>\$ 9,583,103</u>

# Community Leadership Academy, Inc.

Notes to Financial Statements

June 30, 2019

## **Note 3: Cash and Investments (Continued)**

### **Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

### **Investments**

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

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

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

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

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

*Local Government Investment Pools* - At June 30, 2019, the School had \$5,837,158 invested in the Colorado Surplus Asset Fund Trust (CSAFE), and the Corporation and the Corporation II had \$1,177,423 and \$2,453,887, respectively, invested in the Colorado Local Government Liquid Asset Trust (Colotrust), investment vehicles established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating the Pools.

**Community Leadership Academy, Inc.**  
Notes to Financial Statements  
June 30, 2019

**Note 3: Cash and Investments (Continued)**

**Investments** (Continued)

Colotrust is not a 2a7-like external investment pool. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. The government-investor does not "look through" the pool to report a pro rata share of the pool's investments, receivables and payables. This investment is valued using the NAV per share (or its equivalent) of the investments.

Colotrust is an investment vehicle established by state statute for local entities in Colorado to pool surplus funds for investment purposes and are registered with the State Securities Commissioner. The pools operate similarly to money market funds and each share is equal in value to \$1.00. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions of each pooled investment. Securities owned by the pools are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the participating governments. Investments of the pools consist of US Treasury bills, notes, and note strips, commercial paper allowed by state statute and repurchase agreements collateralized by US Treasury securities and or US Instrumentalities. Colotrust is rated AAAM by Standard and Poor's. Information regarding Colotrust's financial statements is available at their website [www.colotrust.com](http://www.colotrust.com).

CSAFE is considered to be a 2a7-like investment and is valued at amortized cost. The 2a7-like investments do not have any unfunded commitments, redemption restrictions or redemption notice periods. The 2a7-like investments conform to Colorado Statutes CRS 24-75-601 et. Seq. and therefore invests primarily in securities of the United States Treasury, United States Agencies, Primary Dealer Repurchase Agreements, highly rated commercial paper, highly rated corporate bonds, Colorado Depositories collateralized at 102% of market value investments will conform to its Permitted Investments and will meet Standard & Poor's investment guidelines to achieve a AAAM rating, the highest attainable rating for a Local Government Investment Pool. Information regarding CSAFE's financial statements is available at the website [www.csafe.org](http://www.csafe.org).

**Restricted Cash and Investments**

Investments of \$1,177,423 and \$2,453,887 have been restricted by the Corporation and the Corporation II, respectively, for future debt service and building repair and replacement.

**Community Leadership Academy, Inc.**  
Notes to Financial Statements  
June 30, 2019

**Note 4: Capital Assets**

Capital asset activity for the year ended June 30, 2019, was as follows:

	<u>Balance 6/30/18</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/19</u>
<b>Governmental Activities</b>				
Capital Assets, <i>Being Depreciated</i>				
Equipment	\$ 203,282	\$ -	\$ -	\$ 203,282
Less Accumulated Depreciation				
Equipment	<u>(89,735)</u>	<u>(23,196)</u>	<u>-</u>	<u>(112,931)</u>
Governmental Activities Capital Assets, <i>net</i>	<u>\$ 113,547</u>	<u>\$ (23,196)</u>	<u>\$ -</u>	<u>\$ 90,351</u>

Depreciation expense of the governmental activities of \$12,062 and \$11,134 was charged to the instruction and supporting services programs, respectively.

	<u>Balance 6/30/18</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/19</u>
<b>Business-Type Activities</b>				
Capital Assets, <i>Not Being Depreciated</i>				
Land	<u>\$ 1,570,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,570,000</u>
Capital Assets, <i>Being Depreciated</i>				
Buildings and Improvements	18,843,264	-	-	18,843,264
Equipment	591,049	-	-	591,049
Total Capital Assets, <i>Being Depreciated</i>	<u>19,434,313</u>	<u>-</u>	<u>-</u>	<u>19,434,313</u>
Less Accumulated Depreciation				
Buildings and Improvements	(1,276,688)	(214,456)	-	(1,491,144)
Equipment	<u>(332,681)</u>	<u>(44,287)</u>	<u>-</u>	<u>(376,968)</u>
Total Accumulated Depreciation	<u>(1,609,369)</u>	<u>(258,743)</u>	<u>-</u>	<u>(1,868,112)</u>
Total Capital Assets, <i>Being Depreciated, net</i>	<u>17,824,944</u>	<u>(258,743)</u>	<u>-</u>	<u>17,566,201</u>
Business-Type Activities Capital Assets, <i>net</i>	<u>\$ 19,394,944</u>	<u>\$ (258,743)</u>	<u>\$ -</u>	<u>\$ 19,136,201</u>

**Community Leadership Academy, Inc.**  
Notes to Financial Statements  
June 30, 2019

**Note 5: Long-Term Debt**

Following is a summary of long-term debt transactions for the year ended June 30, 2019:

	Balance 6/30/18	Additions	Payments	Balance 6/30/19	Due Within One Year
<b>Business-Type Activities</b>					
2008 Loan	\$ 7,595,000	\$ -	\$ (185,000)	\$ 7,410,000	\$ 195,000
Discount	(27,252)	-	1,363	(25,889)	-
2013 Loan	16,005,000	-	(65,000)	15,940,000	70,000
Total	<u>\$ 23,572,748</u>	<u>\$ -</u>	<u>\$ (248,637)</u>	<u>\$ 23,324,111</u>	<u>\$ 265,000</u>

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

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

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 265,000	\$ 1,639,500	\$ 1,904,500
2021	280,000	1,622,412	1,902,412
2022	300,000	1,603,705	1,903,705
2023	315,000	1,583,887	1,898,887
2024	335,000	1,562,956	1,897,956
2025 - 2029	2,040,000	7,291,825	9,331,825
2030 - 2034	2,795,000	6,729,190	9,524,190
2035 - 2039	3,860,000	5,649,409	9,509,409
2040 - 2044	5,415,000	3,935,877	9,350,877
2045 - 2049	7,745,000	1,525,201	9,270,201
Total	<u>\$ 23,350,000</u>	<u>\$ 33,143,962</u>	<u>\$ 56,493,962</u>

**Community Leadership Academy, Inc.**  
Notes to Financial Statements  
June 30, 2019

**Note 6: Interfund Transactions**

During the year ended June 30, 2019, the Corporation I and the Corporation II transferred excess funds of \$15,163 and \$31,882 correspondingly to the General fund.

**Note 7: Risk Management**

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters.

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

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

**Note 8: Defined Benefit Pension Plan**

**General Information**

*Plan Description* - The School contributes to the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by (PERA). All employees of the School participate in the SDTF. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available financial report (CAFR) that includes information on the SDTF that may be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

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

**Community Leadership Academy, Inc.**  
Notes to Financial Statements  
June 30, 2019

**Note 8: Defined Benefit Pension Plan** (Continued)

**General Information** (Continued)

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

As of December 31, 2018, retirees who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs) 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, retirees 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% or the average consumer price index for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SDTF. 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 plan participants once they reach five years of earned service credit and are determined to meet the definition of a disability. The disability benefit amount is based on the lifetime retirement benefit formula described previously, considering a minimum of twenty 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 in place under which service credit was obtained, and the qualified survivor who will receive the benefits.

*Contributions* - The School, eligible employees and the State are required to contribute to the SDTF at a rate set by Colorado statute. These contribution requirements are established under C.R.S. § 24-51-401, et seq. and § 24-51-413. The contribution rate for eligible employees is 8% of covered salaries during the period of July 1, 2018 through June 30, 2019. The School's contribution rate for calendar years 2019 and 2018 was 20.15% of covered salaries, respectively. However, a portion of the School's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 9).

Employer contributions are recognized by the SDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SDTF. The School's contributions to the SDTF for the year ended June 30, 2019, were \$709,514 equal to the required contributions.

# Community Leadership Academy, Inc.

Notes to Financial Statements

June 30, 2019

## Note 8: Defined Benefit Pension Plan (Continued)

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

At June 30, 2019, the School reported a net pension liability of \$10,280,597 representing its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the School as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the School were as follows:

School Proportionate share of net pension liability	\$ 10,280,597
The State's proportionate share of net pension liability as a nonemployer contributing entity associated with the School	<u>1,405,729</u>
Total	<u>\$ 11,686,326</u>

The net pension liability was measured at 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.

The School's proportion of the net pension liability was based on the School's contributions to the SDTF for the calendar year ended December 31, 2018, relative to the contributions of all participating employers. At December 31, 2018, the School's proportion was 0.0580593321%, which was a decrease of 0.0081148050% from its proportion measured at December 31, 2017.

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 SDTF 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 SDTF by 0.25 percent on July 1, 2019.
- Increases employee contribution rates for the SDTF by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).

# Community Leadership Academy, Inc.

Notes to Financial Statements

June 30, 2019

## Note 8: Defined Benefit Pension Plan (Continued)

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

- 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 SDTF based on the proportionate amount of annual payroll of the SDTF to the total annual payroll of the SDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SDTF 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.

During the year ended June 30, 2019, the direct distribution for the SDTF was \$126,505,000.

For the year ended June 30, 2019, the School recognized pension expense of \$336,705 which included \$7,222 of support from the state as a nonemployer contributing entity. At June 30, 2019, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 348,728	\$ -
Changes of assumptions and other inputs	1,918,917	6,393,425
Net difference between projected and actual earnings on plan investments	560,357	-
Changes in proportion	57,307	1,526,348
Contributions subsequent to the measurement date	386,386	-
 Total	 \$ 3,271,695	 \$ 7,919,773

School contributions subsequent to the measurement date of \$386,386 will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

# Community Leadership Academy, Inc.

Notes to Financial Statements

June 30, 2019

## Note 8: Defined Benefit Pension Plan (Continued)

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30,</u>	
2020	\$ (956,374)
2021	(2,645,785)
2022	(1,738,832)
2023	<u>306,526</u>
Total	\$ <u>(5,034,465)</u>

*Actuarial Assumptions* - The actuarial valuation as of December 31, 2017, determined the total pension liability using the following actuarial assumptions and other inputs.

Price inflation	2.4%
Real wage growth	1.1%
Wage inflation	3.5%
Salary increases, including wage inflation	3.5% - 9.7%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate	4.78%
Future post-employment benefit increases:	
Hired prior to 1/1/2007	0% through 2019 and 1.5% compounded annually thereafter
Hired after 12/31/2006	ad hoc

<sup>1</sup>The discount rate reflected in the roll-forward calculation of the total pension liability to the measurement date was 7.25%.

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 were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, with certain adjustments, 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.

# Community Leadership Academy, Inc.

Notes to Financial Statements

June 30, 2019

## Note 8: Defined Benefit Pension Plan (Continued)

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

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, 2016, 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. The significant changes affecting the plan included decreasing the investment rate of return assumption from 7.5% per year, compounded annually, net of investment expenses, to 7.25%, and updating mortality assumptions based on RP-2014 mortality tables.

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 SDTF, 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 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.

# Community Leadership Academy, Inc.

Notes to Financial Statements

June 30, 2019

## Note 8: Defined Benefit Pension Plan (Continued)

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

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, as follows:

<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%
Total	<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.

# Community Leadership Academy, Inc.

Notes to Financial Statements

June 30, 2019

## Note 8: Defined Benefit Pension Plan (Continued)

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

- 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 the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the 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 to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. 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 projection test indicates the SDTF'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 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount determination does not use the municipal bond rate, and therefore, the discount rate is 7.25 percent.

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25 percent and the municipal bond index rate of 3.43 percent were used in the discount rate determination resulting in a discount rate of 4.78 percent, 2.47 percent lower compared to the current measurement date.

# Community Leadership Academy, Inc.

Notes to Financial Statements

June 30, 2019

## Note 8: Defined Benefit Pension Plan (Continued)

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

*Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate* - The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the School's 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, as follows:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Proportionate share of the net pension liability	\$ 13,070,021	\$ 10,280,597	\$ 7,939,801

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

## Note 9: Postemployment Healthcare Benefits

### General Information

*Plan Description* - All employees of the School are eligible to receive postemployment benefits other than pensions (OPEB) through the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Public Employees' Retirement Association of Colorado (PERA). Title 24, Article 51, Part 12 of the Colorado Revised Statutes (CRS) assigns the authority to establish and amend plan provisions to the State Legislature. PERA issues a publicly available financial report that includes information on the HCTF. That report may be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Benefits Provided* - The HCTF provides a healthcare premium subsidy to eligible benefit recipients and retirees who choose to enroll. Eligibility to enroll is voluntary and includes benefit recipients, their eligible dependents and surviving spouses, among others. Eligible benefit recipients may enroll in the HCTF upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period. The health care premium subsidy is based on the benefit structure under which the member retires and the member's years of service credit.

**Community Leadership Academy, Inc.**  
Notes to Financial Statements  
June 30, 2019

**Note 9: Postemployment Healthcare Benefits (Continued)**

**General Information** (Continued)

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, and \$115 per month for benefit recipients who are over 65 years of age or who are under 65 years of age and entitled to Medicare. An additional subsidy is provided if the benefit recipient has not participated in Social Security and is not otherwise eligible for Medicare Part A. The maximum subsidy is based on 20 or more years of service. The subsidy is reduced for each year of service less than 20 years. The benefit recipient pays the remaining portion of the premium not covered by the subsidy.

*Contributions* - As established by Title 24, Article 51, Section 208 of the CRS, 1.02% of the School's contributions to the School Division Trust Fund (SDTF) (see Note 8) is apportioned to the HCTF. No employee contributions are required. These contribution requirements are established and may be amended by the State Legislature. The School's apportionment to the HCTF for the year ended June 30, 2019, was \$35,916 equal to the required amount.

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

At June 30, 2019, the School reported a net OPEB liability of \$513,453, representing its proportionate share of the net OPEB liability of the HCTF. The net OPEB liability was measured at 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.

The School's proportion of the net OPEB liability was based on the School's contributions to the HCTF for the calendar year ended December 31, 2018, relative to the contributions of all participating employers. At December 31, 2018, the School's proportion 0.0377388832%, which was a decrease of 0.0001389839% from its proportion measured at December 31, 2017.

For the year ended June 30, 2019, the School recognized OPEB expense of \$41,167. At June 30, 2019, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

# Community Leadership Academy, Inc.

Notes to Financial Statements

June 30, 2019

## Note 9: Postemployment Healthcare Benefits (Continued)

### OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,864	\$ 782
Changes of assumptions and other inputs	3,602	-
Net difference between projected and actual earnings on plan investments	2,953	-
Changes in proportion	1,507	4,766
Contributions subsequent to the measurement date	20,576	-
 Total	\$ 30,502	\$ 5,548

School contributions subsequent to the measurement date of \$20,576 will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

<u>Year Ended June 30,</u>			
2020		\$	374
2021			374
2022			374
2023			2,426
2024			795
Thereafter			34
 Total		\$	4,377

*Actuarial Assumptions* - The actuarial valuation as of December 31, 2017, determined the total OPEB liability using the following actuarial assumptions and other inputs, applied to all periods included in the measurement.

Price inflation	2.4%
Real wage growth	1.1%
Wage inflation	3.5%
Salary increases, including wage inflation	3.5%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates:	
Service-based premium subsidy	0.0%
Medicare plans	5.0%
Medicare Part A premiums:	
3.25% for 2018, gradually rising to 5.00% in 2025	

# Community Leadership Academy, Inc.

Notes to Financial Statements

June 30, 2019

## Note 9: Postemployment Healthcare Benefits (Continued)

### OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table. 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 were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, with certain adjustments. For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

Health care cost trend rates are based on published annual health care inflation surveys in conjunction with actual plan experience, building block models and heuristics developed by actuaries and administrators, and other projected trends.

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, and were adopted by PERA's governing board on November 18, 2016. In addition, certain actuarial assumptions pertaining to per capita health care costs and the related trends are analyzed by PERA's actuary as needed.

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

The most recent analysis of the long-term expected rate of return was adopted by PERA's governing board on November 18, 2016 and included the target allocation and best estimates of geometric real rates of return for each major asset class, as presented previously (see Note 8).

*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 assumed that employer contributions will be made at the current contribution rate. Based on this assumption, the HCTF's fiduciary net position was projected to be available to make all projected future OPEB payments to current active and inactive employees. Therefore, the long-term expected rate of return on HCTF investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

# Community Leadership Academy, Inc.

Notes to Financial Statements

June 30, 2019

## Note 9: Postemployment Healthcare Benefits (Continued)

### OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate* - The following presents the School's proportionate share of the net OPEB liability calculated using the discount rate of 7.25%, as well as the School's proportionate share of the net OPEB liability 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, as follows:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ <u>574,510</u>	\$ <u>513,453</u>	\$ <u>461,256</u>

*Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates* - The following presents the School's proportionate share of the net OPEB liability calculated using the current healthcare cost trend rates, ranging from 3% to 5%, as well as the School's proportionate share of the net OPEB liability if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates, as follows:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Proportionate share of the net OPEB liability	\$ <u>476,960</u>	\$ <u>513,453</u>	\$ <u>506,708</u>

*OPEB Plan Fiduciary Net Position* - Detailed information about the HCTF's fiduciary net position is available in PERA's separately issued financial report, which may be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

## **Required Supplementary Information**

**Community Leadership Academy, Inc.**  
 Required Supplementary Information  
 Schedule of Proportionate Share of the Net Pension Liability and Contributions  
 Public Employees' Retirement Association of Colorado School Division Trust Fund  
 June 30, 2019

	<u>12/31/18</u>	<u>12/31/17</u>	<u>12/31/16</u>	<u>12/31/15</u>	<u>12/31/14</u>	<u>12/31/13</u>
<b>Proportionate Share of the Net Pension Liability</b>						
School's Proportion of the Net Pension Liability	0.0580593321%	0.0661741371%	0.0671022949%	0.0640820292%	0.0579476004%	0.0493566656%
School's Proportionate Share of the Net Pension Liability	\$ 10,280,597	\$ 21,398,364	\$ 19,978,948	\$ 9,800,894	\$ 7,853,846	\$ 6,295,429
School's Covered-Employee Payroll	\$ 3,191,833	\$ 3,052,535	\$ 3,012,109	\$ 2,793,277	\$ 2,427,589	\$ 1,989,724
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	322%	701%	663%	351%	324%	316%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	57%	44%	43%	59%	63%	64%
	<u>6/30/19</u>	<u>6/30/18</u>	<u>6/30/17</u>	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/14</u>
<b>School Contributions</b>						
Statutorily Required Contribution	\$ 673,598	\$ 566,082	\$ 433,864	\$ 523,083	\$ 443,208	\$ 351,007
Contributions in Relation to the Statutorily Required Contribution	<u>(673,598)</u>	<u>(566,082)</u>	<u>(433,864)</u>	<u>(523,083)</u>	<u>(443,208)</u>	<u>(351,007)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered-Employee Payroll	\$ 3,521,169	\$ 2,998,435	\$ 2,360,708	\$ 2,950,423	\$ 2,625,539	\$ 2,195,467
Contributions as a Percentage of Covered-Employee Payroll	19.13%	18.88%	18.38%	17.73%	16.88%	15.99%

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

**Community Leadership Academy, Inc.**  
 Required Supplementary Information  
 Schedule of Proportionate Share of the Net OPEB Liability and Contributions  
 Public Employees' Retirement Association of Colorado Health Care Trust Fund  
 June 30, 2019

	<u>12/31/18</u>	<u>12/31/17</u>
<b>Proportionate Share of the Net OPEB Liability</b>		
School's Proportion of the Net OPEB Liability	0.0377388832%	0.0375998993%
School's Proportionate Share of the Net OPEB Liability	\$ 513,453	\$ 488,648
School's Covered Payroll	\$ 3,191,833	\$ 3,052,535
School's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	16%	16%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	17%	18%
	<u>6/30/19</u>	<u>6/30/18</u>
<b>School Contributions</b>		
Statutorily Required Contribution	\$ 35,916	\$ 30,584
Contributions in Relation to the Statutorily Required Contribution	<u>(35,916)</u>	<u>(30,584)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
School's Covered Payroll	\$ 3,521,169	\$ 2,998,435
Contributions as a Percentage of Covered Payroll	1.02%	1.02%

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

**Community Leadership Academy, Inc.**  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2019

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>				
<i>Local Sources</i>				
Per Pupil Revenue	\$ 7,610,200	\$ 6,933,200	\$ 6,933,218	\$ 18
Pupil Activities	1,000	1,000	5,862	4,862
Food Service Fees	-	-	8,945	8,945
Investment Income	45,000	90,000	127,733	37,733
Other	75,000	39,800	44,219	4,419
Total Local Sources	<u>7,731,200</u>	<u>7,064,000</u>	<u>7,119,977</u>	<u>55,977</u>
<i>State Sources</i>				
Mill Levy Equalization	290,000	290,000	274,006	(15,994)
At-Risk Supplemental Aid	-	-	47,043	47,043
Additional At-Risk Funding	-	-	8,231	8,231
Capital Construction	265,000	245,000	249,842	4,842
Grants	343,200	534,400	615,956	81,556
Total State Sources	<u>898,200</u>	<u>1,069,400</u>	<u>1,195,078</u>	<u>125,678</u>
<i>Federal Sources</i>				
Grants	<u>872,000</u>	<u>789,600</u>	<u>806,021</u>	<u>16,421</u>
Total Revenues	<u>9,501,400</u>	<u>8,923,000</u>	<u>9,121,076</u>	<u>198,076</u>
<b>Expenditures</b>				
<i>Instruction</i>				
Salaries	2,633,000	2,350,000	2,264,873	85,127
Employee Benefits	986,300	885,900	852,284	33,616
Purchased Services	117,900	225,000	214,852	10,148
Supplies	158,600	195,000	229,872	(34,872)
Property	40,000	40,000	18,893	21,107
Other	1,400	1,400	903	497
Total Instruction	<u>3,937,200</u>	<u>3,697,300</u>	<u>3,581,677</u>	<u>115,623</u>
<i>Supporting Services</i>				
Salaries	1,089,500	1,108,300	1,113,641	(5,341)
Employee Benefits	368,300	361,800	383,882	(22,082)
Purchased Services	3,016,600	2,998,200	2,828,418	169,782
Supplies	383,000	380,000	305,174	74,826
Property	43,900	43,900	9,620	34,280
Other	23,500	23,500	1,611	21,889
Total Supporting Services	<u>4,924,800</u>	<u>4,915,700</u>	<u>4,642,346</u>	<u>273,354</u>

(Continued)

**Community Leadership Academy, Inc.**  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2019  
 (Continued)

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Expenditures</b> (Continued)				
Food Service				
Salaries	\$ 149,500	\$ 139,000	\$ 147,380	\$ (8,380)
Employee Benefits	80,000	68,500	66,663	1,837
Purchased Services	28,400	20,500	18,001	2,499
Supplies	354,500	295,000	285,712	9,288
Other	-	-	-	-
Total Food Service	<u>612,400</u>	<u>523,000</u>	<u>517,756</u>	<u>5,244</u>
<b>Total Expenditures</b>	<u>9,474,400</u>	<u>9,136,000</u>	<u>8,741,779</u>	<u>394,221</u>
<b>Excess of Revenues Over Expenditures</b>	27,000	(213,000)	379,297	592,297
<b>Other Financing Sources (Uses)</b>				
Transfers In	<u>(27,000)</u>	<u>13,000</u>	<u>47,045</u>	<u>34,045</u>
<b>Net Change in Fund Balance</b>	-	(200,000)	426,342	626,342
<b>Fund Balance, Beginning of year</b>	<u>4,738,300</u>	<u>5,339,000</u>	<u>5,339,081</u>	<u>81</u>
<b>Fund Balance, End of year</b>	<u>\$ 4,738,300</u>	<u>\$ 5,139,000</u>	<u>\$ 5,765,423</u>	<u>\$ 626,423</u>

**Community Leadership Academy, Inc.**  
Notes to Required Supplementary Information  
June 30, 2019

**Note 1: Schedule of Proportionate Share of the Net Pension Liability and Contributions**

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

**Changes in Assumptions and Other Inputs**

For the year ended June 30, 2019, the total pension liability was determined by an actuarial valuation as of December 31, 2017. The following revised economic and demographic assumptions were effective as of December 31, 2017.

- Investment rate of return assumption of 7.25% per year, compounded annually. This assumption did not change from the prior year.
- Price inflation assumption of 2.4% per year. This assumption did not change from the prior year.
- Real rate of investment return assumption decreased from 4.85% per year, net of investment expenses, to 4.78%. The rate reflected in the roll-forward calculation of the collective total pension liability to the measurement date increased from 4.78% to 7.25%.
- Wage inflation assumption of 3.5% per year. This assumption did not change from the prior year.
- Healthy and disabled mortality assumptions are based on the RP-2014 Mortality Tables.

**Note 2: Stewardship, Compliance and Accountability**

**Budgetary Information**

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

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

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