ROCKY MOUNTAIN CLASSICAL ACADEMY

FINANCIAL STATEMENTS
With Independent Auditors' Report

For the Year Ended June 30, 2017

ROCKY MOUNTAIN CLASSICAL ACADEMY
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JUNE 30, 2017

Hoelting & Company, Inc.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Rocky Mountain Classical Academy

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Rocky Mountain Classical Academy, a component unit of Falcon School District No. 49, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

31 East Platte Avenue, Suite 300 • Colorado Springs, CO 80903 • (719) 630-1091 • Fax (719) 630-0522 • www.hoeltingco.com

Other-Matters

Required Supplementary Information

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

Hoelting & Company, Inc.

Colorado Springs, Colorado
October 31, 2017

ROCKY MOUNTAIN CLASSICAL ACADEMY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2017

As management of Rocky Mountain Classical Academy (the School) we offer readers of the School's annual financial report this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2017. Readers are encouraged to consider the information presented here in conjunction with the annual financial report.

FINANCIAL HIGHLIGHTS

- Liabilities and deferred inflows of the school exceeded the assets and deferred outflows of the school by $9,106,021 during the fiscal year resulting in a negative net position balance. This is largely due to the $18,728,313 Net Pension Liability.

- The School's total net position decreased $2,750,381.

- Long-term liabilities of $45,950,188 consist of $27,221,975 of bonds outstanding and $18,728,213 of pension liability.

- As of the close of the current fiscal year, the School's general fund reported an ending fund balance surplus of $3,920,690.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the School's basic financial statements. The School's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the School's finances as a whole, in a manner similar to a private-sector business and include two statements:

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

The *statement of activities* presents information reporting how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. Accrued interest expense is an example of this type of item.

Both government-wide financial statements distinguish functions of the School that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the School include general government of running a K-8 charter school in Falcon School District 49.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The fund financial statements provide more detailed information about the School's operations, focusing on its most significant funds, not the School as a whole.

Governmental Funds. The School's basic services are included in this governmental fund, which focuses on (1) how money flows into and out of the fund and (2) the balances left at year-end that are available for spending or reserves. Consequently, the governmental fund statements provide a detailed short-term view that helps determine the status of financial resources that can be spent in the near future to finance the School's programs.

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. Thus, readers may better understand the long-term impact of the School's near-term financing decisions. To facilitate this comparison between governmental funds and governmental activities, reconciliations are provided for both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balance.

Proprietary funds. The School reports one proprietary fund, an enterprise fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The School uses an enterprise fund to account for its building lease activities. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Individual fund data for the Enterprise fund is provided in the other supplementary information in this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the School. The School adopts an annual appropriated budget for the general fund. A budgetary comparison schedule has been provided to demonstrate compliance with the budget.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the School's financial position. In the case of the School, total liabilities and deferred inflows exceeded assets and deferred outflows by $9,106,021 as of June 30, 2017 resulting in a negative net position balance.

74.0% of the organization's assets are its investment in capital assets. These assets consist of land, buildings, and furnishings at 4620 Antelope Ridge Drive.

Condensed Statement of Net Position

	2017	2016
Current and other assets	$ 7,818,079	$ 6,990,938
Capital assets	22,224,816	22,645,269
Total assets	30,042,895	29,636,207
Deferred Outflows	8,436,856	1,224,821
Long-term liabilities	45,950,188	35,287,016
Other liabilities	1,255,412	1,487,186
Total liabilities	47,205,600	36,774,202
Deferred Inflows	308,172	442,466
Net position:		
Net investment in capital assets	(4,997,159)	(4,699,153)
Restricted	2,950,977	2,839,496
Unrestricted	(7,059,839)	(4,495,983)
Total net position	$ (9,106,021)	$ (6,355,640)

Condensed Statement of Changes in Net Position

	2017	2016
Revenues:		
General revenues:		
Per pupil revenue	$ 9,397,353	$ 8,794,869
Other	326,863	193,663
Program Revenue:		
Charges for Services	2,891,095	2,711,730
Operating grants and contributions	222,402	169,164
Capital grants and contributions	368,840	315,437
Total revenues	13,206,553	12,184,863
Expenses:		
Instruction	6,976,538	4,337,031
Support services	6,313,859	4,807,246
Building Corporation	2,666,537	2,680,819
Total expenses	15,956,934	11,825,096
Change in net position	(2,750,381)	359,767
Net position, beginning	(6,355,640)	(7,138,086)
Prior period adjustment	-	422,769
Net position, beginning-as restated	(6,355,640)	(6,715,407)
Net position, ending	$ (9,106,021)	$ (6,355,640)

ANALYSIS OF THE SCHOOL'S FUNDS

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The general fund is the operating fund of the School. The fund balance for the general fund was a surplus of $3,920,690 at the end of the current fiscal year.

Total net position of the Enterprise fund at June 30, 2017 is a negative $2,355,182.

BUDGETARY HIGHLIGHTS

The School's budget is prepared in accordance with state law. During the year, the School amended its budget to reflect lower expected per pupil revenue, higher expected impact aid revenue, $2.5 million of reserves, and an additional $686 thousand of maintenance and operations.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Capital assets include all capital outlays related to capital assets at the school or the land and building at Antelope Ridge Drive. The School's investment in capital assets at the end of the year was $22,224,816.

Debt Administration

At the end of current fiscal year, the School had $27,645,000 in debt outstanding. This was used to fund capital activities.

ECONOMIC FACTORS

Rocky Mountain Classical Academy is located along the Powers corridor in Colorado Springs. This is a growing part of Colorado Springs. Growth in the surrounding zip code areas is forecast to be approximately 10% over the next five years.

Rocky Mountain Classical Academy has addressed a new bond issuance as of September 1, 2017 that refinanced the old bond rates with new lower finance rates. Rocky Mountain Classical Academy is in the process of completing the build out of an Early Childhood Educational Wing starting October 2017 to be completed for the 2018-2019 school year.

REQUESTS FOR INFORMATION

This financial report is designed to provide the School's taxpayers and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kristin Ballew at 4620 Antelope Ridge Drive, Colorado Springs, CO 80922.

BASIC FINANCIAL STATEMENTS

ROCKY MOUNTAIN CLASSICAL ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2017

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	$ 3,810,922	$ -	$ 3,810,922
Investments	-	3,555,405	3,555,405
Receivables	181,973	-	181,973
Deposits	16,210	-	16,210
Internal balances	(12,721)	12,721	-
Prepaid expense	253,569	-	253,569
Capital assets not being depreciated	-	1,693,591	1,693,591
Capital assets, net of accumulated depreciation	-	20,531,225	20,531,225
Total Assets	4,249,953	25,792,942	30,042,895
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension outflows	8,436,856	-	8,436,856
Total deferred outflows of resources	8,436,856	-	8,436,856
LIABILITIES			
Accounts payable and other current liabilities	98,088	-	98,088
Accrued salaries and benefits	231,175	-	231,175
Accrued interest payable	-	726,748	726,748
Unearned revenues	-	199,401	199,401
Long-term liabilities			
Due within one year	-	225,000	225,000
Due in more than one year	18,728,213	26,996,975	45,725,188
Total Liabilities	19,057,476	28,148,124	47,205,600
DEFERRED INFLOWS OF RESOURCES			
Deferred pension inflows	380,172	-	380,172
Total deferred inflows of resources	380,172	-	380,172
NET POSITION			
Net investment in capital assets	-	(4,997,159)	(4,997,159)
Restricted for:			
TABOR	309,000	-	309,000
Debt service	-	2,641,977	2,641,977
Unrestricted	(7,059,839)	-	(7,059,839)
Total Net Position	$ (6,750,839)	$ (2,355,182)	$ (9,106,021)

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

ROCKY MOUNTAIN CLASSICAL ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities							
Instruction	$ 6,976,538	$ 342,010	$ 126,032	$ -	$ (6,508,496)	$ -	$ (6,508,496)
Student support	3,053	-	-	-	(3,053)	-	(3,053)
Instructional staff	14,427	-	-	-	(14,427)	-	(14,427)
General administration	30,871	-	-	-	(30,871)	-	(30,871)
School administration	2,154,649	-	-	-	(2,154,649)	-	(2,154,649)
Business services	379,783	-	-	-	(379,783)	-	(379,783)
Maintenance and operations	3,206,178	-	-	368,840	(2,837,338)	-	(2,837,338)
Transportation	1,596	-	-	-	(1,596)	-	(1,596)
Central services	209,558	-	-	-	(209,558)	-	(209,558)
Food Service	313,744	156,676	96,370	-	(60,698)	-	(60,698)
Total governmental activities	13,290,397	498,686	222,402	368,840	(12,200,469)		(12,200,469)
Business-type activities							
Building corporation	2,666,537	2,392,409	-	-		(274,128)	(274,128)
Total	$ 15,956,934	$ 2,891,095	$ 222,402	$ 368,840		(274,128)	(12,474,597)
General Revenues:							
Per pupil revenue					9,397,353	-	9,397,353
Investment income					-	11,375	11,375
Gain on disposal of assets					-	1,525	1,525
Other					313,963	-	313,963
Transfers					(50,203)	50,203	-
Total general revenues and transfers					9,661,113	63,103	9,724,216
Change in Net Position					(2,539,356)	(211,025)	(2,750,381)
Net Position, beginning (deficit)					(4,211,483)	(2,144,157)	(6,355,640)
Net Position, ending (deficit)					$ (6,750,839)	$ (2,355,182)	$ (9,106,021)

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

ROCKY MOUNTAIN CLASSICAL ACADEMY
BALANCE SHEET
GENERAL FUND
JUNE 30, 2017

ASSETS		
Cash	$	3,810,922
Receivables		181,973
Deposits		16,210
Prepaid expenses		253,569
Total Assets	$	4,262,674
LIABILITIES		
Accounts payable and other current liabilities	$	98,088
Accrued salaries and benefits		231,175
Interfund payable		12,721
Total Liabilities		341,984
FUND BALANCE		
Nonspendable		253,569
Restricted for TABOR		309,000
Unassigned		3,358,121
Total Fund Balance		3,920,690
Total Liabilities and Fund Balance	$	4,262,674

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

ROCKY MOUNTAIN CLASSICAL ACADEMY
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2017

Amounts reported for Governmental Activities in the Statement of Net Position are different because:	$	3,920,690
Total Fund Balance of Governmental Funds		
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred outflows of resources.		8,436,856
Long-term liabilities, including net pension liability, are not due and payable in the current period and, therefore, are not reported in the funds.		(18,728,213)
Other long-term liabilities are not due and payable in the current period and, therefore, are reported as deferred inflows of resources.		(380,172)
Total Net Position of Governmental Activities	$	(6,750,839)

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

ROCKY MOUNTAIN CLASSICAL ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

REVENUES	
Local sources	$ 826,356
State sources	9,820,041
Federal sources	154,846
Total revenues	10,801,243
EXPENDITURES	
Instruction	4,628,312
Students	3,053
Instructional staff	12,021
General administration	30,871
School administration	1,299,621
Business services	379,783
Maintenance and operations	3,097,265
Transportation	1,596
Central service	209,558
Food Service	253,046
Total expenditures	9,915,126
Excess (deficiency) of revenues over expenditures	886,117
OTHER FINANCING SOURCES (USES)	
Transfers out	(50,203)
Net change in fund balance	835,914
Fund balance - beginning	3,084,776
Fund balance - ending	$ 3,920,690

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

ROCKY MOUNTAIN CLASSICAL ACADEMY
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2017

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Net Change in Fund Balance of Governmental Funds	$	835,914
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 the governmental funds.		(3,375,270)
Change in Net Position of Governmental Activities	$	(2,539,356)

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

ROCKY MOUNTAIN CLASSICAL ACADEMY
STATEMENT OF NET POSITION
ENTERPRISE FUND
JUNE 30, 2017

ASSETS	
Current Assets:	
Investments	$ 3,555,405
Due from other funds	12,721
Total current assets	3,568,126
Noncurrent Assets:	
Land	1,693,591
Building and improvements	21,295,009
Furniture and equipment	432,926
Less: accumulated depreciation	(1,196,710)
Total noncurrent assets	22,224,816
Total Assets	25,792,942
LIABILITIES	
Current Liabilities:	
Accrued interest payable	726,748
Unearned revenue	199,401
Bonds payable current portion	225,000
Total current liabilities	1,151,149
Noncurrent Liabilities:	
Bonds payable	26,996,975
Total noncurrent liabilities	26,996,975
Total Liabilities	28,148,124
NET POSITION	
Net Investment in capital assets	(4,997,159)
Restricted for debt service	2,641,977
Total Net Position	$ (2,355,182)

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

ROCKY MOUNTAIN CLASSICAL ACADEMY
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2017

OPERATING REVENUES	
Rental income	$ 2,392,409
Total operating revenues	2,392,409
Net operating income (loss)	2,392,409
NON-OPERATING REVENUES (EXPENSE)	
Transfers in	50,203
Interest and investment income	11,375
Interest expense	(2,183,692)
Depreciation expense	(482,845)
Gain on disposal of property	1,525
Total non-operating revenues (expenses)	(2,603,434)
Change in net position	(211,025)
Total net position - beginning	(2,144,157)
Net position - ending	$ (2,355,182)

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

ROCKY MOUNTAIN CLASSICAL ACADEMY
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2017

Cash flows from operating activities:	
Receipts from lessee	$ 2,392,757
Net cash provided (used) by operating activities	2,392,757
Cash flows from noncapital financing activities:	
Payments from others funds	36,157
Net cash provided (used) by noncapital financing activities	36,157
Cash flows from capital and related financing activities:	
Proceeds from insurance recoveries	403,795
Purchase of capital assets	(464,661)
Principal payments on loan	(210,000)
Interest paid on capital debt	(2,174,582)
Net cash provided (used) by financing activities	(2,445,448)
Cash flows from investing activities:	
Interest and investment income	11,375
Proceeds from sale of investments	5,159
Net cash provided (used) by investing activities	16,534
Net increase (decrease) in cash and cash equivalents	-
Cash and cash equivalents, beginning	-
Cash and cash equivalents, ending	$ -
Reconciliation of operating income (loss) in net cash provided (used) by operating activities:	
Operating income (loss)	$ 2,392,409
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
(Decrease) in unearned revenue	348
Net cash provided (used) by operating activities	$ 2,392,757

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Rocky Mountain Classical Academy (the School) is a federal 501(c)(3) tax-exempt, state nonprofit corporation, organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within Falcon School District 49 (the District). The School began operations in the Fall of 2006.

The financial statements of the School have been prepared in conformity with 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 principles.

A. REPORTING ENTITY

The accompanying financial statements present the School and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government.

Blended component unit. Rocky Mountain Classical Academy Building Corporation (the Corporation) was organized for the purpose of acquiring, leasing, constructing, improving, equipping and financing various facilities, land, equipment and other improvements in connection with property intended to be leased to the School. The Corporation has no financial balances or transactions outside of those reported by the School, and therefore, are not reported separately in the financial statements. The Corporation does not issue separate financial statements.

The School is considered a component unit of the District. The School is deemed to be fiscally dependent upon the District because the District provides the majority of the support to the School in the form of per pupil operating revenue. The School operates under a charter with the District. The current charter runs through June 30, 2018 at which time the School may seek renewal of its charter in accordance with procedures set forth in state law and school district policy and regulations.

B. BASIS OF PRESENTATION—GOVERNMENT-WIDE FINANCIAL STATEMENTS

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and enterprise funds.

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government. Governmental activities are normally supported by per pupil revenue and intergovernmental revenues. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BASIS OF PRESENTATION—FUND FINANCIAL STATEMENTS

The accounts of the School are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements.

The School reports the following major governmental fund:

The *General Fund* is the general operating fund of the School. It is used to account for all financial resources except those required to be accounted for in another fund.

The School reports the following major proprietary fund:

An *Enterprise Fund* is used to account for those operations financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The Building Corporation is accounted for as an enterprise fund

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING (CONTINUED)

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

The 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 collectible within the period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. 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. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants recognize revenue when the qualifying expenditures have been incurred and all other grant requirements have been met, and the amount is received during the period or within the availability period of this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE

Cash and Investments

The School's cash and cash equivalents are considered to be: cash on hand; cash in the bank; and liquid investments which have a maturity of one month or less when purchased or which are subject to withdrawal.

The School's bond covenants require the creation and funding of individual reserve funds. These funds are maintained in investment accounts of the Building Corporation. Investments are reported at fair value.

Receivables

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

Deposits

The School has made deposits with certain vendors as required for leases or other services.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)

Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital assets

Capital assets, which include buildings, and furniture and equipment, are reported in the government-wide financial statements. Capital assets are defined by the School as assets with a 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 estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset lives are not capitalized.

Interest incurred during the construction phase of capital assets of enterprise funds is included as part of the capitalized value of the assets constructed. The amount of interest capitalized depends on the specific circumstance.

Land and construction in progress are not depreciated. Buildings and furniture and equipment of the School are depreciated using the straight-line method over the following estimated useful lives.

Buildings	15 - 50 years
Furniture and Equipment	3 - 10 years

Accrued Salaries and Benefits

Salaries and retirement benefits of certain contractually employed personnel are paid over 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.

Pensions

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

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

Long-term debt

In the government-wide financial statements, long-term debt is reported as a liability in the statement of net position.

In the fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

Net position flow assumption

The School may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted—net position and unrestricted—net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School's policy to consider restricted—net position to have been depleted before unrestricted—net position is applied.

Fund balance classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the School is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications available to be used in the governmental fund financial statements are as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)

Fund balance classification (continued)

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action that was used when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the School's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to management through the budgetary process. This classification also includes the remaining positive fund balance for any governmental funds except for the General Fund.

Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The School would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

F. REVENUES AND EXPENDITURES/EXPENSES

Program revenues

Amounts reported as *program revenues* include 1) fees and charges to customers 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. Revenues that are not classified as program revenues, including per pupil revenue, are reported as general revenues.

Compensated Absences

The School's policy allows employees to accumulate unused sick and personal leave. Five leave days may be carried over to the following year. Accrued sick and personal leave are not paid upon termination of employment. Therefore, no liability is reported in the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. REVENUES AND EXPENDITURES/EXPENSES (CONTINUED)

Proprietary funds operating and non-operating revenues and expenses

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the School's enterprise funds are rental income. Operating expenses for enterprise funds include interest expense. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

G. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGET INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds. All annual appropriations lapse at fiscal year end. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding year.

Budgets are required by Colorado State Statutes for all funds. During April, management submits to the Board of Directors a proposed budget for all funds 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 formal resolution.

Formal budgetary integration is employed as a management control device during the year for the Governmental funds. The appropriated budget is prepared by fund. The legal level of control is the fund level.

Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Board of Directors.

Appropriations are based on total funds expected to be available in each budget year, including beginning fund balances and reserves as established by the Board of Directors. Variances between budget and actual balances result from the non-expenditure of reserves, nonoccurrence of anticipated events, and normal operating variances.

The Board of Directors may authorize supplemental appropriations during the year. For budgetary management purposes, funds are appropriated for capital outlays.

NOTE 3 – DEPOSITS AND INVESTMENTS

Cash deposits with financial institutions

Custodial credit risk—deposits. Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all local government entities 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.

The carrying amount of the School's deposits at June 30, 2017 was $3,810,922 and the bank balances were $3,844,814. Of the bank balances, $297,546 was covered by federal deposit insurance and $3,547,268 was uninsured but collateralized in accordance with the provisions of the Colorado Public Deposit Protection Act (PDPA). The collateral is pooled and held in a trust for all uninsured deposits as a group.

Investments

Colorado statutes specify in which instruments local governments may invest, which include:

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

At June 30, 2017 the School's investment balances were as follows:

Investment Type	Maturities	Fair Value
Money Market Funds	Less than 60 days	$ 1,154,725
Corporate Bonds	5 years or less	2,400,680
Total		$ 3,555,405

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Credit Risk. Credit risk involves the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments to those described above. The School does not have a formal investment policy that would further limit its investment choices. As of June 30, 2017 all of the School's investments in Money Market Funds were rated AAAm by Standard & Poor's. The corporate bonds were unrated.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or deposit. State law limits investment maturities to five years or less as a means of management exposure to fair value loss resulting from increasing interest rates. The School does not have a formal policy that would further limit investment maturities as a means of managing its exposure to interest risk.

Restricted Investments

Project Fund. These funds are restricted to funding the costs of the new building project. Any remaining funds following project completion must be deposited into the Bond Interest or Bond Principal Fund. The balance in this fund at June 30, 2017 was $0.

Repair and Replacement Fund. These funds are restricted for the payment of the cost of extraordinary maintenance and replacement to keep the facility in sound condition. The repair and maintenance fund is to be funded, commencing with the fiscal year ending June 30, 2016, ½ of one percent of operating expenses of the School, increasing by ½ of one percent per fiscal year until a maximum of 2% of operating expenses is deposited in the fund prior to the first day of any fiscal year. The balance in this fund at June 30, 2017 was $88,531.

Bond Reserve Fund. These funds are restricted for the payment of principal and interest on the bonds in the event that moneys in the bond principal fund or bond interest fund are insufficient to make such payments when due. This fund was established by an initial $2,385,775 deposit of bond proceeds. The balance in this fund at June 30, 2017 was $2,416,615.

Bond Principal and Interest Funds. These funds were established for the payment of principal and interest on the bonds, and require monthly deposits sufficient to pay 1/6th of the interest and 1/12 of the principal which will become due on the bonds on the next payment date. The balance in the Bond Principal Fund and Bond Interest Fund at June 30, 2017 were $187,567 and $862,692, respectively.

Summary of Restricted Investments at June 30, 2017:

Repair & Replacement Fund	$ 88,531
Bond Reserve Fund	2,416,615
Bond Principal and Interest Fund	1,050,259
Total restricted investments	$ 3,555,405

NOTE 4 – FAIR VALUE MEASUREMENT

The School records assets and liabilities in accordance with GASB 72, which establishes general principles for measuring fair value, provides additional fair value application guidance and enhances disclosures about fair value measurements.

GASB 72 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is a market-based measurement for a particular asset or liability based on assumptions that market participants would use in pricing the asset or liability. Such assumptions include observable and unobservable inputs of market data, as well as assumptions about risk and the risk inherent in the inputs to the valuation technique. As a basis for considering market participant assumptions in fair value measurements, GASB 72 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels.

- Level 1 inputs reflect prices quoted in active markets.
- Level 2 inputs reflect prices that are based on a similar observable asset either directly or indirectly, which may include inputs in markets that are not considered to be active.
- Level 3 inputs reflect prices based upon unobservable sources.

The categorization of investments within the hierarchy is based upon the pricing transparency of the instrument and should not be perceived as the particular investment's risk.

Investments classified in Level 1 of the fair value hierarchy are valued directly from a predetermined primary external pricing vendor. Investments classified in Level 2 are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor.

	Level 1	Level 2	Level 3	Total
Investments - restricted				
Money Market	$ 1,154,725	$	$ -	$ 1,154,725
Corporate bonds	-	2,400,680	-	2,400,680
Total Investments - restricted	$ 1,154,725	$ 2,400,680	$ -	$ 3,555,405

NOTE 5 – INTERFUND RECEIVABLES AND PAYABLES

All interfund receivables and payables are created in conjunction with the School's debt service and rental payments to the Building Corporation.

The composition of interfund balances at June 30, 2017 is as follows:

	Due From Other Funds	Due to Other Funds
General Fund	$ -	$ 12,721
Enterprise Fund	12,721	-

NOTE 6 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2017 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets, being depreciated:				
Furniture and Equipment	$ 110,458	$ -	$ -	$ 110,458
Less accumulated depreciation	(110,458)	-	-	(110,458)
Governmental activities capital assets, net	$ -	$ -	$ -	$ -
Business-type activities				
Capital assets, not being depreciated:				
Land	$ 1,693,591	$ -	$ -	$ 1,693,591
Total capital assets, not being depreciated	1,693,591	-	-	1,693,591
Capital assets, being depreciated:				
Buildings	21,251,691	458,029	(414,711)	21,295,009
Furniture and Equipment	426,294	6,632	-	432,926
Less accumulated depreciation	(726,307)	(482,844)	12,441	(1,196,710)
Total capital assets, being depreciated, net	20,951,678	(18,183)	(402,270)	20,531,225
Business-type activities capital assets, net	$ 22,645,269	$ (18,183)	$ (402,270)	$ 22,224,816

NOTE 7 – LONG-TERM DEBT

CHARTER SCHOOL REVENUE BONDS	Principal Balance
Charter School Revenue Bonds, Series 2013, in the original amount of $28,050,000, were issued on October 17, 2013 to fund the construction of a new school building. Interest is due semi-annually on March 1 and September 1. The average coupon rates range from 6.375% to 8.125%.	$27,645,000

Annual debt service requirements to maturity for the Revenue Bonds are as follows:

Fiscal Year Ending June 30	Business-type Activities Principal	Interest
2018	$ 225,000	$ 2,160,641
2019	235,000	2,145,978
2020	255,000	2,130,359
2021	270,000	2,113,625
2022	290,000	2,095,775
2023-2027	1,760,000	10,149,644
2028-2032	2,560,000	9,356,594
2033-2037	3,745,000	8,171,881
2038-2042	5,575,000	6,339,019
2043-2047	8,330,000	3,584,665
2048-2049	4,400,000	364,812
Total	$ 27,645,000	$ 48,612,993

Changes in long-term debt for the year ended June 30, 2017 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Bonds payable					
Revenue bonds	$ 27,855,000	$ -	$ (210,000)	$ 27,645,000	$ 225,000
Discount	(436,598)	-	13,573	(423,025)	-
Total bonds payable	$ 27,418,402	$ -	$ (196,427)	$ 27,221,975	$ 225,000

NOTE 8 – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

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

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

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

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

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

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

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

	For the Year Ended December 31, 2016	For the Year Ended December 31, 2017
Employer Contribution Rate	10.15%	10.15%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. §24-51-208(1)(f)	(1.02)%	(1.02)%
Amount apportioned to the SCHDTF	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. §24-51-411	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. §24-51-411	4.50%	5.00%
Total Employer Contribution Rate to the SCHDTF	18.13%	18.63%

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the Rocky Mountain Classical Academy is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from Rocky Mountain Classical Academy were $588,830 for the year ended June 30, 2017.

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

At June 30, 2017, the Rocky Mountain Classical Academy reported a liability of $18,728,213 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016. The Rocky Mountain Classical Academy proportion of the net pension liability was based on Rocky Mountain Classical Academy contributions to the SCHDTF for the calendar year 2016 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2016, the Rocky Mountain Classical Academy's proportion was 0.0629015118 percent, which was an increase of 0.0100804141 percent from its proportion measured as of December 31, 2015.

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

For the year ended June 30, 2017, the Rocky Mountain Classical Academy recognized pension expense of $3,964,098. At June 30, 2017, the Rocky Mountain Classical Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 234,131	$ 165
Changes of assumptions or other inputs	6,076,915	84,455
Net difference between projected and actual earnings on pension plan investments	626,232	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	1,187,489	295,552
Contributions subsequent to the measurement date	312,089	N/A
Total	$ 8,436,856	$ 380,172

$312,089 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2018	$ 3,104,787
2019	$ 3,082,351
2020	$ 1,551,212
2021	$ 6,245

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

Actuarial cost method	Entry age
Price inflation	2.80 percent
Real wage growth	1.10 percent
Wage inflation	3.90 percent
Salary increases, including wage inflation	3.90 – 10.10 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.50 percent
Discount rate	7.50 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)	2.00 percent
PERA benefit structure hired after 12/31/06; (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.70 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	5.26 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)	2.00 percent
PERA benefit structure hired after 12/31/06; (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Mortality rates used in the December 31, 2015 valuation were based on the RP-2000 Combined Mortality Table for Males or Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with Males set back 1 year, and Females set back 2 years. Active member mortality was based upon the same mortality rates but adjusted to 55 percent of the base rate for males and 40 percent of the base rate for females. For disable retirees, the RP-2000 Disabled Mortality Table (set back 2 years for males and set back 2 years for females) was assumed.

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

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

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

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016. As a result of the October 28, 2016 actuarial assumptions workshop and the November 18, 2016 PERA Board meeting, the economic assumptions changed, effective December 31, 2016, as follows:

- Investment rate of return assumption decreased from 7.50 percent per year, compounded annually, net of investment expenses to 7.25 percent per year, compounded annually, net of investment expenses.

- Price inflation assumption decreased from 2.80 percent per year to 2.40 percent per year.

- Real rate of investment return assumption increased from 4.70 percent per year, net of investment expenses, to 4.85 percent per year, net of investment expenses.

- Wage inflation assumption decreased from 3.90 percent per year to 3.50 percent per year.

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

These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

As of the November 18, 2016 adoption of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S Fixed Income - Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100.00%	

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

Discount rate. The discount rate used to measure the total pension liability was 5.26 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated economic and demographic actuarial assumptions adopted by PERA's Board on November 18, 2016.

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.

- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the SCHDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.86 percent, resulting in a discount rate of 5.26 percent.

As of the prior measurement date, the projection test indicated the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments of 7.50 percent was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use a municipal bond index rate and the discount rate was 7.50 percent, 2.24 percent higher compared to the current measurement date.

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Sensitivity of the Rocky Mountain Classical Academy proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 5.26 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (4.26 percent) or 1-percentage-point higher (6.26 percent) than the current rate:

	1% Decrease (4.26%)	Current Discount Rate (5.26%)	1% Increase (6.26%)
Proportionate share of the net pension liability	$ 23,550,125	$ 18,728,213	$ 14,800,939

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

NOTE 9 – OTHER POST-EMPLOYMENT BENEFITS

Health Care Trust Fund

Plan description. The Rocky Mountain Classical Academy contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer healthcare trust administered by PERA. The HCTF benefit provides a health care premium subsidy and health care programs (known as PERACare) to PERA participating benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the C.R.S., as amended, establishes the HCTF and sets forth a framework that grants authority to the PERA Board to contract, self-insure and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of health care subsidies. PERA issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the HCTF. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding policy. The Rocky Mountain Classical Academy is required to contribute at a rate of 1.02 percent of PERA-includable salary for all PERA members as set by statute. No member contributions are required. The contribution requirements for the Rocky Mountain Classical Academy are established under Title 24, Article 51, Part 4 of the C.R.S., as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended. For the years ending June 30, 2017, 2016, and 2015 the Rocky Mountain Classical Academy contributions to the HCTF were $32,633, $26,013, and $23,258, respectively, equal to their required contributions for each year.

NOTE 10 - RISK MANAGEMENT

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

The School carries commercial insurance for these risks of loss, including worker's compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the last three fiscal years.

NOTE 11 – CONCENTRATION OF RISK

The School is funded directly by Falcon School District 49 based on the District's per pupil funding. For the fiscal year ended June 30, 2017, this funding accounted for approximately 87% of the School's revenues.

NOTE 12 – COMMITMENTS AND CONTINGENCIES

Reserve and Liquidity Covenants

Under its debt covenants, the School must maintain reserves equal to emergency reserves in the amount required under Article X, Section 20(5) of the Colorado Constitution, and commencing with the fiscal year ending June 30, 2015, cumulative unrestricted cash reserves in an amount sufficient to pay at least 45 days of operating expenses for the prior fiscal year. At June 30, 2017, the General fund operating account had $3,730,937 of unrestricted cash reserves, which were sufficient to cover emergency reserves in the amount of $309,000 and 45 days of operating expenses in the amount of $1,222,413.

Coverage Ratio

Under its debt covenants, the School must maintain certain debt coverage ratios. Commencing with the fiscal year ending June 30, 2015 the coverage ratio shall be at or above 1.10 for the fiscal year ending June 30, 2015, and at or above 1.20 at the end of each fiscal year thereafter. Debt service requirements for the 2017-2018 fiscal year are $2,385,641. Based on pledged property of $3,220,420, the debt coverage ratio at June 30, 2017 was 1.35.

NOTE 12 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Operating Leases

The School leases classroom facilities under noncancelable operating leases. Total costs for such leases were $2,392,409 for the year ended June 30, 2017. The future minimum lease payments for operating leases are as follows:

Fiscal Year Ending June 30	
2018	$ 2,389,555
2019	2,392,233
2020	2,392,545
2021	2,394,322
2022	2,392,403
2023-2027	11,979,666
2028-2032	12,018,594
2033-2037	12,072,388
2038-2042	12,151,268
2043-2047	12,271,380
2048-2049	3,092,937
Total	$ 75,547,291

All of the above future minimum lease payments are to be paid to the Building Corporation and are designed to fully recover bond debt service payments over the life of the bonds.

Grants

The School has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursement to grantor agencies for expenditures disallowed under terms of the grant. However, in the opinion of the School, any such adjustments will not have a material adverse affect on the financial position of the School.

NOTE 13 - AMENDMENT TO COLORADO CONSTITUTION

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities and other specific requirements of state and local governments.

The amendment requires emergency reserves be established. These reserves must be at least 3% of fiscal year spending. The School is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary and benefit increases. At June 30, 2017 there was $309,000 reservation of fund balance in the General Fund for the amendment.

The Amendment is complex and subject to judicial interpretation. The School believes it is in compliance with the requirements of the amendment. However, the School has made certain interpretations of the amendment's language in order to determine its compliance.

NOTE 14 – COMPLIANCE

The School has complied with the requirements of the Financial Policies and Procedures Handbook for the 2017 audit period as required by Colorado Statute CRS 22-44-204(3).

NOTE 15 – SUBSEQUENT EVENT

On September 1, 2017, the School issued $36,407,142 of Charter School Refunding and Improvement Revenue Bonds to refund Charter School Revenue Bonds, Series 2013, and to fund the construction of a new school building. An additional $7,834,818 is expected to be issued to fund the new school construction.

REQUIRED SUPPLEMENTARY INFORMATION

ROCKY MOUNTAIN CLASSICAL ACADEMY
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY AND COVERED PAYROLL
JUNE 30, 2017

	2013	2014	2015	2016
School's proportion of the net pension liability (asset)	0.0531884513%	0.0557777177%	0.0528210977%	0.0629015118%
School's proportionate share of the net pension liability (asset)	$ 6,784,173	$ 7,559,754	$ 8,078,614	$ 18,728,212
School's covered-employee payroll	$ 2,144,196	$ 2,336,686	$ 2,301,931	$ 2,823,132
School's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	316.40%	323.52%	350.95%	663.38%
Plan fiduciary net position as a percentage of the total pension liability	64.1%	62.8%	59.2%	43.1%

* The amounts presented for each fiscal year were determined as of 12/31.

* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

ROCKY MOUNTAIN CLASSICAL ACADEMY
SCHEDULE OF EMPLOYER'S STATUTORY PAYROLL CONTRIBUTIONS AND COVERED PAYROLL
JUNE 30, 2017

	2013	2014	2015	2016
Contractually required contribution	$ 332,994	$ 383,918	$ 398,925	$ 511,834
Contributions in relation to the contractually required contribution	(332,994)	(383,918)	(398,925)	(511,834)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
School's covered-employee payroll	$ 2,144,196	$ 2,336,686	$ 2,301,931	$ 2,823,132
Contributions as a percentage of covered-employee payroll	15.53%	16.43%	17.33%	18.13%

* The amounts presented for each fiscal year were determined as of 12/31.

* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

ROCKY MOUNTAIN CLASSICAL ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2017

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Local sources				
Pupil activities	$ 977,590	$ 1,193,741	$ 334,811	$ (858,930)
Other	-	-	491,545	491,545
Total local sources	977,590	1,193,741	826,356	(367,385)
State sources				
Per pupil revenue	9,659,311	9,396,928	9,397,353	425
Other	-	372,709	422,688	49,979
Total state sources	9,659,311	9,769,637	9,820,041	50,404
Federal sources				
Federal E rate revenue	-	-	96,961	96,961
Federal impact aid	33,259	259,249	57,885	(201,364)
Total federal sources	33,259	259,249	154,846	(104,403)
Total revenues	10,670,160	11,222,627	10,801,243	(421,384)
EXPENDITURES				
Instruction	4,817,149	4,669,891	4,628,312	41,579
Students	20,257	20,257	3,053	17,204
Instructional staff	22,061	22,061	12,021	10,040
General administration	21,693	33,013	30,871	2,142
School administration	1,108,326	1,318,948	1,299,621	19,327
Business services	292,636	315,648	379,783	(64,135)
Maintenance and operations	3,016,234	3,712,453	3,097,265	615,188
Transportation	-	-	1,596	(1,596)
Central services	251,097	296,198	209,558	86,640
Food Service	246,450	245,553	253,046	(7,493)
Contingency reserve	-	2,202,497	-	2,202,497
Emergency reserve	-	336,679	-	336,679
Transfers out	-	-	50,203	(50,203)
Total expenditures	9,795,903	13,173,198	9,965,329	3,207,869
NET CHANGE IN FUND BALANCE	874,257	(1,950,571)	835,914	2,786,485
FUND BALANCE - BEGINNING	2,980,703	3,123,069	3,084,776	(38,293)
FUND BALANCE - ENDING	$ 3,854,960	$ 1,172,498	$ 3,920,690	$ 2,748,192

See the accompanying independent auditors' report.