World Compass Academy

(A Component Unit of Douglas County School District RE.1)

Financial Statements

June 30, 2018

World Compass Academy

(A Component Unit of Douglas County School District RE.1)

Table of Contents

June 30, 2018

Independent Auditors' Report 1

Management's Discussion and Analysis i

Basic Financial Statements

Government-wide Financial Statements

Statement of Net Position 3
Statement of Activities 4

Governmental Fund

Balance Sheet 5
Statement of Revenues, Expenditures and Changes in Fund Balance 6
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities 7

Proprietary Fund

Statement of Net Position 8
Statement of Revenues, Expenses and Changes in Net Position 9
Statement of Cash Flows 10

Notes to Financial Statements 11

Required Supplementary Information

Schedule of Proportionate Share of the Net Pension Liability and Contributions 29
Schedule of Proportionate Share of the Net OPEB Liability and Contributions 30
Budgetary Comparison Schedule – General Fund 31
Notes to Required Supplementary Information 32

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Independent Auditors' Report

Board of Directors
World Compass Academy
Castle Rock, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the World Compass Academy as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of the World Compass Academy, 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.

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Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the World Compass Academy as of June 30, 2018, 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.

Emphasis of Matter
As discussed in Note 9 to the financial statements, in the year ended June 30, 2018, the World Compass Academy adopted new accounting guidance as required by Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

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.

Hinkle & Company, PC

Greenwood Village, Colorado
October 31, 2018

WORLD COMPASS ACADEMY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2018

As management of World Compass 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, 2018. Readers are encouraged to consider the information presented here in conjunction with the annual financial report.

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, and deferred inflows and outflows, with the difference 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 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 Douglas County School District, Castle Rock, Colorado.

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. The School has a general fund, which is a governmental fund.

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.

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, its liabilities and deferred inflows exceeded assets and deferred outflows by ($8,150,927) during the fiscal year resulting in a negative net position balance. This includes a net pension liability of ($15,389,621) and a net OPEB (Post-employment Benefits other than Pension) liability of ($351,434); deferred outflows related to pensions of $7,231,559 and deferred outflows related to OPEB of $77,497, and deferred inflows related to pensions of ($666,386) and deferred inflows related to OPEB of ($5,880).

Condensed Statement of Net Position

	2018	2017
Cash & Cash Equivalents	1,079,222	471,193
Restricted Cash and Investments	5,654,119	1,098,522
Accounts Receivable		3,939
Grants Receivable		105,495
Prepaid Expenses	27,349	8,232
Deposits	4,500	4,500
Capital Assets, Not Depreciated	8,031,379	2,000,874
Capital Assets, Depreciated	9,026,855	9,208,557
Total assets	23,823,424	12,901,312
Deferred Outflows Related to Pensions and OPEB	7,309,056	7,499,873

Accounts Payable and Unearned Revenue	996,597	130,244
Accrued Salary and Benefits	54,122	27,202
Accrued Interest Payable	314,296	216,102
Note Payable	23,210,000	12,645,000
Noncurrent Liability-Net Pension and OPEB Liability	15,741,055	11,085,452
Total liabilities	40,316,070	24,104,000
Deferred Inflows of Resources Related to Pensions and OPEB	672,266	50,088
Net position:		
Capital Assets, net of Related Debt	(3,839,378)	(337,047)
Restricted for Emergencies (TABOR)	157,000	133,000
Restricted for Debt Service	2,206,180	
Unrestricted	(8,379,658)	(3,548,856)
Total Net Position	(9,855,856)	(3,752,903)

Condensed Statement of Changes in Net Position

	2018	2017
Revenues:		
General revenues:		
Local Sources	5,142,881	4,255,259
State and Federal Sources	171,462	350,281
Total revenues	5,314,343	4,605,540
Expenses:		
Instruction	6,697,838	4,745,898
Support services	4,455,321	2,937,768
Total expenses	11,153,159	7,683,666
Change in net position	(5,838,816)	(3,078,126)
Net position, beginning	(4,017,040)	(674,777)
Net position, ending	(9,855,856)	(3,752,903)

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 increased $428,292 as a result of the year's activities. The balance was $881,607 at the end of the current fiscal year.

BUDGETARY HIGHLIGHTS

The School's budget is prepared in accordance with state law. The originally established budget was amended in December to adjust for the actual enrollment, additional salaries and benefits, bonuses, additional curriculum, advertising, testing materials and district purchased services. Final revenue figures exceeded budget primarily due to an increase in student fees collected but also from additional ELPA and READ Act revenue, increased capital construction funding, reimbursement received for alternative licensing fees and fundraising efforts. Final instructional expenditures exceeded budget but were offset by underspending in supporting services. Some of the professional services budgeted were hired instead of contracted. The school also changed health benefits providers halfway through the year resulting in some cost savings.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

The School acquired capital equipment, land and buildings and recorded capital assets of $17,058,234, net of accumulated depreciation.

Debt Administration

In 2016-17, the School obtained $12,645,000 through Charter School Revenue Bond Anticipation Notes from CECFA. Those bonds were paid in full with proceeds from the $23,210,000 Charter School Revenue Bonds issued in 2017-18. The School used $8,028,000 to finance the construction of a new middle school set to open 2018-19.

Additional information for capital assets and long-term debt is provided in Notes 4 and 5 to the financial statements.

ECONOMIC FACTORS

- World Compass Academy is chartered within the Douglas County School District. Growth within the county is expected to remain strong for the foreseeable future, thus providing a strong economic growth outlook for out student population

- The state forecasts that slight increases should be expected for the near future.

SCHOOL INFORMATION

- World Compass Academy is a K-5 charter school operating under the authorization of Douglas County School District since 2014.

- The school maintains a steady enrollment of approximately 550 funded students. This number may fluctuate slightly on student count day causing the annual operating budget to be originally based on slightly fewer students and then adjusted to actual enrollment at mid-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 the Principal at World Compass Academy for assistance.

Basic Financial Statements

World Compass Academy

(A Component Unit of Douglas County School District RE.1)
Statement of Net Position
June 30, 2018

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Investments	$ 1,079,222	$ -	$ 1,079,222
Restricted Cash and Investments	-	5,654,119	5,654,119
Prepaid Expenses	27,349	-	27,349
Deposits	4,500	-	4,500
Capital Assets*, Not Being Depreciated*	-	8,031,379	8,031,379
Capital Assets*, Net of Accumulated Depreciation*	71,731	8,955,124	9,026,855
Total Assets	1,182,802	22,640,622	23,823,424
Deferred Outflows of Resources			
Pensions*, Net of Accumulated Amortization*	7,231,559	-	7,231,559
OPEB, *Net of Accumulated Amortization*	77,497	-	77,497
Total Deferred Outflows of Resources	7,309,056	-	7,309,056
Liabilities			
Accounts Payable	42,488	821,255	863,743
Accrued Liabilities	54,122	-	54,122
Unearned Revenues	132,854	-	132,854
Accrued Interest Payable	-	314,296	314,296
Noncurrent Liabilities			
Due in More Than One Year	-	23,210,000	23,210,000
Net Pension Liability	15,389,621	-	15,389,621
Net OPEB Liability	351,434	-	351,434
Total Liabilities	15,970,519	24,345,551	40,316,070
Deferred Inflows of Resources			
Pensions*, Net of Accumulated Amortization*	666,386	-	666,386
OPEB, *Net of Accumulated Amortization*	5,880	-	5,880
Total Deferred Inflows of Resources	672,266	-	672,266
Net Position			
Net Investment in Capital Assets	71,731	(3,911,109)	(3,839,378)
Restricted for:			
Debt Service	-	2,206,180	2,206,180
Emergencies	157,000	-	157,000
Unrestricted	(8,379,658)	-	(8,379,658)
Total Net Position	$ (8,150,927)	$ (1,704,929)	$ (9,855,856)

See Notes to Financial Statements.

World Compass Academy

(A Component Unit of Douglas County School District RE.1)
Statement of Activities
For the Year Ended June 30, 2018

		Program Revenues		Net (Expense) Revenue and Change in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government						
Governmental Activities						
Instruction	$ 6,697,838	$ 631,825	$ 25,397	$ (6,040,616)	$ -	$ (6,040,616)
Supporting Services	2,767,196	-	-	(2,767,196)	-	(2,767,196)
Total Governmental Activities	9,465,034	631,825	25,397	(8,807,812)	-	(8,807,812)
Business-Type Activities						
Building Corporation	1,688,125	-	-	-	(1,688,125)	(1,688,125)
Total Primary Government	$ 11,153,159	$ 631,825	$ 25,397	(8,807,812)	(1,688,125)	(10,495,937)
	General Revenues					
	Per Pupil Revenue			4,056,702	-	4,056,702
	District Mill Levy			299,238	-	299,238
	Capital Construction			146,065	-	146,065
	Contributions not Restricted to Specific Programs			19,822	-	19,822
	Investment Income			-	97,076	97,076
	Other			38,218	-	38,218
	Transfers			(525,788)	525,788	-
	Total General Revenues and Transfers			4,034,257	622,864	4,657,121
	Change in Net Position			(4,773,555)	(1,065,261)	(5,838,816)
	Net Position, *Beginning of year*			(3,377,372)	(639,668)	(4,017,040)
	Net Position, *End of year*			$ (8,150,927)	$ (1,704,929)	$ (9,855,856)

See Notes to Financial Statements.

World Compass Academy

(A Component Unit of Douglas County School District RE.1)
Balance Sheet
Governmental Fund
June 30, 2018

	General
Assets	
Cash and Investments	$ 1,079,222
Prepaid Expenses	27,349
Deposits	4,500
Total Assets	$ 1,111,071
Liabilities and Fund Balance	
Liabilities	
Accounts Payable	$ 42,488
Accrued Liabilities	54,122
Unearned Revenues	132,854
Total Liabilities	229,464
Fund Balance	
Restricted for Emergencies	157,000
Unrestricted, Unassigned	724,607
Total Fund Balance	881,607
Total Liabilities and Fund Balance	$ 1,111,071

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

Total Fund Balance of the Governmental Fund	$ 881,607
Capital assets used in governmental activities are not financial resources and, therefore, not report in governmental funds	71,731
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	(15,389,621)
Pension-related deferred outflows of resources	7,231,559
Pension-related deferred inflows of resources	(666,386)
Net OPEB liability	(351,434)
OPEB-related deferred outflows of resources	77,497
OPEB-related deferred inflows of resources	(5,880)
Total Net Position of Governmental Activities	$ (8,150,927)

See Notes to Financial Statements.

World Compass Academy

(A Component Unit of Douglas County School District RE.1)

Statement of Revenues, Expenditures and Changes in Fund Balance

Governmental Fund

For the Year Ended June 30, 2018

	General
Revenues	
Local Sources	$ 5,045,805
State Sources	171,462
Total Revenues	5,217,267
Expenditures	
Instruction	2,670,432
Supporting Services	2,118,543
Total Expenditures	4,788,975
Net Change in Fund Balance	428,292
Fund Balance, *Beginning of year*	453,315
Fund Balance, *End of year*	$ 881,607

World Compass Academy

(A Component Unit of Douglas County School District RE.1)

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, 2018

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

Net Change in Fund Balance of the Governmental Fund	$	428,292
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.		
Capital outlays		10,846
Depreciation expense		(8,232)
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		(4,304,169)
Pension-related deferred outflows of resources		(268,314)
Pension-related deferred inflows of resources		(616,298)
Net OPEB liability		(77,046)
OPEB-related deferred outflows of resources		67,246
OPEB-related deferred inflows of resources		(5,880)
Change in Net Position of Governmental Activities	$	(4,773,555)

See Notes to Financial Statements.

World Compass Academy

(A Component Unit of Douglas County School District RE.1)
Statement of Net Position
Proprietary Fund
June 30, 2018

	Building Corporation
Assets	
Current Assets	
Cash and Investments	$ 5,654,119
Total Current Assets	5,654,119
Noncurrent Assets	
Capital Assets, *Not Being Depreciated*	8,031,379
Capital Assets, *Net of Accumulated Depreciation*	8,955,124
Total Noncurrent Assets	16,986,503
Total Assets	22,640,622
Liabilities	
Current Liabilities	
Accounts Payable	821,255
Accrued Interest Payable	314,296
Total Current Liabilities	1,135,551
Noncurrent Liabilities	
Loan Payable	23,210,000
Total Liabilities	24,345,551
Net Position	
Net Investment in Capital Assets	(3,911,109)
Restricted for Debt Service	2,206,180
Total Net Position	$ (1,704,929)

World Compass Academy

(A Component Unit of Douglas County School District RE.1)
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2018

	Building Corporation
Operating Revenues	
Lease Income	$ 525,788
Operating Expenses	
Purchased Services	4,608
Depreciation	184,316
Debt Service	
Interest and Fiscal Charges	841,643
Total Operating Expenses	1,030,567
Net Operating Loss	(504,779)
Nonoperating Revenues (Expenses)	
Investment Income	97,076
Debt Issuance Costs	(657,558)
Total Nonoperating Revenues (Expenses)	(560,482)
Change in Net Position	(1,065,261)
Net Position, *Beginning of year*	(639,668)
Net Position, *End of year*	$ (1,704,929)

See Notes to Financial Statements.

World Compass Academy

(A Component Unit of Douglas County School District RE.1)

Statement of Cash Flows

Proprietary Fund

For the Year Ended June 30, 2018

	Building Corporation
Cash Flows From Operating Activities	
Lease Payments Received	$ 525,788
Payments to Vendors	(4,608)
Loan Interest and Fees Paid	(569,580)
Net Cash Provided (Used) by Operating Activities	(48,400)
Cash Flows From Capital and Related Financing Activities	
Loan Proceeds	23,210,000
Debt Repayment	(12,818,869)
Acquisition and Construction of Capital Assets	(5,079,336)
Interest Paid and Capitalized	(201,074)
Interest Earned and Capitalized	71,160
Debt Issuance Costs Paid	(657,558)
Net Cash Provided (Used) by Capital and Related Financing Activities	4,524,323
Cash Flows From Investing Activities	
Investment Income Received	97,159
Net Change in Cash and Cash Equivalents	4,573,082
Cash and Cash Equivalents, *Beginning of year*	1,081,037
Cash and Cash Equivalents, *End of year*	$ 5,654,119

Reconciliation of Net Operating Loss to	
Net Cash Provided (Used) by Operating Activities	
Net Operating Loss	$ (504,779)
Adjustments to Reconcile Net Operating Loss to	
Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	184,316
Loss on Debt Refunding	173,869
Changes in Assets and Liabilities	
Accrued Interest Payable	98,194
Net Cash Provided (Used) by Operating Activities	$ (48,400)

See Notes to Financial Statements.

Note 1: Summary of Significant Accounting Policies

The World Compass Academy (the Academy) was formed pursuant to the Colorado Charter Schools Act to form and operate a charter school in the Douglas County School District (the District). The Academy began operations in the Fall of 2015.

The financial statements of the Academy 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. The more significant of the Academy's accounting policies are described below.

Reporting Entity

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

The Academy includes the World Compass Academy Building Corporation, Inc. (the Corporation), a Colorado non-profit corporation, within its reporting entity. The specific purpose of the Corporation is to manage the development and use of the facilities and surrounding properties of the Academy, through consistently upholding the vision and mission of the Academy. The Corporation is blended into the Academy's financial statements as an enterprise fund and does not issue separate financial statements.

The Academy is a component unit of the District. The Academy's charter is authorized by the District and the majority of the Academy's funding is provided by the District.

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 Academy. 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.

Note 1: Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements *(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. Internally dedicated resources are reported as general revenues rather than as program revenues.

Separate financial statements are provided for the governmental fund and the proprietary fund. 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, not to exceed 60 days. Intergovernmental revenues, grants, and interest 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 Academy. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures 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 ongoing operations. Operating expenses for proprietary 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 Academy's policy to use restricted resources first, and the unrestricted resources as they are needed.

Note 1: Summary of Significant Accounting Policies (Continued)

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

The Academy reports the following major governmental fund:

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

The Academy reports one major proprietary fund, as follows:

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

Assets, Liabilities and Net Position/Fund Balance

Cash Equivalents - Cash equivalents include investments with an original maturity of three months or less.

Prepaid Expenses - Certain payments to vendors reflect costs applicable to future years and are reported as prepaid expenses.

Capital Assets - Capital assets, which include land, buildings and equipment, are reported in the government-wide financial statements and the proprietary fund 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. 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.

Capital assets are depreciated using the straight-line method over the following estimated useful lives.

Buildings and Improvements	50 years
Equipment	5 - 15 years

Unearned Revenues - Unearned revenues represent resources received by the Academy before it has a legal claim to them, including tuition and fees.

Long-Term Debt - In the government-wide financial statements and the proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses.

Issuance costs, whether or not withheld from the debt proceeds, are reported as current expenses or expenditures.

Note 1: Summary of Significant Accounting Policies (Continued)

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

Pensions - The Academy 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 Academy participates in 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). 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.

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 Academy 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 Academy uses restricted fund balance first, followed by committed, assigned and unassigned balances.

Risk Management

The Academy 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 Academy carries commercial insurance for these risks of loss.

Note 2: Stewardship, Compliance and Accountability

Accountability

At June 30, 2018, the Corporation had a negative net position of $1,704,929. Management expects this negative balance to be eliminated as the Corporation's debt is paid.

Note 3: Cash and Investments

A summary of cash and investments at June 30, 2018, follows:

Deposits	$	1,079,222
Investments		5,654,119
Total	$	6,733,341

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

Cash and Investments	$	1,079,222
Restricted Cash and Investments		5,654,119
Total	$	6,733,341

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2018, the Academy had bank deposits of $829,814 collateralized with securities held by the financial institution's agent but not in the Academy's name.

Investments

The Academy 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.

Note 3: Cash and Investments (Continued)

Investments *(Continued)*

- 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 the maturity of investment securities to 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 Academy may invest in a single issuer, except for corporate securities.

Local Government Investment Pool - At June 30, 2018, the Corporation had $5,654,119 invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds for investment purposes. The Colorado Division of Securities administers and enforces the requirements of creating and operating Colotrust. Colotrust operates in conformity with the Securities and Exchange Commission's Rule 2a-7. Colotrust is measured at the net asset value per share, with each share valued at $1. Colotrust is rated AAAm by Standard and Poor's. Investments of Colotrust are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

Restricted Cash and Investments

At June 30, 2018, the Corporation had investments of $5,654,119 restricted for capital projects and future debt service.

Note 4: Capital Assets

Capital asset activity for the year ended June 30, 2018, is summarized below.

	Balance 6/30/17	Additions	Deletions	Balance 6/30/18
Governmental Activities				
Capital Assets, *Being Depreciated*				
Equipment	$ 71,613	$ 10,846	$ -	$ 82,459
Accumulated Depreciation	(2,496)	(8,232)	-	(10,728)
Governmental Activities Capital Assets, *net*	$ 69,117	$ 2,614	$ -	$ 71,731
Business-Type Activities				
Capital Assets, *Not Being Depreciated*				
Land	$ 2,000,000	$ -	$ -	$ 2,000,000
Construction in Progress	874	6,030,505	-	6,031,379
Total Capital Assets, *Not Being Depreciated*	2,000,874	6,030,505	-	8,031,379
Capital Assets, *Being Depreciated*				
Buildings and Improvements	9,215,781	-	-	9,215,781
Accumulated Depreciation	(76,341)	(184,316)	-	(260,657)
Total Capital Assets, *Being Depreciated, net*	9,139,440	(184,316)	-	8,955,124
Business-Type Activities Capital Assets, *net*	$ 11,140,314	$ 5,846,189	$ -	$ 16,986,503

Depreciation expense of the governmental activities was charged to the supporting services program of the Academy.

Note 5: Long-Term Debt

The following is a summary of the Academy's long-term transactions for the year ended June 30, 2018:

	Balance 6/30/17	Additions	Deletions	Balance 6/30/18	Due Within One Year
Business-Type Activities					
2/2017 CECFA Loan	$ 12,645,000	$ -	$ (12,645,000)	$ -	$ -
10/2017 CECFA Loan	-	23,210,000	-	23,210,000	-
Total	$ 12,645,000	$ 23,210,000	$ (12,645,000)	$ 23,210,000	$ -

In February 2017, the Colorado Educational and Cultural Facilities Authority (CECFA) issued $12,645,000 Charter School Revenue Bond Anticipation Notes. Proceeds were loaned to the Corporation to purchase educational facilities. During the year ended June 30, 2018, the notes were paid in full with the proceeds of CECFA's Charter School Revenue Bonds, Series 2017.

Note 5: Long-Term Debt (Continued)

In October 2017, CECFA issued $23,210,000 Charter School Revenue Bonds, Series 2017. Proceeds in the amount of $12,818,869 were used to pay in full the outstanding Charter School Revenue Bond Anticipation Notes, originally issued to purchase the Academy's educational facilities. This refunding resulted in an accounting loss of $173,869, which was reported as a component of interest expense in the year ended June 30, 2018. Additional proceeds of $8,028,000 were loaned to the Corporation to finance the construction and equipping of a middle school addition to the existing facility.

The Academy is obligated under a lease agreement to make monthly payments to the Corporation for using the facilities. The Corporation is required to make equal loan payments to the Trustee, for payment of the bonds. Interest accrues on the bonds at rates ranging from 4.625% to 5.625% per annum, and is payable semi-annually on April 1 and October 1. Principal payments are due annually on October 1, from 2021 through 2052.

Future debt service requirements for the bonds are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	$ -	$ 1,257,181	$ 1,257,181
2020	-	1,257,181	1,257,181
2021	-	1,257,181	1,257,181
2022	300,000	1,250,244	1,550,244
2023	315,000	1,236,022	1,551,022
2024 - 2028	1,795,000	5,943,541	7,738,541
2029 - 2033	2,285,000	5,434,178	7,719,178
2034 - 2038	2,965,000	4,732,472	7,697,472
2039 - 2043	3,870,000	3,808,356	7,678,356
2044 - 2048	5,055,000	2,588,044	7,643,044
2049 - 2053	6,625,000	972,422	7,597,422
Total	$ 23,210,000	$ 29,736,822	$ 52,946,822

Note 6: Defined Benefit Pension Plan

General Information

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

Note 6: Defined Benefit Pension Plan (Continued)

General Information *(Continued)*

Benefits Provided - The SDTF provides retirement, disability, and survivor benefits to plan participants or their beneficiaries. Retirement benefits are determined by the amount of service credit earned or purchased, highest average salary, the benefit structure in place, the benefit option selected at retirement, and age at retirement. The retirement benefit is the greater of the a) highest average salary 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 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.

Retirees may elect to withdraw their contributions upon termination of employment, and may be eligible to receive a matching amount if five years of service credit is earned and certain other criteria is met. Retirees who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs) as established by State statutes. Retirees who began employment before January 1, 2007, receive an annual increase of 2%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% or the average consumer price index for the prior calendar year. Retirees that began employment after January 1, 2007, receive an annual increase of the lesser of 2% or the average consumer price index for the prior calendar year, with certain limitations.

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

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

Contributions - The Academy and eligible employees are required to contribute to the SDTF at rates established by Title 24, Article 51, Part 4 of the CRS. These contribution requirements are established and may be amended by the State Legislature. The contribution rate for employees is 8% of covered salaries. The Academy's contribution rate for calendar years 2018 and 2017 was 20.15% and 19.65% of covered salaries, respectively. However, a portion of the Academy's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 7). The Academy's contributions to the SDTF for the year ended June 30, 2018, were $475,342, equal to the required contributions.

Note 6: 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, 2018, the Academy reported a net pension liability of $15,389,621, representing its proportionate share of the net pension liability of the SDTF. The net pension liability was measured at December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017.

The Academy's proportion of the net pension liability was based on the Academy's contributions to the SDTF for the calendar year ended December 31, 2017, relative to the contributions of all participating employers. At December 31, 2017, the Academy's proportion was 0.0475921847%, which was an increase of 0.0103600299% from its proportion measured at December 31, 2016.

During the 2018 legislative session, the State Legislature passed Senate Bill (SB) 18-200 with the goal of eliminating the unfunded pension liability of the SDTF within the next 30 years. The significant provisions of the legislation include increased age and service requirements to receive full retirement benefits, highest average salary calculated over five years rather than three years, changes to includable employee salaries, increased contributions from employees and employers, and an annual direct distribution from the State of Colorado. The Academy's estimated net pension liability at June 30, 2018, had the provisions of SB 18-200 been effective was $6,952,897.

For the year ended June 30, 2018, the Academy recognized pension expense of $5,627,836. At June 30, 2018, the 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
Differences between expected and actual experience	$ 282,950	$ -
Changes of assumptions and other inputs	3,929,542	24,937
Net difference between projected and actual earnings on plan investments	-	641,449
Changes in proportion	2,791,523	-
Contributions subsequent to the measurement date	227,544	-
Total	$ 7,231,559	$ 666,386

Academy contributions subsequent to the measurement date of $227,544 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Note 6: Defined Benefit Pension Plan (Continued)

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

Year Ended June 30,		
2019	$	4,082,937
2020		2,234,256
2021		247,799
2022		(227,363)
Total	$	6,337,629

Actuarial Assumptions - The actuarial valuation as of December 31, 2016, 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 [1]	5.26%
Post-retirement benefit increases:	
Hired prior to 1/1/2007	2.0%
Hired after 12/31/2006	ad hoc

[1]The discount rate reflected in the roll-forward calculation of the total pension liability to the measurement date was 4.78%.

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.

On November 18, 2016, PERA's governing board adopted revised economic and demographic assumptions based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, which were effective on December 31, 2016. 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.

Note 6: Defined Benefit Pension Plan (Continued)

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

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

The most recent analysis of the long-term expected rate of return was 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 follows:

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%	

Discount Rate - The discount rate used to measure the total pension liability was 4.78%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and the employer contributions will be made at the rates specified in State statutes, which currently require annual increases, to a total of 20.15% of covered salaries for the year ended December 31, 2018. When the actuarially determined funding ratio reaches 103%, the employer contribution rate will decrease 0.5% each year, to a minimum of 10.15%.

Note 6: Defined Benefit Pension Plan (Continued)

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

Based on the assumptions described previously, the SDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate, defined as the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index, was used in the determination of the discount rate. The long-term expected rate of return of 7.25% on plan investments was applied to all periods through 2041, and the municipal bond index rate was applied to periods after 2041 to develop the discount rate. On the measurement date of December 31, 2017, the municipal bond index rate was 3.43%, resulting in a discount rate of 4.78%. The discount rate at the prior measurement date was 5.26%.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the Academy's proportionate share of the net pension liability calculated using the discount rate of 4.78%, as well as the Academy's proportionate share of the net pension liability if it were calculated using a discount rate that is one percentage point lower (3.78%) or one percentage point higher (5.78%) than the current rate, as follows:

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate share of the net pension liability	$ 19,439,709	$ 15,389,621	$ 12,089,262

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

Note 7: Postemployment Healthcare Benefits

General Information

Plan Description - All employees of the Academy 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.

Note 7: Postemployment Healthcare Benefits (Continued)

General Information *(Continued)*

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.

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 Academy's contributions to the School Division Trust Fund (SDTF) (See Note 6) is apportioned to the HCTF. No employee contributions are required. These contribution requirements are established and may be amended by the State Legislature. The Academy's apportionment to the HCTF for the year ended June 30, 2018, was $24,274, 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, 2018, the Academy reported a net OPEB liability of $351,434, representing its proportionate share of the net OPEB liability of the HCTF. The net OPEB liability was measured at December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2017.

The Academy's proportion of the net OPEB liability was based on the Academy's contributions to the HCTF for the calendar year ended December 31, 2017, relative to the contributions of all participating employers. At December 31, 2017, the Academy's proportion was 0.0270417021%, which was an increase of 0.0058785083% from its proportion measured at December 31, 2016.

For the year ended June 30, 2018, the Academy recognized OPEB expense of $39,954. At June 30, 2018, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Note 7: 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	$ 1,662	$ -
Net difference between projected and actual earnings on plan investments	-	5,880
Changes in proportion	63,702	-
Contributions subsequent to the measurement date	12,133	-
Total	$ 77,497	$ 5,880

Academy contributions subsequent to the measurement date of $12,133 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:

Year Ended June 30,	
2019	$ 11,372
2020	11,372
2021	11,372
2022	11,372
2023	12,842
2024	1,154
Total	$ 59,484

Actuarial Assumptions - The actuarial valuation as of December 31, 2016, determined the total OPEB liability using the following actuarial assumptions and other inputs, applied to all periods included in the measurement.

Note 7: Postemployment Healthcare Benefits (Continued)

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

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% for 2017, gradually rising to 4.25% in 2023	

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, 2016, 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 in Note 6.

Note 7: Postemployment Healthcare Benefits (Continued)

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

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.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the Academy's proportionate share of the net OPEB liability calculated using the discount rate of 7.25%, as well as the Academy'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	$ 395,122	$ 351,434	$ 314,145

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the Academy'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 Academy'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	$ 341,765	$ 351,434	$ 363,080

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.

Note 8: Commitments and Contingencies

Claims and Judgments

The Academy participates in a number of federal and state programs that are fully or partially funded by revenues received from other governmental entities. Expenditures financed by these revenues are subject to audit by the appropriate government. If expenditures are disallowed due to noncompliance with program regulations, the Academy may be required to reimburse the other government. At June 30, 2018, significant amounts of related expenditures have not been audited but management believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Academy.

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The Amendment is subject to interpretation, but the Academy believes it is in substantial compliance with the requirements of the Amendment. In accordance with the Amendment, the Academy has established an emergency reserve, representing 3% of qualifying expenditures. At June 30, 2018, the reserve was reported as restricted fund balance in the General Fund, in the amount of $157,000.

Note 9: Change in Accounting Principle

For the year ended June 30, 2018, the Academy adopted the standards of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result, net position of the governmental activities at June 30, 2017, was restated to reflect the cumulative effect of adopting the standards.

Certain balances of deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2017, were not available and have not been reported in the financial statements.

	Governmental Activities
Net Position, June 30, 2017, *as Originally Stated*	$ (3,113,235)
Deferred Outflows of Resources	10,251
Net OPEB Liability	(274,388)
Net Position, June 30, 2017, *as Restated*	$ (3,377,372)

Required Supplementary Information

World Compass Academy

(A Component Unit of Douglas County School District RE.1)

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, 2018

	12/31/17	12/31/16	12/31/15
Proportionate Share of the Net Pension Liability			
Academy's Proportion of the Net Pension Liability	0.0475921847%	0.0372321548%	0.0221946627%
Academy's Proportionate Share of the Net Pension Liability	$ 15,389,621	$ 11,085,452	$ 3,394,517
Academy's Covered Payroll	$ 2,195,371	$ 1,636,269	$ 695,574
Academy's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	701%	677%	488%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	44%	43%	59%

	6/30/18	6/30/17	6/30/16
Academy Contributions			
Statutorily Required Contribution	$ 451,068	$ 377,240	$ 267,890
Contributions in Relation to the Statutorily Required Contribution	(451,068)	(377,240)	(267,890)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Academy's Covered Payroll	$ 2,379,805	$ 1,942,831	$ 1,427,962
Contributions as a Percentage of Covered Payroll	18.95%	19.42%	18.76%

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.

World Compass Academy

(A Component Unit of Douglas County School District RE.1)

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, 2018

	12/31/17
Proportionate Share of the Net OPEB Liability	
Academy's Proportion of the Net OPEB Liability	0.0270417021%
Academy's Proportionate Share of the Net OPEB Liability	$ 351,434
Academy's Covered-Employee Payroll	$ 2,295,024
Academy's Proportionate Share of the Net OPEB Liability as a Percentage of Covered-Employee Payroll	15%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	18%

	6/30/18
Academy Contributions	
Statutorily Required Contribution	$ 24,274
Contributions in Relation to the Statutorily Required Contribution	(24,274)
Contribution Deficiency (Excess)	$ -
Academy's Covered-Employee Payroll	$ 2,555,492
Contributions as a Percentage of Covered-Employee Payroll	0.95%

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

See the accompanying Independent Auditors' Report.

World Compass Academy

(A Component Unit of Douglas County School District RE.1)
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance *Positive (Negative)*
Revenues				
Local Sources				
Per Pupil Revenue	$ 4,392,310	$ 4,363,850	$ 4,056,702	$ (307,148)
District Mill Levy	-	-	299,238	299,238
Tuition and Fees	436,500	468,808	631,825	163,017
Contributions	30,000	30,000	19,822	(10,178)
Other	8,000	8,000	38,218	30,218
State Sources				
Capital Construction	125,820	125,820	146,065	20,245
Grants	16,094	16,094	25,397	9,303
Total Revenues	5,008,724	5,012,572	5,217,267	204,695
Expenditures				
Instruction				
Salaries	2,043,914	1,844,897	1,977,535	(132,638)
Employee Benefits	513,489	453,173	513,625	(60,452)
Purchased Services	14,725	12,325	52,510	(40,185)
Supplies	111,575	131,825	118,917	12,908
Property	-	-	2,820	(2,820)
Other	525	525	5,025	(4,500)
Total Instruction	2,684,228	2,442,745	2,670,432	(227,687)
Supporting Services				
Salaries	323,362	762,369	577,957	184,412
Employee Benefits	84,114	169,064	144,393	24,671
Purchased Services	1,402,530	1,418,997	1,277,395	141,602
Supplies	134,109	115,359	82,603	32,756
Property	45,000	40,000	30,879	9,121
Other	330	30,330	5,316	25,014
Total Supporting Services	1,989,445	2,536,119	2,118,543	417,576
Contingency	40,000	209,399	-	209,399
Total Expenditures	4,713,673	5,188,263	4,788,975	399,288
Net Change in Fund Balance	295,051	(175,691)	428,292	603,983
Fund Balance, *Beginning of year*	-	453,316	453,315	(1)
Fund Balance, *End of year*	$ 295,051	$ 277,625	$ 881,607	$ 603,982

See the accompanying Independent Auditors' Report.

World Compass Academy

(A Component Unit of Douglas County School District RE.1)
Notes to Required Supplementary Information
June 30, 2018

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 Academy's contributions and related ratios represent cash contributions and any related accruals that coincide with the Academy's fiscal year ending on June 30.

Changes in Assumptions and Other Inputs

For the year ended June 30, 2018, the total pension liability was determined by an actuarial valuation as of December 31, 2016. The following revised economic and demographic assumptions were effective as of December 31, 2016.

- Investment rate of return assumption decreased from 7.5% per year, compounded annually, net of investment expenses, to 7.25%.
- Price inflation assumption decreased from 2.8% per year to 2.4%.
- Real rate of investment return assumption increased from 4.7% per year, net of investment expenses, to 4.85%.
- Wage inflation assumption decreased from 3.9% per year to 3.5%.
  Healthy and disabled mortality assumptions are based on the RP-2014 Mortality Tables, updated from the RP-2000 Mortality Tables.

Note 2: Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

An annual budget is adopted for the Academy on a basis consistent with generally accepted accounting principles.

Management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1, for their approval. The budget includes proposed expenditures and the means of financing them.

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.

All appropriations lapse at fiscal year-end.