AMERICAN ACADEMY

FINANCIAL STATEMENTS

June 30, 2016

AMERICAN ACADEMY

ROSTER OF SCHOOL OFFICIALS

June 30, 2016

BOARD OF DIRECTORS

President	Alison Rausch
Vice-President	Chrissy DeMier
Secretary	Shaylee Holland
Treasurer	Bill Paynter
Director	Chad King
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SCHOOL MANAGEMENT

Erin Kane, Executive Director of Schools

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S&C Swanhorst & Company LLC
Certified Public Accountants

Board of Directors
American Academy
Castle Pines, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the American Academy, component unit of Douglas County School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the basic financial statements of the American 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.

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, each major fund, and the aggregate remaining fund information of the American Academy as of June 30, 2016, 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.

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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.

October 24, 2016

The subsequent Management Discussion and Analysis (MD&A) of American Academy financial performance provides an overall review of financial activities for the fiscal year ended June 30, 2016. The intent of this narrative overview and analysis is to review the school's financial performance as a whole. Readers should also review Financial Statements, including the Notes to Financial Statements, to expand understanding of the school's financial performance.

American Academy is a high-performing Core Knowledge, PreK-8, public charter school with a special emphasis on science, technology, engineering and math (STEM) and an outstanding visual and performing arts program. For more information on the school, you can visit their website anytime at www.aak8.org.

Financial Highlights

The period from July 1, 2015 through June 30, 2016 marks the eleventh year of operation for American Academy. During 2015/16, American Academy recognized student growth of 2% compared with the prior year as the school continued to expand Parker campus enrollment to serve the eighth grade and scaled back enrollment at the elementary level. As of June 30, 2016, fund balance for combined campus operations had increased approximately 7% from prior year to reach $2,419,461. When including the changes discussed below for adoption of GASB Statement No. 68 and related campus facilities, combined total net position as was (17,628,462).

Funding provided in the Colorado State School Finance Act Basic is the primary support received for basic school operations. Tax revenue for the year July 1, 2015 – June 30, 2016 increased by 6% from $11,163,446 compared with $11,874,135. The American Academy – Castle Pines campus currently operates near capacity serving 886 students in 2015/16. The American Academy – Parker campus expanded to serve 896 kindergarten through eighth grade students in 2015/16. In addition, the Parker campus offers KindiePrep, a pre-kindergarten program for 3 and 4-year olds; this program served over one hundred students during 2015/16; this program operates at full capacity.

Overview of Financial Statements

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

Government-Wide Financial Statements

Government-wide financial statements are prepared to provide interested parties with a broad overview of American Academy's financial reporting in similar format to private-sector business. The statement of net position presents information related to assets and liabilities and remaining assessment of financial value. With historical data, increases or decreases in net position may serve as a useful indicator of whether the financial position of the school is weakening or improving.

The statement of activities, or income statement, presents information showing how American Academy's net position changed during the year. Change to net position is reported at the primary occurrence, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future periods (for example, salaries and benefits earned but unpaid as of fiscal year end).

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of American Academy, liabilities exceeded assets by $17,628,462 at the close of the most recent fiscal year. The negative balance is due primarily to the adoption of GASB Statement No. 68, resulting in a net pension liability of $25,396,025, representing its proportionate share of the plan's net pension liability.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives, as designated by Colorado state statute. American Academy monitors these funds to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements, except that the focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources.

American Academy adopts an annual budget for the general fund. A budgetary comparison has been provided to demonstrate compliance with the budget as part of the required supplementary information included in the audited financial statements.

The American Academy Foundation and AA Building Corporation II are considered to be blended component units of American Academy and are reported as proprietary funds. Information is presented in the statement of net position, statement of revenues, expenses and changes in net position and the statement of cash flows.

Notes to Financial Statements

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

Government-wide Financial Analysis

Table I: Net Position

	2016 Governmental Activities	2015 Governmental Activities	2016 Business Type Activities	2015 Business Type Activities
ASSETS				
Capital Assets, Net	-	334,944	31,223,060	31,203,709
Other Assets	3,307,637	3,162,286	1,635,937	3,027,801
Total Assets	**3,307,637**	**3,497,230**	**32,858,997**	**34,231,510**
DEFERRED OUTFLOWS OF RESOURCES				
Pensions, Net of Accumulated Amortization	7,795,748	4,801,732	-	-
Loss on Debt Refunding	-	-	3,994,482	-
Total Deferred Outflows	**7,795,748**	**4,801,732**	**3,994,482**	**-**
LIABILITIES				
Long Term Liabilities	24,728	91,756	38,055,000	35,525,992
Net Pension Liability	25,396,025	19,292,084	-	-
Other Liabilities	944,226	1,035,294	805,549	662,443
Total Liabilities	**26,364,979**	**20,419,134**	**38,860,549**	**36,188,435**
DEFERRED INFLOWS OF RESOURCES				
Pensions, Net of Accumulated Amortization	359,798	1,440	-	-
Total Deferred Inflows	**359,798**	**1,440**	**-**	**-**
NET POSITION				
Net Investment in Capital Assets	-	334,944	(3,773,162)	(4,837,283)
Restricted for Debt Service	-	-	1,566,326	2,518,140
Restricted for Repair & Replace	-	-	-	160,249
Restricted for Emergencies	500,000	471,000	-	-
Unrestricted	(16,121,392)	(12,927,556)	199,766	201,969
Total Net Position	**(15,621,392)**	**(12,121,612)**	**(2,007,070)**	**(1,956,925)**

For the year ended June 30, 2016, the governmental activities net position of American Academy was recognized as ($15,621,392) primarily due to the adoption of GASB Statement No. 68 that created a net pension liability of $25,396,025. Including the net pension liability, the school acknowledged ($16,121,392) in unrestricted funds and $500,000 to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. For the business-type activities, ($3,773,162) was the net investment in capital assets, $1,566,326 was restricted for debt service and $199,766 was unrestricted. The Foundation recognized total net position of $55,766 in unrestricted funds. The AA Building Corporation II recognized total net position of ($2,062,836) with $144,000 of this amount unrestricted.

Table II: Change in Net Position

	2016 Governmental Activities	2015 Governmental Activities	2016 Business Type Activities	2015 Business Type Activities
REVENUES				
General Revenues				
Per Pupil Revenue	11,874,135	11,163,446	-	-
District Mill Levy	929,899	921,237	-	-
Capital Construction Funding	437,652	281,195	-	-
Grants and Contributions not restricted to specific programs	277,643	208,979	6,109	10,495
Investment Earnings	11,884	8,954	7,043	3,032
Other	87,346	102,048	-	-
Program Revenues				
Charges for Services: Instruction	2,922,135	2,777,251	-	-
Charges for Services: Supporting Services	87,490	72,270	-	-
Operating Grants & Contributions: Instruction Services	62,565	37,083	-	-
Total Revenue	**16,690,749**	**15,572,463**	**13,152**	**13,527**
EXPENSES				
Instruction	11,135,779	9,002,549	-	-
Supporting Services	6,098,500	4,926,689	-	-
Foundation	-	-	4,345	1,634,461
Building Corporation	-	-	3,015,202	1,616,100
Total Expenses	**17,234,279**	**13,929,238**	**3,019,547**	**3,250,561**
Transfers	(2,956,250)	(2,548,140)	2,956,250	2,548,140
Change in Net Position	**(3,499,780)**	**(904,915)**	**(50,145)**	**(688,894)**
Net Position, Beginning	**(12,121,612)**	**(11,216,697)**	**(1,956,925)**	**(1,268,031)**
Net Position, Ending	**(15,621,392)**	**(12,121,612)**	**(2,007,070)**	**(1,956,925)**

Fund Financial Analysis

General Fund

During 2015/16, PPR funding increased 6% overall due to the increase in student count from the Parker campus expansion to eighth grade and scaled back enrollment at the elementary level combined with over a 4% increase to per student funding. Mill Levy revenue increased 1% also due to the increase in student count; this revenue stream is 100% funded and is expected to decrease by approximately 2.5-3% annually as a result of a fixed dollar amount for DCSD being distributed over a growing student population. Contributions increased 33% compared with the prior year largely due to timing of distributions from the PTO organizations that support each campus. Extracurricular activity revenue increased 41% compared with prior year as teachers and staff continued to provide additional educational opportunities for the American Academy student population.

Expenditures - Total expenditures for the period of July 1, 2015 – June 30, 2016 were $16,526,394. Salaries were $7,761,014 (17% increase), benefits were $2,230,552 (16% increase); purchased services were $4,744,125 (6% increase), materials and supplies were $892,546 (2% increase), property was $729,962 (7% decrease) and other expenditures were $168,195 (6% increase). Total expenditures increased 11% overall from prior-year reporting.

Salaries increased for a variety of reasons, including additional staff for the growth at the Parker campus, additional positions at all levels to support the overall organization and modest raises for all employees. Salaries also increased relative to the increased income for American Academy Extracurricular programs. Benefits increased as a result of these salary increases combined with annual increases to statutory contributions to the Public Employees' Retirement Association of Colorado (PERA) and increases to health, dental and vision premiums for employees.

Purchased services increased 6%; significant increases were the result of flood damage repair work at the Parker campus, increased rental costs related to performing arts venues for Extracurricular activities and IT-related cost increases. Materials and supplies increased 2%; property expenditures decreased 7%; and other expenses increased 6%; all recognized modest changes year-to-year due to purchasing needs specific to each operating year.

Net Change in Fund Balance – As of June 30th American Academy General Fund recorded net change in fund balance of $154,921.

American Academy Foundation
During 2015/16, American Academy Foundation's debt was refinanced by a debt issuance of the AA Building Corporation II and all capital assets were transferred.

The American Academy Foundation recognized donations provided to support various school needs.

Revenues – Total gross revenues for the period of July 1, 2015 – June 30, 2016 was $363,279. This included investment income, contributions and donations and lease payments from the General Fund based on the facility purchase agreement prior to the refinancing.

Expenses - Total expenses for the period of July 1, 2015 – June 30, 2016 were $4,345 in purchased service costs.

Change in Net Position – As of June 30th American Academy Foundation recorded a decrease in net position of $963,424 due to the refinancing.

AA Building Corporation II
During 2015/16, the AA Building Corporation II continued to hold the debt issuance for the American Academy – Parker campus facility issuance and assumed the debt issuance for the American Academy – Castle Pines facility through a refinancing.

Revenues – Total gross revenues for the period of July 1, 2015 – June 30, 2016 was $2,596,689. This included investment income, contributions and lease payments from the General Fund based on the facility purchase agreement.

Expenses - Total expenses for the period of July 1, 2015 – June 30, 2016 were $3,015,202. Interest expense was recognized as $1,484,618. Purchased service costs totaled $14,707 for cash management fees and the site lease expense and depreciation expense was $896,928 for this fiscal year.

Change in Net Position – As of June 30th AA Building Corporation II recorded an increase in net position of $913,279 and ending net position of ($2,062,836). It is anticipated that the negative balance will be eliminated over time as debt is paid.

Analysis of Significant Budget Variations: General Fund
The original budget for the American Academy General Fund was adopted May of 2015 for the 2015/16 school year. The original budget is reviewed in detail by school administration and the Board of Directors in the spring with specific effort to correlate the budget with the strategic plan for the subsequent school year. Assumptions such as projected student count, per pupil revenue and hiring decisions are not finalized at the time the original budget is adopted. American Academy reviews and revises all key revenue and expense considerations for the final budget adoption in the fall of 2015. In addition, there were two Supplemental Budget resolutions approved during 2015/16; both resolutions were approved to address specific expenses not identified fall of 2015 for property and salaries.

As a result of planning and additional allocations for specific needs, the actual activity for 2015/16 realized only minor variances from the final budget amounts approved for all major budget categories. Supplies recognized the largest variance with 88% of budget; property was 90% of budget after the supplemental appropriations. There are no known variations that are expected to have a significant effect on future services or liquidity.

Capital Assets and Debt Administration

Capital assets **-** American Academy's capital assets as of June 30, 2016 amount to $31,223,060, net of accumulated depreciation. These assets account for land, buildings and equipment and furniture for both the Castle Pines and Parker facilities.

Long-term debt **-** As of June 30, 2016, American Academy had outstanding debt of $38,805,778. This amount includes the balances of the two CECFA issuances for Castle Pines and Parker and the technology lease.

Additional information on capital assets and long-term debt is provided in Notes 5 and 6 to the financial statements.

Economic Factors and Next Year's Budget

The primary factor driving the budget for American Academy is the future of the Colorado state budget and related Per Pupil Revenue (PPR) for K-12 education. American Academy regularly reviews projected plans for PPR funding and budget impact. Many budget scenarios and operation plans have been developed to analyze options to respond to state decisions. Student growth across the two campus locations, facility financing costs and additional considerations specific to the new facility growth were all considered in the strategic budgeting process for 2015/16 – 2020/21. American Academy has developed detailed budget projections for each campus through 2020/21 and is confident in the success of expansion plans.

As discussed in Note 10 to the financial statements, American Academy secured a new issuance for the purpose of constructing a new school campus. It is anticipated that the third campus will open for operation in the 2017/18 school year. The 2016/17 budget plan incorporates expenses related to the progression of American Academy.

Requests for Information

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

American Academy
6971 Mira Vista Lane
Castle Pines, CO 80108

BASIC FINANCIAL STATEMENTS

AMERICAN ACADEMY

STATEMENT OF NET POSITION
June 30, 2016

		GOVERNMENTAL ACTIVITIES		BUSINESS-TYPE ACTIVITIES		TOTALS
ASSETS						
Cash and Investments	$	2,879,239	$	55,777	$	2,935,016
Restricted Cash and Investments		-		1,701,864		1,701,864
Accounts Receivable		2,999		-		2,999
Prepaid Expenses		125,792		144,000		269,792
Deposits		33,903		-		33,903
Internal Balances		265,704		(265,704)		-
Capital Assets, Not Being Depreciated		-		2,374,037		2,374,037
Capital Assets, Net of Accumulated Depreciation		-		28,849,023		28,849,023
TOTAL ASSETS		3,307,637		32,858,997		36,166,634
DEFERRED OUTFLOWS OF RESOURCES						
Pensions, Net of Accumulated Amortization		7,795,748		-		7,795,748
Loss on Debt Refunding, Net of Accumulated Amortization		-		3,994,482		3,994,482
TOTAL DEFERRED OUTFLOWS OF RESOURCES		7,795,748		3,994,482		11,790,230
LIABILITIES						
Accounts Payable		120,786		11		120,797
Accrued Salaries and Benefits		531,470		-		531,470
Unearned Revenues		235,920		-		235,920
Accrued Interest Payable		-		135,538		135,538
Noncurrent Liabilities						
Due Within One Year		56,050		670,000		726,050
Due in More Than One Year		24,728		38,055,000		38,079,728
Net Pension Liability		25,396,025		-		25,396,025
TOTAL LIABILITIES		26,364,979		38,860,549		65,225,528
DEFERRED INFLOWS OF RESOURCES						
Pensions, Net of Accumulated Amortization		359,798		-		359,798
NET POSITION						
Net Investment in Capital Assets		-		(3,773,162)		(3,773,162)
Restricted for Debt Service		-		1,566,326		1,566,326
Restricted for Emergencies		500,000		-		500,000
Unrestricted		(16,121,392)		199,766		(15,921,626)
TOTAL NET POSITION	$	(15,621,392)	$	(2,007,070)	$	(17,628,462)

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

AMERICAN ACADEMY

STATEMENT OF ACTIVITIES
Year Ended June 30, 2016

		PROGRAM REVENUES	
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT			
Governmental Activities			
Instruction	$ 11,135,779	$ 2,922,135	$ 62,565
Supporting Services	6,098,500	87,490	-
Total Governmental Activities	17,234,279	3,009,625	62,565
Business-Type Activities			
Foundation	4,345	-	-
Building Corporation	3,015,202	-	-
Total Business-Type Activities	3,019,547	-	-
TOTAL PRIMARY GOVERNMENT	$ 20,253,826	$ 3,009,625	$ 62,565

GENERAL REVENUES
Per Pupil Revenue
District Mill Levy
Capital Construction
Grants and Contributions not Restricted to Specific Programs
Investment Income
Other
TRANSFERS

TOTAL GENERAL REVENUES AND TRANSFERS

CHANGE IN NET POSITION

NET POSITION, Beginning

NET POSITION, Ending

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

NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION		
GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
$ (8,151,079)	$ -	$ (8,151,079)
(6,011,010)	-	(6,011,010)
(14,162,089)	-	(14,162,089)
-	(4,345)	(4,345)
-	(3,015,202)	(3,015,202)
-	(3,019,547)	(3,019,547)
(14,162,089)	(3,019,547)	(17,181,636)
11,874,135	-	11,874,135
929,899	-	929,899
437,652	-	437,652
277,643	6,109	283,752
11,884	7,043	18,927
87,346	-	87,346
(2,956,250)	2,956,250	-
10,662,309	2,969,402	13,631,711
(3,499,780)	(50,145)	(3,549,925)
(12,121,612)	(1,956,925)	(14,078,537)
$ (15,621,392)	$ (2,007,070)	$ (17,628,462)

AMERICAN ACADEMY

BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2016

		GENERAL
ASSETS		
Cash and Investments	$	2,879,239
Accounts Receivable		2,999
Prepaid Expenditures		125,792
Deposits		33,903
Interfund Receivables		265,704
TOTAL ASSETS	$	3,307,637
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts Payable	$	120,786
Accrued Salaries and Benefits		531,470
Unearned Revenues		235,920
TOTAL LIABILITIES		888,176
FUND BALANCE		
Nonspendable Prepaid Expenditures		125,792
Nonspendable Deposits		33,903
Restricted for Emergencies		500,000
Unrestricted, Unassigned		1,759,766
TOTAL FUND BALANCE		2,419,461
TOTAL LIABILITIES AND FUND BALANCE	$	3,307,637

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

Total Fund Balance of the Governmental Fund	$	2,419,461
Long-term liabilities and related items, including capital leases ($80,778), net pension liability ($25,396,025), pension-related deferred outflows of resources $7,795,748, and pension-related deferred inflows of resources ($359,798), are not due and payable in the current year and, therefore, are not reported in governmental funds.		(18,040,853)
Total Net Position of Governmental Activities	$	(15,621,392)

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

AMERICAN ACADEMY

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
Year Ended June 30, 2016

		GENERAL
REVENUES		
Local Sources	$	16,190,532
State Sources		500,217
TOTAL REVENUES		16,690,749
EXPENDITURES		
Instruction		8,681,532
Supporting Services		7,844,862
TOTAL EXPENDITURES		16,526,394
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES		164,355
OTHER FINANCING SOURCES (USES)		
Transfers In		566
Transfers Out		(10,000)
TOTAL OTHER FINANCING SOURCES (USES)		(9,434)
NET CHANGE IN FUND BALANCE		154,921
FUND BALANCE, Beginning		2,264,540
FUND BALANCE, Ending	$	2,419,461

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

Net Change in Fund Balance of the Governmental Fund	$	154,921
Certain capital asset transactions of the governmental activities do not affect governmental funds. This amount represents capital assets contributed to the Corporation in the current year.		(334,944)
Repayments of debt principal are expenditures in governmental funds, but they reduce long-term liabilities in the statement of net position and do not affect the statement of activities.		148,526
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 amount represents the change in net pension liability ($6,103,941), pension-related deferred outflows of resources $2,994,016, and pension-related deferred inflows of resources ($358,358) in the current year.		(3,468,283)
Change in Net Position of Governmental Activities	$	(3,499,780)

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

AMERICAN ACADEMY

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2016

	FOUNDATION	BUILDING CORPORATION	TOTALS
ASSETS			
CURRENT ASSETS			
Cash and Investments	$ 55,777	$ -	$ 55,777
Restricted Cash and Investments	-	1,701,864	1,701,864
Prepaid Expenses	-	144,000	144,000
TOTAL CURRENT ASSETS	55,777	1,845,864	1,901,641
NONCURRENT ASSETS			
Capital Assets, Not Being Depreciated	-	2,374,037	2,374,037
Capital Assets, Net of Accumulated Depreciation	-	28,849,023	28,849,023
TOTAL NONCURRENT ASSETS	-	31,223,060	31,223,060
TOTAL ASSETS	55,777	33,068,924	33,124,701
DEFERRED OUTFLOWS OF RESOURCES			
Loss on Debt Refunding, Net of Accumulated Amortization	-	3,994,482	3,994,482
LIABILITIES			
CURRENT LIABILITIES			
Accounts Payable	11	-	11
Interfund Payables	-	265,704	265,704
Accrued Interest Payable	-	135,538	135,538
Loans Payable, Current Portion	-	670,000	670,000
TOTAL CURRENT LIABILITIES	11	1,071,242	1,071,253
NONCURRENT LIABILITIES			
Loans Payable	-	38,055,000	38,055,000
TOTAL LIABILITIES	11	39,126,242	39,126,253
NET POSITION			
Net Investment in Capital Assets	-	(3,773,162)	(3,773,162)
Restricted for Debt Service	-	1,566,326	1,566,326
Unrestricted	55,766	144,000	199,766
TOTAL NET POSITION	$ 55,766	$ (2,062,836)	$ (2,007,070)

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

AMERICAN ACADEMY

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2016

	FOUNDATION	BUILDING CORPORATION	TOTALS
OPERATING REVENUES			
Lease Revenue	$ 356,005	$ 1,940,236	$ 2,296,241
Contributions	6,109	-	6,109
TOTAL OPERATING REVENUES	362,114	1,940,236	2,302,350
OPERATING EXPENSES			
Purchased Services	4,345	14,707	19,052
Depreciation	-	896,928	896,928
Debt Service			
Interest	-	1,484,618	1,484,618
TOTAL OPERATING EXPENSES	4,345	2,396,253	2,400,598
NET OPERATING INCOME (LOSS)	357,769	(456,017)	(98,248)
NONOPERATING REVENUES (EXPENSES)			
Investment Income	1,165	5,878	7,043
Debt Issuance Costs	-	(618,949)	(618,949)
TOTAL NONOPERATING REVENUES (EXPENSES)	1,165	(613,071)	(611,906)
NET INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS AND TRANSFERS	358,934	(1,069,088)	(710,154)
CAPITAL CONTRIBUTIONS AND TRANSFERS			
Capital Contributions	-	650,575	650,575
Transfers In	10,000	1,331,792	1,341,792
Transfers Out	(1,332,358)	-	(1,332,358)
CHANGE IN NET POSITION	(963,424)	913,279	(50,145)
NET POSITION, Beginning	1,019,190	(2,976,115)	(1,956,925)
NET POSITION, Ending	$ 55,766	$ (2,062,836)	$ (2,007,070)

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

AMERICAN ACADEMY

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
Increase (Decrease) in Cash and Cash Equivalents
Year Ended June 30, 2016

	FOUNDATION	BUILDING CORPORATION	TOTALS
CASH FLOWS FROM OPERATING ACTIVITIES			
Lease Payments Received	$ 356,005	$ 1,940,236	$ 2,296,241
Contributions Received	6,324	-	6,324
Contributions to the Academy	(566)	-	(566)
Cash Paid to Suppliers	(4,349)	(10,707)	(15,056)
Loan Interest Paid	-	(1,052,677)	(1,052,677)
Net Cash Provided (Used) by Operating Activities	357,414	876,852	1,234,266
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Cash Paid to Building Corporation	(2,187,134)	-	(2,187,134)
Cash Received from Foundation	-	2,187,134	2,187,134
Debt Proceeds	-	38,725,000	38,725,000
Payment to Escrow Agent	-	(40,479,305)	(40,479,305)
Debt Issuance Costs Paid	-	(618,949)	(618,949)
Payments from the Academy	10,000	-	10,000
Net Cash Provided (Used) by Capital and Related Financing Activities	(2,177,134)	(186,120)	(2,363,254)
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Income Received	1,165	5,878	7,043
NET CHANGE IN CASH AND CASH EQUIVALENTS	(1,818,555)	696,610	(1,121,945)
CASH AND CASH EQUIVALENTS, Beginning	1,874,332	1,005,254	2,879,586
CASH AND CASH EQUIVALENTS, Ending	$ 55,777	$ 1,701,864	$ 1,757,641
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Net Operating Income (Loss)	$ 357,769	$ (456,017)	$ (98,248)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Depreciation Expense	-	896,928	896,928
Amortization of Loss on Debt Refunding	-	443,831	443,831
Transfers Related to Operations	(566)	-	(566)
Changes in Assets and Liabililites			
Accounts Receivable	215	-	215
Prepaid Expenses	-	4,000	4,000
Accounts Payable	(4)	-	(4)
Accrued Interest Payable	-	(11,890)	(11,890)
Net Cash Provided (Used) by Operating Activities	$ 357,414	$ 876,852	$ 1,234,266
NONCASH TRANSACTIONS			
Contributed and Transferred Assets and Liabilities, Net	$ (1,331,792)	$ 1,716,663	$ 384,871
Capital Assets Purchased with Interfund Loan	$ -	$ 265,704	$ 265,704

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The American Academy (the "Academy") was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Douglas County School District (the "District"). The Academy began operations in the Fall of 2005, and currently operates two campuses in Castle Pines and Parker, Colorado.

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. Following is a summary of the Academy's more significant accounting policies.

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 American Academy Foundation (the "Foundation") and the AA Building Corporation II (the "Corporation") within its reporting entity. The Foundation was formed exclusively to support the educational program of the Academy through grant applications and other fundraising activities, and for the purpose of holding title to real and personal property and to make same available for use by the Academy and to otherwise provide facilities, equipment, and other physical plant and related support to the Academy. The Corporation was organized exclusively for charitable and educational purposes, but primarily to finance the acquisition and construction of facilities for a second campus. The Foundation and the Corporation are blended into the Academy's financial statements as enterprise funds, and do not issue separate financial statements.

The Academy is a component unit of the District. The Academy's charter was granted 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*.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Available means 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 a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The Academy reports two major proprietary funds, as follows:

Foundation - This fund is used to account for the financial activities of the Foundation, which currently consist of fundraising activities.

Building Corporation - This fund is used to account for the financial activities of the Corporation, including facilities acquisition and construction, and the related debt service.

Assets, Liabilities and Fund Balance/Net Position

Cash and Investments - Cash equivalents include investments with original maturities of three months or less. Investments are reported at fair value. Investments in the external investment pool are reported at the net asset value per share, which is measured using amortized cost.

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

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

Interfund Receivables and Payables - During the course of operations, certain transactions occur between individual funds. The resulting receivables and payables are classified in the fund financial statements as *interfund receivables* and *interfund payables*. Any residual balances outstanding between governmental and business-type activities are reported in the government-wide financial statements as *internal balances*.

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

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

Buildings and Improvements	40 - 45 years
Equipment and Furniture	3 - 10 years

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Debt premiums, discounts, and accounting losses resulting from debt refundings 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.

Compensated Absences - The Academy's policy allows employees to use eight days of personal leave during each school year. Employees are compensated for any unused leave prior to the end of the fiscal year, at the rate of $100 per day. Therefore, no liability for compensated absences is reported in the financial statements.

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. Investments are reported at fair value.

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 fund 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 purchases commercial insurance for these risks of loss.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Accountability

At June 30, 2016, the Corporation had a negative net position of $2,062,836. Management expects this negative balance to be eliminated as the Corporation's debt is paid.

NOTE 3: CASH AND INVESTMENTS

At June 30, 2016, cash and investments consisted of the following:

Petty Cash	$ 1,400
Deposits	2,931,393
Investments	1,704,087
Total	**$ 4,636,880**

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

Cash and Investments	$ 2,935,016
Restricted Cash and Investments	1,701,864
Total	**$ 4,636,880**

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, 2016, the Academy had bank deposits of $3,071,653 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.

- 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

NOTE 3: CASH AND INVESTMENTS (Continued)

Investments (Continued)

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 most investments to those with certain ratings from nationally recognized statistical rating organizations, depending on the type of investment.

Concentration of Credit Risk - State statutes do no limit the amount the Academy may invest in any single investment issuer, except for corporate securities.

Local Government Investment Pool - At June 30, 2016, the Academy and Corporation had $2,223 and $1,701,864, respectively, invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating Colotrust. Colotrust operates in conformity with the Securities and Exchange Commission's Rule 2a-7, 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, 2016, the Corporation had investments of $1,701,864, restricted for future debt service.

NOTE 4: INTERFUND BALANCES AND TRANSACTIONS

Interfund Balances

At June 30, 2016, the Corporation owed $265,704 to the Academy. This amount resulted from costs paid by the Academy for a new campus. The loan is expected to be repaid with future debt issued by the Corporation (See Note 10).

Interfund Transfers

Interfund transfers for the year ended June 30, 2016, consisted of the following:

Transfers In	Transfers Out	Amount
General Fund	Foundation	$ 566
Foundation	General Fund	10,000
Corporation	Foundation	1,331,792
Total		**$ 1,342,358**

NOTE 4: INTERFUND BALANCES AND TRANSACTIONS (Continued)

Interfund Transfers (Continued)

During the year ended June 30, 2016, the Foundation contributed $566 to the Academy. In addition, the Academy transferred $10,000 to the Foundation to fund the repair and replacement reserve, as required by the CECFA loan agreement (See Note 6).

In October, 2015, the Corporation obtained a loan that refinanced the existing debt of the Foundation and the Corporation (See Note 6). In conjunction, the Foundation transferred all related investments, capital assets and outstanding debt to the Corporation, in the net amount of $1,331,792.

NOTE 5: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2016, is summarized below.

	Balances 6/30/15	Additions	Deletions	Balances 6/30/16
Governmental Activities				
Capital Assets, Being Depreciated				
Buildings	$ 275,000	$ -	$ 275,000	$ -
Equipment	79,150	-	79,150	-
Total Capital Assets, Being Depreciated	354,150	-	354,150	-
Less Accumulated Depreciation				
Equipment	(19,206)	-	(19,206)	-
Governmental Activities Capital Assets, Net	**$ 334,944**	**$ -**	**$ 334,944**	**$ -**
Business-Type Activities				
Capital Assets, Not Being Depreciated				
Land	$ 1,833,333	$ 325,000	$ -	$ 2,158,333
Construction in Progress	-	215,704	-	215,704
Total Capital Assets, Not Being Depreciated	1,833,333	540,704	-	2,374,037
Capital Assets, Being Depreciated				
Buildings and Improvements	32,044,162	215,019	-	32,259,181
Equipment and Furniture	669,931	160,556	-	830,487
Total Capital Assets, Being Depreciated	32,714,093	375,575	-	33,089,668
Less Accumulated Depreciation				
Buildings and Improvements	(3,156,046)	(806,759)	-	(3,962,805)
Equipment and Furniture	(187,671)	(90,169)	-	(277,840)
Total Accumulated Depreciation	(3,343,717)	(896,928)	-	(4,240,645)
Total Capital Assets, Being Depreciated, Net	29,370,376	(521,353)	-	28,849,023
Business-Type Activities Capital Assets, Net	**$ 31,203,709**	**$ 19,351**	**$ -**	**$ 31,223,060**

NOTE 6: LONG-TERM DEBT

Governmental Activities

Following is a summary of the long-term debt transactions for the governmental activities for the year ended June 30, 2016.

	Balances 6/30/15	Additions	Payments	Balances 6/30/16	Due Within One Year
Capital Leases	**$ 229,304**	**$ -**	**$ 148,526**	**$ 80,778**	**$ 56,050**

During the year ended June 30, 2013, the Academy entered into lease agreements directly with the vendor to purchase 480 laptop computers in the amount of $334,130. Monthly payments are due beginning August 31, 2013, with final payments due between September, 2016, and July, 2018. No interest accrues on the leases. No assets were capitalized under the lease agreements.

During the year ended June 30, 2015, the Academy entered into lease agreements directly with the vendor to purchase 175 laptop computers in the amount of $127,230. Monthly payments are due beginning August 31, 2014, with final payments due between July, 2016, and July, 2018. No interest accrues on the leases. No assets were capitalized under the lease agreements.

Minimum lease payments, to maturity, are as follows:

Year Ended June 30,	
2017	$ 56,050
2018	24,728
Present Value of Future Minimum Lease Payments	**$ 80,778**

Business-Type Activities

Following is a summary of the long-term debt transactions for the business-type activities for the year ended June 30, 2016.

	Balances 6/30/15	Additions	Payments	Balances 6/30/16	Due Within One Year
2008 Building Loan	$16,155,000	$ -	$16,155,000	$ -	$ -
Discount	(114,008)	-	(114,008)	-	-
2012 Building Loan	20,000,000	-	20,000,000	-	-
2015 Building Loan	-	38,725,000	-	38,725,000	670,000
Total	**$36,040,992**	**$38,725,000**	**$36,040,992**	**$38,725,000**	**$ 670,000**

NOTE 6: **LONG-TERM DEBT** (Continued)

Business-Type Activities (Continued)

In October, 2015, the Colorado Educational and Cultural Facilities Authority (CECFA) issued $38,725,000 Charter School Refunding Revenue Bonds, Series 2015. Bond proceeds were used to refund the Charter School Revenue Bonds, Series 2008 and Series 2012. Proceeds of the refunded bonds were loaned to the Foundation and the Corporation to construct educational facilities. The Academy is obligated under a lease agreement to make monthly lease 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 outstanding balance of the bonds at 4.2% per annum, and is payable semi-annually on December 1 and June 1. Principal is payable annually beginning December 1, 2016, with a balloon payment of $31,590,000 due on December 1, 2025.

Proceeds of the Series 2015 Bonds and other resources of the Foundation and the Corporation, in the total amount of $40,479,305, were deposited with an escrow agent to advance refund the Series 2008 Bonds and currently refund the Series 2012 Bonds. As the result, the refunded debt is considered defeased and the liability has been removed from the financial statements. Although the refunding resulted in the recognition of an accounting loss of $4,438,313, the aggregate debt service payments were reduced by $7,088,086, with an economic gain (difference between the present values of the old and new debt service payments) of $2,998,138. The Series 2008 Bonds will be called and paid in full on December 1, 2018.

Future debt service requirements for the bonds are as follows:

Year Ended June 30,	Principal	Interest	Total
2017	$ 670,000	$ 1,612,380	$ 2,282,380
2018	700,000	1,583,610	2,283,610
2019	725,000	1,553,685	2,278,685
2020	755,000	1,522,605	2,277,605
2021	790,000	1,490,160	2,280,160
2022 - 2026	35,085,000	6,271,545	41,356,545
Total	**$ 38,725,000**	**$ 14,033,985**	**$ 52,758,985**

NOTE 7: **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 7: **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 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 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 2015 and 2016 was 18.35% and 19.15% 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 8). The Academy's contributions to the SDFT for the year ended June 30, 2016, were $1,365,043, equal to the required contributions.

NOTE 7: 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, 2016, the Academy reported a net pension liability of $25,396,025, representing its proportionate share of the net pension liability of the SDTF. The net pension liability was measured at December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014. Changes in assumptions and other inputs since the prior measurement date did not significantly affect the total pension liability. Standard update procedures were used to roll forward the total pension liability to December 31, 2015. 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, 2015, relative to the contributions of all participating employers. At December 31, 2015, the Academy's proportion was 0.1660490161%, which was an increase of 0.0237072992% from its proportion measured at December 31, 2014.

For the year ended June 30, 2016, the Academy recognized pension expense of $4,766,426. At June 30, 2016, 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	$ 335,357	$ 907
Changes of assumptions and other inputs	-	358,891
Net difference between projected and actual earnings on plan investments	2,103,955	-
Changes in proportion	4,669,823	-
Contributions subsequent to the measurement date	686,613	-
Total	**$ 7,795,748**	**$ 359,798**

The Academy's contributions subsequent to the measurement date of $686,613 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:

Year Ended June 30,	
2017	$ 2,803,125
2018	2,390,449
2019	1,112,959
2020	442,804
Total	**$ 6,749,337**

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

Actuarial Assumptions - The actuarial valuation as of December 31, 2014, determined the total pension liability using the following actuarial assumptions and other inputs, applied to all periods included in the measurement:

Price inflation	2.8%
Real wage growth	1.1%
Wage inflation	3.9%
Salary increases, including wage inflation	3.9% - 10.1%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.5%
Future post-retirement benefit increases:	
Hired prior to 1/1/07	2%
Hired after 12/31/06	ad hoc

Mortality rates were based on the RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on a projection of Scale AA to 2020 with males set back one year, and females set back two years.

The actuarial assumptions used in the December 31, 2014, 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 governing board on November 13, 2012, and an economic assumption study adopted by PERA's governing board on November 15, 2013, and January 17, 2014.

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 presented to the PERA governing board on November 15, 2013, and included the target allocation and best estimates of geometric real rates of return for each major asset class, as follows:

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

Asset Class	Target Allocation	10 Year Expected Geometric Real Rate of Return
U.S. Equity - Large Cap	26.76%	5.00%
U.S. Equity - Small Cap	4.40%	5.19%
Non U.S. Equity - Developed	22.06%	5.29%
Non U.S. Equity - Emerging	6.24%	6.76%
Core Fixed Income	24.05%	0.98%
High Yield	1.53%	2.64%
Long Duration Government/Credit	0.53%	1.57%
Emerging Market Bonds	0.43%	3.04%
Real Estate	7.00%	5.09%
Private Equity	7.00%	7.15%
Total	**100.00%**	

Discount Rate - The discount rate used to measure the total pension liability was 7.5%. 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 .5% each year, to a minimum of 10.15%. Based on those assumptions, the SDTF's fiduciary net position was projected to be available to make all projected future benefit payments to current participants. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total pension liability. In addition, the discount rate did not change from the prior measurement date.

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 7.5%, as well as the Academy's proportionate share of the net pension liability if it were calculated using a discount that is one percentage point lower (6.5%) or one percentage point higher (8.5%) than the current rate, as follows:

	1% Decrease (6.5%)	Current Discount Rate (7.5%)	1% Increase (8.5%)
Proportionate share of the net pension liability	**$ 32,920,670**	**$ 25,396,025**	**$ 19,136,923**

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 8: POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description - The Academy contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by PERA. The HCTF provides a health care premium subsidy to PERA benefit recipients and their eligible beneficiaries. Title 24, Article 51, Part 12 of the CRS, as amended, assigns the authority to establish the HCTF benefit provisions to the State Legislature. PERA issues a publicly available annual financial report that includes financial statements and required supplementary information for the HCTF. That report may be obtained as described previously.

Funding Policy - The Academy is required to contribute at a rate of 1.02% of covered salaries for all PERA participants. No employee contributions are required. The contribution requirements for the Academy are established under Title 24, Article 51, Part 4 of the CRS, as amended. The apportionment of the contributions to the HCTF is established under Title 24, Article 51, Section 208 of the CRS, as amended. The Academy's apportionment to the HCTF for the years ended June 30, 2016, 2015 and 2014 was $74,130, $64,780 and $55,419, respectively, equal to the required amounts for each year.

NOTE 9: 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, 2016, significant amounts of related expenditures have not been audited but the Academy 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 Academy believes it is in compliance with the Amendment. As required by the Amendment, the Academy has established a reserve for emergencies. At June 30, 2016, the reserve was reported as restricted fund balance in the General Fund, in the amount of $500,000.

Site Lease

On November 13, 2012, the Corporation entered into a site lease agreement with the District to use land owned by the District for a second campus. The Corporation prepaid the full amount of the lease in the amount of $160,000. During the year ended June 30, 2016, the Corporation recognized lease expense of $4,000, and the remaining balance of $144,000 was reported as prepaid expenses of the Corporation. The lease agreement matures on December 31, 2052.

NOTE 10: SUBSEQUENT EVENT

On August 31, 2016, CECFA issued $27,570,000 Charter School Revenue Bonds, Series 2016. Bond proceeds were loaned to the Corporation to acquire and construct a new school campus. Interest accrues on the outstanding balance of the bonds at 4.05% per annum, and is payable semi-annually on December 1 and June 1. Principal is payable annually beginning December 1, 2019, with a balloon payment of $23,240,000 due on December 1, 2026. In conjunction, the Academy entered into a lease agreement that requires monthly payments to the Corporation for using the new campus. The Corporation is required under a loan agreement to make equal payments to the trustee, for payment of the bonds.

REQUIRED SUPPLEMENTARY INFORMATION

AMERICAN ACADEMY

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, 2016

	12/31/15	12/31/14	12/31/13
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY			
Academy's Proportion of the Net Pension Liability	0.1660490161%	0.1423417169%	0.1024225986%
Academy's Proportionate Share of the Net Pension Liability	$ 25,396,025	$ 19,292,084	$ 13,063,975
Academy's Covered-Employee Payroll	$ 7,236,367	$ 5,963,170	$ 4,128,976
Academy's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	351%	324%	316%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	59%	63%	64%

	6/30/16	6/30/15	6/30/14
ACADEMY CONTRIBUTIONS			
Statutorily Required Contribution	$ 1,290,913	$ 1,073,514	$ 870,362
Contributions in Relation to the Statutorily Required Contribution	(1,290,913)	(1,073,514)	(870,362)
Contribution Deficiency (Excess)	$ -	$ -	$ -
Academy's Covered-Employee Payroll	$ 7,267,833	$ 6,351,023	$ 5,433,416
Contributions as a Percentage of Covered-Employee Payroll	17.76%	16.90%	16.02%

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

See the accompanying Independent Auditors' Report.

AMERICAN ACADEMY

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2016

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Per Pupil Revenue	$ 11,975,788	$ 11,783,080	$ 11,874,135	$ 91,055
District Mill Levy	918,594	908,562	929,899	21,337
Contributions	271,500	406,109	277,643	(128,466)
Tuition and Fees	2,487,613	2,448,482	2,405,459	(43,023)
Child Care Fees	350,000	444,431	516,676	72,245
Facility Rental	55,000	75,000	87,490	12,490
Investment Income	6,000	8,400	11,884	3,484
Other	86,000	87,710	87,346	(364)
Total Local Sources	16,150,495	16,161,774	16,190,532	28,758
State Sources				
Capital Construction	427,900	423,135	437,652	14,517
Grants	25,500	30,800	62,565	31,765
Total State Sources	453,400	453,935	500,217	46,282
TOTAL REVENUES	16,603,895	16,615,709	16,690,749	75,040
EXPENDITURES				
Salaries	7,305,510	7,812,588	7,761,014	51,574
Employee Benefits	2,273,771	2,277,374	2,230,552	46,822
Purchased Services	5,203,135	4,788,276	4,744,125	44,151
Supplies and Materials	1,127,776	989,870	892,546	97,324
Property	381,680	806,945	729,962	76,983
Other	228,492	184,751	168,195	16,556
Reserves	485,000	-	-	-
TOTAL EXPENDITURES	17,005,364	16,859,804	16,526,394	333,410
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(401,469)	(244,095)	164,355	408,450
OTHER FINANCING SOURCES (USES)				
Transfers In	10,000	-	566	566
Transfers Out	-	(9,750)	(10,000)	(250)
TOTAL OTHER FINANCING SOURCES (USES)	10,000	(9,750)	(9,434)	316
NET CHANGE IN FUND BALANCE	(391,469)	(253,845)	154,921	408,766
FUND BALANCE, Beginning	2,394,406	2,264,540	2,264,540	-
FUND BALANCE, Ending	$ 2,002,937	$ 2,010,695	$ 2,419,461	$ 408,766

See the accompanying Independent Auditors' Report.

NOTE 1: SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY AND CONTRIBUTIONS

The Public Employees' Retirement Association of Colorado 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, 2016, the total pension liability was determined by an actuarial valuation as of December 31, 2014. The following programming and methodology changes were made since the prior actuarial valuation as of December 31, 2013.

- Valuation of the full survivor benefit without any reduction for possible remarriage.
- Reflection of the employer match on separation benefits for all eligible years.
- Reflection of one year of service eligibility for survivor annuity benefit.
- Refinement of the 18 month annual increase timing.
- Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.
- Recognition of merit salary increases in the first projection year.
- Elimination of the assumption that 35% of future disabled members elect to receive a refund.
- Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
- Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

A 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 annual appropriations lapse at fiscal year end.