American Academy

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

Financial Statements

June 30, 2018

HINKLE & COMPANY PC
Strategic Business Advisors

American Academy

(A Component Unit of Douglas County School District RE.1)
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HINKLE &
COMPANY
PC
Strategic
Business Advisors

Independent Auditors' Report

Board of Directors
American Academy
Castle Pines, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the American Academy, component unit of Douglas County School District, 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 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.

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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, the discretely presented component unit, and each major fund of the American 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 American 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 30, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
June 30, 2018

The following Management Discussion and Analysis (MD&A) of American Academy financial performance provides a general review of financial activities for the fiscal year ended June 30, 2018. 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, pre-kindergarten through eighth grade, 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 online at www.aak8.org.

Financial Highlights

The period from July 1, 2017 through June 30, 2018 marks the thirteenth year of operation for American Academy. During 2017/18, American Academy opened a third campus serving students kindergarten through sixth grade. As of June 30, 2018, fund balance for combined campus operations had increased approximately 27% from prior year to reach $4,066,965. When including GASB Statement No. 68 and related campus facilities, combined total net position as was ($42,770,504).

Funding provided in the Colorado State School Finance Act is the primary support received for basic school operations. Tax revenue for the year July 1, 2017 – June 30, 2018 increased by 37% from $11,948,833 compared with $16,388,490. The American Academy – Castle Pines and Motsenbocker campuses currently operate near capacity serving 853 and 888 students, respectively, in 2017/18. In addition, the Motsenbocker campus offers KindiePrep, a pre-kindergarten program for 3 and 4-year olds; this program served over one hundred students during 2017/18; this program operates at full capacity.

The American Academy - Lincoln Meadows campus opened to serve students in 2017/18 and began operations with 618 students in grades kindergarten through sixth grade. This campus will grow by one grade level per year until the full kindergarten through eighth grade program is established. The American Academy – Lincoln Meadows campus will operate an educational program that mirrors the structure at the Castle Pines and Motsenbocker campuses. In addition, the Lincoln Meadows campus also offers a KindiePrep program that emulates the Motsenbocker campus structure providing service to over one hundred students during 2017/18.

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 a private-sector business. The statement of net position presents information related to assets and liabilities, and deferred inflows and outflows, and remaining net position. 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 and deferred inflows exceeded assets and deferred outflows by $42,770,504 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 $60,631,098, representing the school's 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 AA Building Corporation II is considered to be a blended component unit of American Academy and is reported as a proprietary fund. 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

	2018 Governmental Activities	2017 Governmental Activities	2018 Business Type Activities	2017 Business Type Activities
ASSETS				
Capital Assets, Net	-	-	52,383,038	48,586,076
Other Assets	5,387,480	4,193,675	3,332,697	12,160,304
Total Assets	**5,387,480**	**4,193,675**	**55,715,735**	**60,746,380**
DEFERRED OUTFLOWS OF RESOURCES, as restated				
Pensions, Net of Accumulated Amortization	24,889,098	20,459,090	-	-
OPEB, Net of Accumulated Amortization	260,699	-	-	-
Loss on Debt Refunding	-	-	3,106,820	3,550,651
Total Deferred Outflows	**25,149,797**	**20,459,090**	**3,106,820**	**3,550,651**
LIABILITIES				
Long Term Liabilities	297,105	283,963	64,200,000	64,925,000
Net Pension Liability	60,631,098	46,363,813	-	-
Net OPEB Liability	1,384,547	-	-	-
Other Liabilities	1,497,104	1,177,158	948,791	2,796,138
Total Liabilities	**63,809,854**	**47,824,934**	**65,148,791**	**67,721,138**
DEFERRED INFLOWS OF RESOURCES, as restated				
Pensions, Net of Accumulated Amortization	3,148,527	1,347,831	-	-
OPEB, Net of Accumulated Amortization	23,164	-	-	-
Total Deferred Inflows	**3,171,691**	**1,347,831**	**-**	**-**
NET POSITION				
Net Investment in Capital Assets	-	-	(9,222,865)	(7,329,517)
Restricted for Debt Service	-	-	2,760,629	3,765,410
Restricted for Repair & Replace	-	-	-	-
Restricted for Emergencies	675,000	500,000	-	-
Unrestricted	(37,119,268)	(24,520,000)	136,000	140,000
Total Net Position	**(36,444,268)**	**(25,020,000)**	**(6,326,236)**	**(3,424,107)**

For the year ended June 30, 2018, the governmental activities net position of American Academy was recognized as ($36,444,268) due to the adoption of GASB Statement No. 68 that created a net pension liability of $60,631,098. Including the net pension liability, the school acknowledged ($37,119,268) in unrestricted funds and $675,000 to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. For the business-type activities, ($9,222,865) was the net investment in capital assets, $2,760,629 was restricted for debt service and $136,000 was unrestricted. The Foundation recognized total net position of $49,782 in unrestricted funds. For the year ended June 30, 2018, the school adopted the standards of GASB Statement No. 75. As a result, the school's proportionate share of the PERA Health Care Trust Fund's unfunded OPEB liability is reported in the financial statements, in the amount of $1,384,547. In addition, beginning net position was restated. Information presented for the year ended June 30, 2017, has not been restated because comparable information is not available.

Table II: Change in Net Position

	2018 Governmental Activities	2017 Governmental Activities	2018 Business Type Activities	2017 Business Type Activities
REVENUES				
General Revenues				
Per Pupil Revenue	16,388,490	11,948,833	-	-
District Mill Levy	1,210,926	917,162	-	-
Capital Construction Funding	589,109	466,492	-	-
Grants and Contributions not restricted to specific programs	256,367	272,266	-	-
Investment Earnings	15,295	8,167	83,726	37,653
Other	448	1,200	-	-
Program Revenues				
Charges for Services: Instruction	4,474,804	3,024,327	-	-
Charges for Services: Supporting Services	108,477	82,301	-	-
Operating Grants & Contributions	60,462	58,117	-	-
Total Revenue	**23,104,378**	**16,778,865**	**83,726**	**37,653**
EXPENSES				
Instruction	19,874,068	15,320,075	-	-
Supporting Services	11,457,125	7,939,541	-	-
Foundation	-	-	-	-
Building Corporation	-	-	5,583,495	3,816,781
Prior Period Adjustment	-	-	-	-
Total Expenses	**31,331,193**	**23,259,616**	**5,583,495**	**3,816,781**
Transfers	(2,597,640)	(2,417,857)	2,597,640	2,417,857
Change in Net Position	**(10,824,455)**	**(8,898,608)**	**(2,902,129)**	**(1,361,271)**
Net Position, Beginning, as restated	**(25,619,813)**	**(15,621,392)**	**(3,424,107)**	**(2,062,836)**
Net Position, Ending	**(36,444,268)**	**(24,520,000)**	**(6,326,236)**	**(3,424,107)**

Fund Financial Analysis

General Fund

During 2017/18, PPR funding increased 37% overall due to minor changes in student count for the existing campus operations and the opening of the Lincoln Meadows kindergarten through sixth grade combined with over a 3% increase to per student funding. Mill Levy revenue increased 32% due to the student count increase; this revenue stream is 100% funded and is expected to decrease annually as a result of a fixed dollar amount for DCSD being distributed over the student population. Contributions decreased 6% compared with the prior year due to timing of distributions from the PTO organizations that support each campus. Tuition and fees increased 48% compared with prior year as a result of the increase in student count for the Lincoln Meadows campus. Facility Rental income increased by 32% with the addition of the third campus availability.

Expenditures - Total expenditures for the period of July 1, 2017 – June 30, 2018 were $22,423,733, a 36% increase from prior year. Salaries recognized a 36% increase and benefit costs a 39% increase as a result of hiring to accommodate third campus staffing 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 along with plan utilization rates.

Purchased services increased 28% to support operations at the three campus locations; while there were cost increases for existing services, the bulk of the increase is derived from the third campus. Materials and supplies increased 84%; property expenditures increased 20%; and other expenses increased 29% ($48,447); the significant changes year-to-year are due to purchasing needs for the Lincoln Meadows campus startup.

Net Change in Fund Balance – As of June 30th the American Academy General Fund recorded net change in fund balance of $870,375.

AA Building Corporation II
During 2017/18, the AA Building Corporation II continued to hold the debt issuance for the American Academy campus facility issuances.

Revenues – Total gross revenues for the period of July 1, 2017 – June 30, 2018 were $2,681,366. This included investment income, contributions and lease payments from the General Fund based on the facility purchase agreements.

Expenses - Total expenses for the period of July 1, 2017 – June 30, 2018 were $5,583,495. Interest expense was recognized as $3,002,003. Furniture and equipment purchases for the Lincoln Meadows campus were recognized at $1,045,062. Depreciation expense was $1,521,412 for this fiscal year; purchased service costs totaled $15,018 for cash management fees and the site lease expense.

Change in Net Position – As of June 30th AA Building Corporation II recorded a decrease in net position of ($2,902,129) and ending net position of ($6,326,236). It is anticipated that the negative balance will be eliminated over time as debt is paid.

Analysis of Significant Budget Variations: General Fund
The adopted budget for the American Academy General Fund was approved April of 2017 for the 2017/18 school year. The adopted 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 adopted budget is approved. American Academy reviewed and revised all key revenue and expense considerations for the final budget adoption in the fall of 2017.

The actual activity for 2017/18 acknowledged variances from the final budget amounts approved for all major budget categories. Salaries were 99% of budget ($110,770 less than budget); benefits were 96% ($150,454 less than budget); purchased services were 96% ($187,771 less than budget); materials and supplies were 84% ($254,261 less than budget); property was 86% ($143,671 less than budget); and other objects were 20% ($223,428 less than budget). 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, 2018 amount to $52,383,038, net of accumulated depreciation. These assets account for land, buildings and equipment and furniture for the Castle Pines, Motsenbocker and Lincoln Meadows facilities.

Long-term debt **-** As of June 30, 2018, American Academy had outstanding debt of $65,398,694. This amount includes the balances of the two CECFA issuances for Castle Pines, Motsenbocker and Lincoln Meadows and the technology leases in place to support the school One-to-One computer program.

Additional information on capital assets and long-term debt is provided in Notes 4 and 5 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 count changes across the three campus locations, facility financing costs and additional considerations specific to the new facility growth were all considered in the strategic budgeting projections for 2018/19 through 2022/23.

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

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

Statement of Net Position

June 30, 2018

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Foundation
Assets				
Cash and Investments	$ 5,071,712	$ -	$ 5,071,712	$ 49,782
Restricted Cash and Investments	70,179	3,196,697	3,266,876	-
Accounts Receivable	36,137	-	36,137	-
Prepaid Expenses	173,452	136,000	309,452	-
Deposits	36,000	-	36,000	-
Capital Assets, *Not Being Depreciated*	-	3,657,167	3,657,167	-
Capital Assets, *Net of Accumulated Depreciation*	-	48,725,871	48,725,871	-
Total Assets	5,387,480	55,715,735	61,103,215	49,782
Deferred Outflows of Resources				
Pensions, *Net of Accumulated Amortization*	24,889,098	-	24,889,098	-
OPEB, *Net of Accumulated Amortization*	260,699	-	260,699	-
Loss on Debt Refunding, *Net of Accumulated Amortization*	-	3,106,820	3,106,820	-
Total Deferred Outflows of Resources	25,149,797	3,106,820	28,256,617	-
Liabilities				
Accounts Payable	167,088	-	167,088	-
Accrued Salaries and Benefits	769,881	-	769,881	-
Unearned Revenues	383,546	-	383,546	-
Accrued Interest Payable	-	223,791	223,791	-
Noncurrent Liabilities				
Due Within One Year	176,589	725,000	901,589	-
Due in More Than One Year	297,105	64,200,000	64,497,105	-
Net Pension Liability	60,631,098	-	60,631,098	-
Net OPEB Liability	1,384,547	-	1,384,547	-
Total Liabilities	63,809,854	65,148,791	128,958,645	-
Deferred Inflows of Resources				
Pensions, *Net of Accumulated Amortization*	3,148,527	-	3,148,527	-
OPEB, *Net of Accumulated Amortization*	23,164	-	23,164	-
Total Deferred Inflows of Resources	3,171,691	-	3,171,691	-
Net Position				
Net Investment in Capital Assets	-	(9,222,865)	(9,222,865)	-
Restricted for:				
Debt Service	-	2,760,629	2,760,629	-
Emergencies	675,000	-	675,000	-
Unrestricted	(37,119,268)	136,000	(36,983,268)	49,782
Total Net Position	$ (36,444,268)	$ (6,326,236)	$ (42,770,504)	$ 49,782

See Notes to Financial Statements

American 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			Component Unit
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Foundation
Primary Government							
Governmental Activities							
Instruction	$ 19,874,068	$ 4,474,804	$ 40,975	$ (15,358,289)	$ -	$ (15,358,289)	$ -
Supporting Services	11,457,125	108,477	19,487	(11,329,161)	-	(11,329,161)	-
Total Governmental Activities	31,331,193	4,583,281	60,462	(26,687,450)	-	(26,687,450)	-
Business-Type Activities							
Building Corporation	5,583,495	-	-	-	(5,583,495)	(5,583,495)	-
Total Primary Government	$ 36,914,688	$ 4,583,281	$ 60,462	(26,687,450)	(5,583,495)	(32,270,945)	-
Component Unit							
Foundation	$ 60,377	$ -	$ -	-	-	-	(60,377)
General Revenues							
Per Pupil Revenue				16,388,490	-	16,388,490	-
District Mill Levy				1,210,926	-	1,210,926	-
Capital Construction				589,109	-	589,109	-
Grants and Contributions Not Restricted to Specific Programs				256,367	-	256,367	57,035
Investment Income				15,295	83,726	99,021	46
Other				448	-	448	-
Transfers				(2,597,640)	2,597,640	-	-
Total General Revenues and Transfers				15,862,995	2,681,366	18,544,361	57,081
Change in Net Position				(10,824,455)	(2,902,129)	(13,726,584)	(3,296)
Net Position, *Beginning of year*				(25,619,813)	(3,424,107)	(29,043,920)	53,078
Net Position, *End of year*				$ (36,444,268)	$ (6,326,236)	$ (42,770,504)	$ 49,782

American Academy

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

Balance Sheet

Governmental Fund

June 30, 2018

		General
Assets		
Cash and Investments	$	5,071,712
Restricted Cash and Investments		70,179
Accounts Receivable		36,137
Prepaid Expenditures		173,452
Deposits		36,000
Total Assets	$	5,387,480
Liabilities and Fund Balance		
Liabilities		
Accounts Payable	$	167,088
Accrued Salaries and Benefits		769,881
Unearned Revenues		383,546
Total Liabilities		1,320,515
Fund Balance		
Nonspendable		
Prepaid Expenditures		173,452
Deposits		36,000
Restricted for Emergencies		675,000
Unrestricted, Unassigned		3,182,513
Total Fund Balance		4,066,965
Total Liabilities and Fund Balance	$	5,387,480

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

Total Fund Balance of the Governmental Fund	$	4,066,965
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds:		
Capital leases		(473,694)
Net pension liability		(60,631,098)
Pension-related deferred outflows of resources		24,889,098
Pension-related deferred inflows of resources		(3,148,527)
Net OPEB liability		(1,384,547)
OPEB-related deferred outflows of resources		260,699
OPEB-related deferred inflows of resources		(23,164)
Total Net Position of Governmental Activities	$	(36,444,268)

American 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	$ 22,454,807
State Sources	649,571
Total Revenues	23,104,378
Expenditures	
Instruction	11,713,174
Supporting Services	10,710,560
Total Expenditures	22,423,734
Excess of Revenues Over Expenditures	680,644
Other Financing Sources	
Capital Leases	189,731
Net Change in Fund Balance	870,375
Fund Balance, *Beginning of year*	3,196,590
Fund Balance, *End of year*	$ 4,066,965

American Academy

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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	$ 870,375
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities. 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.	
Capital leases issued	(189,731)
Capital lease payments	180,073
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	(14,267,285)
Pension-related deferred outflows of resources	4,430,008
Pension-related deferred inflows of resources	(1,800,696)
Net OPEB liability	(240,969)
OPEB-related deferred outflows of resources	216,934
OPEB-related deferred inflows of resources	(23,164)
Change in Net Position of Governmental Activities	$ (10,824,455)

American 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	
Restricted Cash and Investments	$ 3,196,697
Prepaid Expenses	136,000
Total Current Assets	3,332,697
Noncurrent Assets	
Capital Assets, *Not Being Depreciated*	3,657,167
Capital Assets, *Net of Accumulated Depreciation*	48,725,871
Total Noncurrent Assets	52,383,038
Total Assets	55,715,735
Deferred Outflows of Resources	
Loss on Debt Refunding, *Net of Accumulated Amortization*	3,106,820
Liabilities	
Current Liabilities	
Accrued Interest Payable	223,791
Loan Payable, *Current Portion*	725,000
Total Current Liabilities	948,791
Noncurrent Liabilities	
Loan Payable	64,200,000
Total Liabilities	65,148,791
Net Position	
Net Investment in Capital Assets	(9,222,865)
Restricted for Debt Service	2,760,629
Unrestricted	136,000
Total Net Position	$ (6,326,236)

American 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 Revenue	$ 2,342,267
Total Operating Revenues	2,342,267
Operating Expenses	
Purchased Services	15,018
Depreciation	1,521,412
Debt Service	
Interest	3,002,003
Total Operating Expenses	4,538,433
Net Operating Loss	(2,196,166)
Nonoperating Revenues (Expenses)	
Investment Income	83,726
Furniture and Equipment	(1,045,062)
Total Operating Revenues (Expenses)	(961,336)
Net Loss Before Capital Contributions	(3,157,502)
Capital Contributions	
Contributed Capital Assets	255,373
Change in Net Position	(2,902,129)
Net Position, *Beginning of year*	(3,424,107)
Net Position, *End of year*	$ (6,326,236)

American 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	$ 2,342,267
Cash Paid to Suppliers	(11,018)
Loan Interest Paid	(2,560,622)
Loan Principal Paid	(700,000)
Net Cash Used in Operating Activities	(929,373)
Cash Flows From Capital and Related Financing Activities	
Interest Paid and Capitalized	(139,573)
Acquisition of Furniture and Equipment	(1,045,062)
Construction and Acquisition of Capital Assets	(6,793,325)
Net Cash Used in Capital and Related Financing Activities	(7,977,960)
Cash Flows From Investing Activities	
Investment Income Received	83,726
Net Change in Cash and Cash Equivalents	(8,823,607)
Cash and Cash Equivalents, *Beginning of year*	12,020,304
Cash and Cash Equivalents, *End of year*	$ 3,196,697
Reconciliation of Net Operating Loss to Net Cash Used in Operating Activities	
Net Operating Loss	$ (2,196,166)
Adjustments to Reconcile Net Operating Loss to Net Cash Used in Operating Activities	
Depreciation Expense	1,521,412
Amortization of Loss on Debt Refunding	443,831
Changes in Assets and Liabilities	
Prepaid Expenses	4,000
Accrued Interest Payable	(2,450)
Loan Payable	(700,000)
Net Cash Used in Operating Activities	$ (929,373)
Noncash Capital Transactions	
Contributed Capital Assets	$ 255,373

See Notes to 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 three 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 the Academy's education facilities. The Foundation currently performs fundraising activities and is discretely presented in the Academy's financial statements. The Corporation is blended into the financial statements as an enterprise fund. The Foundation and the Corporation do not issue separate financial statements.

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

Note 1: Summary of Significant Accounting Policies (Continued)

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 and its component units. 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. The *primary government* is reported separately from the legally separate *component unit* for which the Academy is financially accountable.

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 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. 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.

Note 1: Summary of Significant Accounting Policies (Continued)

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

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 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.

The Academy reports one major proprietary fund, as follows:

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

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

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

Deposits - The Academy has provided a deposit for utilities, refundable after three years of service.

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.

Note 1: Summary of Significant Accounting Policies (Continued)

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

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 fund 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.

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, 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 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. Employer contributions are recognized when the compensation is payable to the employees.

Note 1: Summary of Significant Accounting Policies (Continued)

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

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 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, 2018, the Corporation had a negative net position of $6,326,236. Management expects this negative balance to be eliminated as the Corporation's debt is paid.

Note 3: Cash and Investments

At June 30, 2018, cash and investments consisted of the following:

Petty Cash	$	200
Deposits		5,027,881
Investments		3,360,289
Total	$	8,388,370

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

Cash and Investments	$	5,071,712
Restricted Cash and Investments		3,266,876
Foundation Cash		49,782
Total	$	8,388,370

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 $5,107,557 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: Deposits and Investments (Continued)

Investments *(Continued)*

Interest Rate Risk - State statutes generally limit investments to an original maturity of five years 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 one issuer of investment securities, except for corporate securities.

Local Government Investment Pool - At June 30, 2018, the Academy and the Corporation had $3,360,289 invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment trust 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 Academy had certificates of deposit of $70,179 restricted as collateral for a letter of credit securing infrastructure improvements at the new campus. The Corporation had investments of $212,277 restricted for capital projects and $2,984,420 restricted for 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
Business-Type Activities				
Capital Assets, *Not Being Depreciated*				
Land	$ 3,647,598	$ 9,569	$ -	$ 3,657,167
Construction in Progress	16,888,852	-	(16,888,852)	-
Total Capital Assets, *Not Being Depreciated*	20,536,450	9,569	(16,888,852)	3,657,167

Note 4: Capital Assets (Continued)

	Balance 6/30/17	Additions	Deletions	Balance 6/30/18
Business-Type Activities (Continued)				
Capital Assets, Being Depreciated				
Buildings and Improvements	32,326,829	21,665,819	-	53,992,648
Equipment and Furniture	883,161	531,838	-	1,414,999
Total Capital Assets, Being Depreciated	33,209,990	22,197,657	-	55,407,647
Less Accumulated Depreciation				
Building and Improvements	(4,771,256)	(1,349,258)	-	(6,120,514)
Equipment and Furniture	(389,108)	(172,154)	-	(561,262)
Total Accumulated Depreciation	(5,160,364)	(1,521,412)	-	(6,681,776)
Total Capital Assets, Being Depreciated, net	28,049,626	20,676,245	-	48,725,871
Business-Type Activities Capital Assets, net	$ 48,586,076	$ 20,685,814	$ (16,888,852)	$ 52,383,038

Note 5: Long-Term Debt

Governmental Activities

Following is a summary of long-term debt transactions for the governmental activities for the year ended June 30, 2018.

	Balance 6/30/17	Additions	Payments	Balance 6/30/18	Due Within One Year
Governmental Activities					
Capital Leases	$ 464,036	$ 189,731	$ (180,073)	$ 473,694	$ 176,589

The Academy has entered into several lease agreements directly with the vendor to purchase laptop computers and related technology equipment. Monthly payments are required by the lease agreements, with terms of three years. The equipment does not qualify for capitalization under the Academy's policies.

Note 5: Long-Term Debt (Continued)

Governmental Activities *(Continued)*

Future minimum lease payments to maturity are as follows:

Year Ended June 30,		
2019	$	189,782
2020		158,370
2021		108,938
2022		52,242
Total Minimum Lease Payments		509,332
Less: Interest Portion		(35,638)
Total	$	473,694

Business-Type Activities

Following is a summary of long-term debt transactions for the business-type activities for the year ended June 30, 2018.

	Balance 6/30/17	Additions	Deletions	Balance 6/30/18	Due Within One Year
Business-Type Activities					
2015 Building Loan	$ 38,055,000	$ -	$ (700,000)	$ 37,355,000	$ 725,000
2016 Building Loan	27,570,000	-	-	27,570,000	-
Total	$ 65,625,000	$ -	$ (700,000)	$ 64,925,000	$ 725,000

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 education 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.

Note 5: Long-Term Debt (Continued)

Business-Type Activities *(Continued)*

On August 31, 2016, CECFA issued $27,570,000 Charter School Revenue Bonds, Series 2016. Bond proceeds were loaned to the Corporation to finance the acquisition of land and the construction and equipping of a third campus, known as Lincoln Meadows. 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 4.05% 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 at maturity on December 1, 2026.

Future debt service requirements for the bonds are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	$ 725,000	$ 2,670,270	$ 3,395,270
2020	1,300,000	2,628,154	3,928,154
2021	1,360,000	2,573,130	3,933,130
2022	1,415,000	2,515,729	3,930,729
2023	1,470,000	2,456,051	3,926,051
2024 - 2027	58,655,000	6,812,322	65,467,322
Total	$ 64,925,000	$ 19,655,656	$ 84,580,656

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 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 $1,925,002, 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 $60,631,098, 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 0.1875008081%, which was an Increase of 0.0317809864% from its proportion measured at December 31, 2016.

During the 2017 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 included employee salaries, increased contributions from employees and employers, and an annual direct distribution form 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 $27,392,604.

For the year ended June 30, 2018, the Academy recognized pension expense of $16,891,859. 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	$ 1,114,748	$ -
Changes of assumptions and other inputs	15,481,370	98,244
Net difference between projected and actual earnings on plan investments	-	2,381,041
Changes in proportion	7,252,470	669,242
Contributions subsequent to the measurement date	1,040,510	-
Total	$ 24,889,098	$ 3,148,527

The Academy's contributions subsequent to the measurement date of $1,040,510 will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

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)*

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,	
2019	$ 12,428,925
2020	7,979,426
2021	1,187,465
2022	(895,755)
Total	$ 20,700,061

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.

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)*

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.

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%	

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)*

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%.

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	$ 76,587,388	$ 60,631,098	$ 47,628,543

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.

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 $98,645, 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 $1,384,547, 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.

Note 7: Postemployment Healthcare Benefits (Continued)

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

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 0.1065363811%, which was an increase of 0.0183337183% from its proportion measured at December 31, 2016.

For the year ended June 30, 2018, the Academy recognized OPEB expense of $147,134. At June 30, 2018, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 6,548	$ -
Net difference between projected and actual earnings on plan investments	-	23,164
Changes in proportion	198,671	-
Contributions subsequent to the measurement date	55,480	-
Total	$ 260,699	$ 23,164

Academy contributions subsequent to the measurement date of $55,480 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	$ 34,527
2020	34,527
2021	34,527
2022	34,527
2023	40,318
2024	3,629
Total	$ 182,055

Note 7: Postemployment Healthcare Benefits (Continued)

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

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.

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.

Note 7: Postemployment Healthcare Benefits (Continued)

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

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.

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	$ 1,556,666	$ 1,384,547	$ 1,237,638

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:

Note 7: Postemployment Healthcare Benefits (Continued)

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

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Proportionate share of the net OPEB liability	$ 1,346,453	$ 1,384,547	$ 1,430,429

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 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 Amendment is subject to many interpretations, but the Academy believes it is in substantial compliance with the Amendment. As required by the Amendment, the Academy has established a reserve for emergencies. At June 30, 2018, the reserve was reported as restricted fund balance in the General Fund, in the amount of $675,000.

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, 2018, the Corporation recognized lease expense of $4,000, and the remaining balance of $136,000 was reported as prepaid expenses of the Corporation. The lease agreement matures on December 31, 2052.

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*	$ (24,520,000)
Deferred Outflows of Resources	43,765
Net OPEB Liability	(1,143,578)
Net Position, June 30, 2017, *as Restated*	$ (25,619,813)

Required Supplementary Information

American 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	12/31/14	12/31/13
Proportionate Share of the Net Pension Liability					
Academy's Proportion of the Net Pension Liability	0.1875008081%	0.1557198217%	0.1660490161%	0.1423417169%	0.1024225986%
Academy's Proportionate Share of the Net Pension Liability	$ 60,631,098	$ 46,363,813	$ 25,396,025	$ 19,292,084	$ 13,063,975
Academy's Covered Payroll	$ 8,649,121	$ 6,964,480	$ 7,236,367	$ 5,963,170	$ 4,128,976
Academy's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	701%	666%	351%	324%	316%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	44%	43%	59%	63%	64%

	6/30/18	6/30/17	6/30/16	6/30/15	6/30/14
Academy Contributions					
Statutorily Required Contribution	$ 1,825,718	$ 1,377,714	$ 1,290,913	$ 1,073,514	$ 870,362
Contributions in Relation to the Statutorily Required Contribution	(1,825,718)	(1,377,714)	(1,290,913)	(1,073,514)	(870,362)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
Academy's Covered Payroll	$ 9,668,678	$ 7,493,251	$ 7,267,833	$ 6,351,023	$ 5,433,416
Contributions as a Percentage of Covered Payroll	18.88%	18.39%	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.

American 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		0.1065363811%
Academy's Proportionate Share of the Net OPEB Liability	$	1,384,547
Academy's Covered-Employee Payroll	$	9,127,173
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	$	98,645
Contributions in Relation to the Statutorily Required Contribution		(98,645)
Contribution Deficiency (Excess)	$	-
Academy's Covered-Employee Payroll	$	10,755,419
Contributions as a Percentage of Covered-Employee Payroll		0.92%

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.

American 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	$ 16,530,331	$ 16,311,417	$ 16,388,490	$ 77,073
District Mill Levy	1,218,650	1,209,144	1,210,926	1,782
Contributions	248,046	314,388	256,367	(58,021)
Tuition and Fees	4,557,006	4,488,380	4,474,804	(13,576)
Facility Rental	75,000	89,816	108,477	18,661
Investment Income	6,000	6,000	15,295	9,295
Other	15,000	15,000	448	(14,552)
Total Local Sources	22,650,033	22,434,145	22,454,807	20,662
State Sources				
Capital Construction	582,441	565,264	589,109	23,845
Grants	137,759	196,324	60,462	(135,862)
Total State Sources	720,200	761,588	649,571	(112,017)
Total Revenues	23,370,233	23,195,733	23,104,378	(91,355)
Expenditures				
Salaries	10,738,965	10,866,189	10,755,419	110,770
Employee Benefits	3,503,775	3,564,501	3,414,047	150,454
Purchased Services	6,020,473	6,007,062	5,819,291	187,771
Supplies	1,758,354	1,565,284	1,311,023	254,261
Property	910,265	1,049,481	905,810	143,671
Other	438,401	441,572	218,144	223,428
Total Expenditures	23,370,233	23,494,089	22,423,734	1,070,355
Excess of Revenues Over (Under) Expenditures	-	(298,356)	680,644	979,000
Other Financing Sources				
Capital Leases	-	300,000	189,731	(110,269)
Net Change in Fund Balance	-	1,644	870,375	868,731
Fund Balance, *Beginning of year*	2,663,827	3,196,590	3,196,590	-
Fund Balance, *End of year*	$ 2,663,827	$ 3,198,234	$ 4,066,965	$ 868,731

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, 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

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.