

COMMUNITY LEADERSHIP ACADEMY, INC.

FINANCIAL STATEMENTS

June 30, 2017

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

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Community Leadership Academy, Inc., as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Community Leadership Academy, Inc., as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Other Matters (Required Supplementary Information)

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

Ernst & Young LLP

October 9, 2017

COMMUNITY LEADERSHIP ACADEMY, INC.

MANAGEMENT DISCUSSION AND ANALYSIS

As management of the Community Leadership Academy, Inc., (also referred to as the “Academy”) we offer readers of the audited financial statements this narrative overview and analysis of the financial activities of the Academy for the fiscal year ended June 30, 2017. Community Leadership Academy, Inc. provides instructional programs at two locations, the elementary Pre-K through 5th grades are served at the Community Leadership Academy on Holly Street and the secondary grades 6 through 12 are served at the Victory Preparatory Academy on Quebec Street. The activities of both schools are included in the financial statements and were included in the audit of Community Leadership Academy, Inc.

FINANCIAL HIGHLIGHTS

Under GASB 68 the Academy’s proportionate share of the net pension liability of the Colorado state retirement system, the Public Employees Retirement Association is recorded as a liability of the Academy. Community Leadership Academy, Inc. was required to implement GASB 68 in 2015 resulting in a net pension liability of \$7,853,846 that increased to \$9,800,894 in 2016. In 2017 the underlying assumptions were modified as described in Note 8 causing the net pension liability to increase to \$19,978,948.

Deferred outflows increased to \$8,587,859 of which \$6,482,752 is attributed to changes to assumptions and other inputs. Deferred inflows decreased to \$86,192 which is nearly all due to changes to the assumptions and other inputs.

During 2016-17 the net position decreased \$3,413,809 of which \$4,457,226 is from recognized pension expense offset by increases from other activities of \$1,043,417.

The Community Leadership Academy Building Corporation was formed for the specific purpose to hold title to real and/or personal property for the Academy at its Holly Street location, to make the same available for use by the school, and to otherwise provide a public building, facilities, and equipment to the elementary school. Ending net position of the Building Corporation at June 30, 2017 increased \$82,194 to \$305,936.

A second building corporation, known as Community Leadership Academy Building Corporation II, was created to hold title to real and/or personal property for the Academy at its Quebec Street location, to make the same available for use by the secondary school, and to otherwise provide a public building, facilities, and equipment to the school. Ending net position of Building Corporation II at June 30, 2017 decreased \$80,871 to (\$1,681,578).

OVERVIEW OF FINANCIAL STATEMENTS

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

Government-wide Financial Statements:

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

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

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

The government-wide statement of activities distinguishes functions/programs of the Academy supported primarily by per pupil revenue (PPR) passed through from the Colorado Charter School Institute (CSI). The governmental activities of the Academy include instruction, supporting services and food service expenses. The government-wide financial statements can be found on pages 1-2 of this report.

Fund Financial Statements:

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

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

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

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

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

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This information is provided on pages 8 through 21.

GOVERNMENT-WIDE FINANCIAL STATEMENT ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Academy, liabilities exceeded assets by \$8,232,664 as of the close of the 2016-17 fiscal year compared to \$4,820,178 the prior year. The negative balance is due primarily to the adoption of GASB Statement No. 68 whereby the Academy reports its proportionate share of the state retirement system plan as a liability on its financial statement. The net pension liability at the end of the current fiscal year is \$19,978,948 compared to \$9,800,894 the prior year.

Statement of Net Position Governmental and Business Type Activities

	30-Jun-17	30-Jun-16	Net Change
Current and other assets	\$ 8,268,796	\$ 7,690,311	\$ 578,485
Capital assets	\$ 19,797,382	\$ 20,049,025	\$ (251,643)
TOTAL ASSETS	\$ 28,066,178	\$ 27,739,336	\$ 326,842
 DEFERRED OUTFLOWS OF RESOURCES	 \$ 8,587,859	 \$ 2,352,303	 \$ 6,235,556
Current liabilities	\$ 1,250,173	\$ 1,167,025	\$ 83,148
Other liabilities	\$ 43,550,336	\$ 33,605,919	\$ 9,944,417
TOTAL LIABILITIES	\$ 44,800,509	\$ 34,772,944	\$ 10,027,565
 DEFERRED INFLOWS OF RESOURCES	 \$ 86,192	 \$ 138,873	 \$ (52,681)
 Net Position			
Net Investment in Capital Assets	\$ (4,009,006)	\$ (3,921,000)	\$ (88,006)
Restricted for Debt Service	\$ 2,642,705	\$ 2,560,869	\$ 81,836
Restricted for Repairs & Replacement	\$ 127,695	\$ 103,109	\$ 24,586
Restricted for Emergencies	\$ 292,000	\$ 284,000	\$ 8,000
Unrestricted	\$ (7,286,058)	\$ (3,847,156)	\$ (3,438,902)
TOTAL NET POSITION	\$ (8,232,664)	\$ (4,820,178)	\$ (3,412,486)

Cash and investments make up 28.2% of the Academy's total assets of which 44.4% is restricted in the building corporations for repair and replacement of capital assets and to repay debt. Capital assets, which reflect the Academy's investment in real and personal property and equipment, currently make up 70.5% of total assets. The remaining assets, primarily grants receivable, make up 1.3% of total assets. Net deferred outflows increased \$6,235,556 while inflows decreased \$52,681 primarily due to changes to the assumptions used to compute the net pension liability. Liabilities increased by \$10,027,565 resulting from various causes including changes from GASB 68 reporting and paying off debt. Assets increased by \$326,842 primarily due to increased cash and investments offset by depreciating capital assets.

Community Leadership Academy, Inc.
Statement of Activities
For the Years Ended June 30, 2017 and June 30, 2016

	<u>30-Jun-17</u>	<u>30-Jun-16</u>	<u>Net Change</u>
Program Revenue:			
Charges for Services	\$ 13,609	\$ 18,822	\$ (5,213)
Grants & Contributions	\$ 1,386,015	\$ 1,394,702	\$ (8,687)
Total Program Revenue	\$ 1,399,624	\$ 1,413,524	\$ (13,900)
General Revenue:			
Per Pupil Operating Revenue	\$ 6,895,011	\$ 7,210,214	\$ (315,203)
At-Risk Supplemental Aid	\$ 41,280	\$ 27,541	\$ 13,739
Capital Construction Grant	\$ 249,142	\$ 233,056	\$ 16,086
Investment Income	\$ 42,173	\$ 15,176	\$ 26,997
Miscellaneous	\$ 76,350	\$ 48,010	\$ 28,340
Total General Revenue	\$ 7,303,956	\$ 7,533,997	\$ (230,041)
Total Revenue	\$ 8,703,580	\$ 8,947,521	\$ (243,941)
Expenses:			
Current:			
Instruction	\$ 6,110,495	\$ 3,987,281	\$ 2,123,214
Supporting Services	\$ 3,495,816	\$ 2,446,289	\$ 1,049,527
Food Service	\$ 563,207	\$ 479,147	\$ 84,060
Building Corporation	\$ 590,999	\$ 600,486	\$ (9,487)
Building Corporation II	\$ 1,355,549	\$ 1,356,662	\$ (1,113)
Total Expenses	\$ 12,116,066	\$ 8,869,865	\$ 3,246,201
CHANGE IN NET POSITION	\$ (3,412,486)	\$ 77,656	\$ (3,490,142)
NET POSTION, Beginning	\$ (4,820,178)	\$ (4,897,834)	\$ 77,656
NET POSTION, Ending	\$ (8,232,664)	\$ (4,820,178)	\$ (3,412,486)

School Finance Act funding decreased by \$315,203 due to decreases in enrollment by 50 offset by increases to per pupil operating revenue from the State by \$267. Capital Construction funding also increased \$16,086 due to increased funding for charter school capital construction offset by the decrease in the number of students. Miscellaneous revenue increased by \$28,340 due in part to fees charged to replace ID cards and medical loss ratio rebates. At-risk supplemental funding approved by the legislature for 2016 totaled \$27,541 increased to \$40,280 for 2017. Investment income increased \$26,997 consistent with increases to investment earnings rates.

Instructional expenses increased by \$2,123,214 and supporting services expenses increased by \$1,049,527 primarily due to the increase in recognized pension expense under GASB 68. Food Service costs are driven by the number of meals service. Costs increased by \$84,060 over the prior year due in part to fresh fruits and vegetables grant in 2016-17.

ANALYSIS OF THE FUND FINANCIAL STATEMENTS

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

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

This is the twelfth full year of operations for the Academy. Governmental Fund revenue for FY 2016-17 was \$8,691,490 compared to \$8,943,517 the prior year. The decrease is primarily from School Finance Act funding due to decreased enrollment by 50 students. Per pupil funding increased from \$7,420 to \$7,687. School finance now makes up 79.6% of the Academy's total revenue compared to 80.8% the prior year. Revenue from Federal sources decreased \$32,141 due to decreases in Title I, IIA and IDEA offset by increases in school lunch funding. State revenue increased \$78,645 due to moderate increases in funding approved by the State. Other local revenue increased \$16,670 due to increased interest income.

As of the end of the current fiscal year, the Academy reported an ending fund balance in its governmental fund of \$4,483,223 compared to \$4,024,308 the prior year, an increase of \$458,915. The increase is due in part to rebates from the authorizer and the state for general and central administrative fees, savings from deferred projects, staff turnover and vacancies and no expansion of transportation services and staff vacancies.

Proprietary Funds: The combined net position of the building corporations as of June 30, 2017 is (\$1,375,642) compared to (\$1,376,965) for the prior year. The current year increase of \$1,323 is made up of net income of \$82,194 from the Building Corporation and a net loss of (\$80,871) from Building Corporation II primarily from normal operations.

BUDGETARY HIGHLIGHTS

The Academy approves a budget in June based on enrollment projections for the following school year. In December, after enrollment is finalized, the budget may be amended. For 2016-17 the budget was not amended since spending modified for the decline in enrollment was within the amount appropriated in the adopted budget.

The majority of Academy spending in the Governmental Fund is for salaries and benefits at 51% of total expenditures for 2016--17 compared to 51.9% the prior year. Facility lease fees make up 23.3% of total expenditures in 2016-17 compared to 20.3% the prior year. Other purchased services make up 12.9% compared to 14.2% the prior year. Other

purchased services include transportation, maintenance, technology, accounting, legal, and development services from various providers, and general and central services purchased from the authorizer, Colorado Charter School Institute.

Revenue in the General Fund was \$422,486 less than expected primarily due to the decline in enrollment. Excluding budgeted contingencies, expenditures were \$881,401 under budget, a variance of 9.7%. Instructional costs were under budget by \$568,790 due to staff turnover causing temporary vacancies during the year and unexpended instructional supplies budgets. Support services were under budget by \$397,618 primarily due to purchased services for general and central administration fees being less than expected and the 1% CDE fee rebated to charter schools authorized by the Colorado Charter School Institute. Transportation was under budget because added routes were not needed and maintenance/operations were under budget because of deferred projects. Food service was over budget by \$85,007 due to increased cost of salaries and benefits as a result of changes in state minimum wage laws and increased food costs. Expenditures did not exceed the amount appropriated for fiscal year 2016-17 and is therefore in compliance with State statute.

CAPITAL ASSETS AND LONG-TERM DEBT

Capital assets: The Community Leadership Academy Building Corporation owns land with a carrying value of \$820,000 and building and improvements capitalized at \$6,867,919 at June 30, 2017. Equipment totaled \$284,093. The net carrying value of Building Corporation capital assets after subtracting accumulated depreciation is \$7,140,868.

During 2012-13 Community Leadership Academy Building Corporation II was formed to acquire land and buildings and improvements for the Academy's secondary program starting in 2013-14. Building Corporation II owns land with a carrying value of \$750,000. At the end of 2016-17 the total capitalized value for buildings and improvements is \$11,975,345 and for equipment is \$306,956. The net carrying value of Building Corporation II capital assets after subtracting accumulated depreciation is \$12,519,478.

Long-term debt: In February 2008, the Building Corporation issued \$8,810,000 in bonds under an agreement with the Colorado Educational and Cultural Facilities Authority (CECFA) at a net interest cost of 6.5%. The proceeds were used, in part to create a debt service reserve of \$675,714 and pay debt issuance costs of \$300,644. The remaining proceeds were used to acquire capital assets described above for the Building Corporation. The Academy makes lease payments to the Building Corporation for use of the facility, which the corporation uses to make the required principal and interest payments on the bonds. These transactions flow through the State intercept program where the State withholds a portion of the school finance act funding and transfers the funds to the designated trustee that in turn makes the principal and interest payments when due.

In August 2013 Building Corporation II entered into an agreement with the Colorado Educational and Cultural Facilities Authority (CECFA) to issue bonds totaling \$16,065,000 at interest rates ranging from 7% to 7.45%. Some of the proceeds were used to pay an existing loan of \$1,868,700 and debt issuance costs totaling \$700,400. Proceeds

were also used to create a debt service reserve of \$1,606,500 and a capitalized interest fund of \$2,169,000. The remaining proceeds were used to construct and equip a high school facility as described above for the Building Corporation II. The Academy makes lease payments to the Building Corporation II for use of the facility, which the corporation uses to make the required principal and interest payments on the bonds. These transactions flow through the State intercept program where the State withholds a portion of the school finance act funding and transfers the funds to the designated trustee that in turn makes the principal and interest payments when due.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

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

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

In November of 2000 voters in Colorado approved a provision to the Colorado constitution providing that K-12 funding would increase at pupil growth, plus inflation, plus 1% for 10 years and thereafter, growth plus inflation. As a result of this provision the single most important factor in projecting revenues is estimated future inflation. There was a significant recession during 2008-09 that continued through the 2011-12 fiscal year resulting in deflation (negative growth). In an effort to balance its budget, the State rescinded funding approved for public schools. Per pupil funding declined each year for four years and then stabilized in 2012-13 with base per pupil funding remaining the same as the prior year. Since then, per pupil funding increased 2.2% in 2013-14, 4.1% in 2014-15, 2.4% in 2015-16 and 3.6% in 2016-17. Funding for 2017-18 is projected to increase 4% to \$8,012 per student. Maintaining or increasing enrollment and sustaining the growth in K-12 funding continue to be uncertain and a challenge for most charter schools.

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

COMMUNITY LEADERSHIP ACADEMY, INC.

STATEMENT OF NET POSITION

June 30, 2017

	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
ASSETS			
Cash and Investments	\$ 4,397,691	\$ -	\$ 4,397,691
Restricted Cash and Investments	-	3,507,672	3,507,672
Accounts Receivable	76,986	-	76,986
Grants Receivable	281,313	-	281,313
Inventory	5,134	-	5,134
Capital Assets, Not Being Depreciated	-	1,570,000	1,570,000
Capital Assets, Net of Accumulated Depreciation	137,036	18,090,346	18,227,382
TOTAL ASSETS	<u>4,898,160</u>	<u>23,168,018</u>	<u>28,066,178</u>
DEFERRED OUTFLOWS OF RESOURCES			
Pensions, Net of Accumulated Amortization	8,587,859	-	8,587,859
LIABILITIES			
Accounts Payable	50,894	-	50,894
Accrued Salaries and Benefits	227,007	-	227,007
Accrued Interest Payable	-	737,272	737,272
Noncurrent Liabilities			
Due Within One Year	-	235,000	235,000
Due in More Than One Year	-	23,571,388	23,571,388
Net Pension Liability	19,978,948	-	19,978,948
TOTAL LIABILITIES	<u>20,256,849</u>	<u>24,543,660</u>	<u>44,800,509</u>
DEFERRED INFLOWS OF RESOURCES			
Pensions, Net of Accumulated Amortization	86,192	-	86,192
NET POSITION			
Net Investment in Capital Assets	137,036	(4,146,042)	(4,009,006)
Restricted for Debt Service	-	2,642,705	2,642,705
Restricted for Repair and Replacement	-	127,695	127,695
Restricted for Emergencies	292,000	-	292,000
Unrestricted	(7,286,058)	-	(7,286,058)
TOTAL NET POSITION	<u>\$ (6,857,022)</u>	<u>\$ (1,375,642)</u>	<u>\$ (8,232,664)</u>

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

COMMUNITY LEADERSHIP ACADEMY, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2017

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS
PRIMARY GOVERNMENT			
Governmental Activities			
Instruction	\$ 6,110,495	\$ 5,796	\$ 716,879
Supporting Services	3,495,816	-	169,899
Food Service	563,207	7,813	499,237
Total Governmental Activities	10,169,518	13,609	1,386,015
Business-Type Activities			
Building Corporation	590,999	-	-
Building Corporation II	1,355,549	-	-
Total Business-Type Activities	1,946,548	-	-
TOTAL PRIMARY GOVERNMENT	\$ 12,116,066	\$ 13,609	\$ 1,386,015

GENERAL REVENUES

Per Pupil Revenue
 At-Risk Supplemental Aid
 Additional At-Risk Funding
 Capital Construction
 Investment Income
 Miscellaneous

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

<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
\$ (5,387,820)	\$ -	\$ (5,387,820)
(3,325,917)	-	(3,325,917)
<u>(56,157)</u>	<u>-</u>	<u>(56,157)</u>
<u>(8,769,894)</u>	<u>-</u>	<u>(8,769,894)</u>
-	(590,999)	(590,999)
<u>-</u>	<u>(1,355,549)</u>	<u>(1,355,549)</u>
-	(1,946,548)	(1,946,548)
<u>(8,769,894)</u>	<u>(1,946,548)</u>	<u>(10,716,442)</u>
6,895,011	-	6,895,011
31,805	-	31,805
9,475	-	9,475
249,142	-	249,142
30,083	12,090	42,173
76,350	-	76,350
<u>(1,935,781)</u>	<u>1,935,781</u>	<u>-</u>
<u>5,356,085</u>	<u>1,947,871</u>	<u>7,303,956</u>
(3,413,809)	1,323	(3,412,486)
<u>(3,443,213)</u>	<u>(1,376,965)</u>	<u>(4,820,178)</u>
<u>\$ (6,857,022)</u>	<u>\$ (1,375,642)</u>	<u>\$ (8,232,664)</u>

COMMUNITY LEADERSHIP ACADEMY, INC.

BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2017

	<u>GENERAL</u>
ASSETS	
Cash and Investments	\$ 4,397,691
Accounts Receivable	76,986
Grants Receivable	281,313
Inventory	5,134
TOTAL ASSETS	\$ 4,761,124
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ 50,894
Accrued Salaries and Benefits	227,007
TOTAL LIABILITIES	277,901
FUND BALANCE	
Nonspendable Inventory	5,134
Restricted for Emergencies	292,000
Unrestricted, Unassigned	4,186,089
TOTAL FUND BALANCE	4,483,223
TOTAL LIABILITIES AND FUND BALANCE	\$ 4,761,124
 Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Total Fund Balance of the Governmental Fund	\$ 4,483,223
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	137,036
Long-term liabilities and related items, including net pension liability (\$19,978,948), deferred outflows of resources \$8,587,859, and pension-related deferred inflows of resources (\$86,192), are not due and payable in the current year and, therefore, are not reported in governmental funds.	(11,477,281)
Total Net Position of Governmental Activities	\$ (6,857,022)

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

COMMUNITY LEADERSHIP ACADEMY, INC.

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
 Year Ended June 30, 2017

	<u>GENERAL</u>
REVENUES	
Local Sources	\$ 6,989,687
State Sources	664,742
Federal Sources	<u>1,037,061</u>
 TOTAL REVENUES	 <u>8,691,490</u>
EXPENDITURES	
Instruction	3,422,710
Supporting Services	4,222,882
Food Service	<u>563,207</u>
 TOTAL EXPENDITURES	 <u>8,208,799</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 <u>482,691</u>
OTHER FINANCING SOURCES (USES)	
Transfers In	474
Transfers Out	<u>(24,250)</u>
 TOTAL OTHER FINANCING SOURCES (USES)	 <u>(23,776)</u>
 NET CHANGE IN FUND BALANCE	 458,915
FUND BALANCE, Beginning	<u>4,024,308</u>
FUND BALANCE, Ending	<u>\$ 4,483,223</u>
 Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Net Change in Fund Balance of the Governmental Fund	\$ 458,915
Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and are allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlay \$37,273 exceeded depreciation expense (\$20,180) in the current year.	17,093
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 (\$10,178,054), pension-related deferred outflows of resources \$6,235,556, and pension-related deferred inflows of resources \$52,681 in the current year.	<u>(3,889,817)</u>
Change in Net Position of Governmental Activities	<u>\$ (3,413,809)</u>

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

COMMUNITY LEADERSHIP ACADEMY, INC.

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
June 30, 2017

	<u>BUILDING CORPORATION</u>	<u>BUILDING CORPORATION II</u>	<u>TOTAL</u>
ASSETS			
CURRENT ASSETS			
Restricted Cash and Investments	\$ 1,153,899	\$ 2,353,773	\$ 3,507,672
NONCURRENT ASSETS			
Capital Assets, Not Being Depreciated	820,000	750,000	1,570,000
Capital Assets, Net of Accumulated Depreciation	<u>6,320,869</u>	<u>11,769,477</u>	<u>18,090,346</u>
TOTAL NONCURRENT ASSETS	<u>7,140,869</u>	<u>12,519,477</u>	<u>19,660,346</u>
TOTAL ASSETS	<u>8,294,768</u>	<u>14,873,250</u>	<u>23,168,018</u>
LIABILITIES			
CURRENT LIABILITIES			
Accrued Interest Payable	247,444	489,828	737,272
Loans Payable, Current Portion	<u>175,000</u>	<u>60,000</u>	<u>235,000</u>
TOTAL CURRENT LIABILITIES	<u>422,444</u>	<u>549,828</u>	<u>972,272</u>
NONCURRENT LIABILITIES			
Loans Payable	<u>7,566,388</u>	<u>16,005,000</u>	<u>23,571,388</u>
TOTAL LIABILITIES	<u>7,988,832</u>	<u>16,554,828</u>	<u>24,543,660</u>
NET POSITION			
Net Investment in Capital Assets	(600,519)	(3,545,523)	(4,146,042)
Restricted for Debt Service	851,312	1,791,393	2,642,705
Restricted for Repair and Replacement	<u>55,143</u>	<u>72,552</u>	<u>127,695</u>
TOTAL NET POSITION	<u>\$ 305,936</u>	<u>\$ (1,681,578)</u>	<u>\$ (1,375,642)</u>

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

COMMUNITY LEADERSHIP ACADEMY, INC.

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
Year Ended June 30, 2017

	<u>BUILDING CORPORATION</u>	<u>BUILDING CORPORATION II</u>	<u>TOTAL</u>
OPERATING REVENUES			
Lease Revenue	\$ 669,888	\$ 1,242,117	\$ 1,912,005
OPERATING EXPENSES			
Depreciation	94,748	173,988	268,736
Debt Service			
Interest	496,251	1,181,561	1,677,812
TOTAL OPERATING EXPENSES	590,999	1,355,549	1,946,548
NET OPERATING INCOME (LOSS)	78,889	(113,432)	(34,543)
NONOPERATING REVENUES			
Investment Income	3,779	8,311	12,090
NET INCOME (LOSS) BEFORE TRANSFERS	82,668	(105,121)	(22,453)
Transfers In	-	24,250	24,250
Transfers Out	(474)	-	(474)
CHANGE IN NET POSITION	82,194	(80,871)	1,323
NET POSITION, Beginning	223,742	(1,600,707)	(1,376,965)
NET POSITION, Ending	<u>\$ 305,936</u>	<u>\$ (1,681,578)</u>	<u>\$ (1,375,642)</u>

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

COMMUNITY LEADERSHIP ACADEMY, INC.

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
 Increase (Decrease) in Cash and Cash Equivalents
 Year Ended June 30, 2017

	BUILDING CORPORATION	BUILDING CORPORATION II	TOTAL
CASH FLOWS FROM OPERATING ACTIVITIES			
Lease Payments Received	\$ 669,888	\$ 1,242,117	\$ 1,912,005
Loan Principal Paid	(165,000)	-	(165,000)
Interest Paid	(499,632)	(1,182,117)	(1,681,749)
Net Cash Provided (Used) by Operating Activities	<u>5,256</u>	<u>60,000</u>	<u>65,256</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Payments from Other Funds	-	24,250	24,250
Payments to Other Funds	(474)	-	(474)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(474)</u>	<u>24,250</u>	<u>23,776</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment Income Received	3,779	8,311	12,090
NET CHANGE IN CASH AND CASH EQUIVALENTS	8,561	92,561	101,122
CASH AND CASH EQUIVALENTS, Beginning	1,145,338	2,261,212	3,406,550
CASH AND CASH EQUIVALENTS, Ending	<u>\$ 1,153,899</u>	<u>\$ 2,353,773</u>	<u>\$ 3,507,672</u>
RECONCILIATION OF NET OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES			
Net Operating Income (Loss)	\$ 78,889	\$ (113,432)	\$ (34,543)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities			
Depreciation	94,748	173,988	268,736
Amortization of Discount	1,363	-	1,363
Changes in Assets and Liabilities Related to Operations			
Accrued Interest Payable	(4,744)	(556)	(5,300)
Loans Payable	(165,000)	-	(165,000)
Net Cash Provided (Used) by Operating Activities	<u>\$ 5,256</u>	<u>\$ 60,000</u>	<u>\$ 65,256</u>

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

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

Government-wide and Fund Financial Statements

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

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*.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-wide and Fund Financial Statements (Continued)

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

The School reports the following major governmental fund:

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

The School reports two major proprietary funds, as follows:

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

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

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Balance/Net Position

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

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

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

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

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

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

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

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.

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

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

COMMUNITY LEADERSHIP ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Pensions - The School participates in the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position, and additions to and deductions from the SDTF's fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used by the SDTF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. 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 School has not established a formal policy for its use of restricted and unrestricted fund balances. However, if both restricted and unrestricted fund balances are available for a specific purpose, the School uses restricted fund balance first, followed by committed, assigned, and unassigned balances.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Accountability

At June 30, 2017, the Corporation II had a negative net position of \$1,681,578. Management expects this negative balance to be eliminated as the Corporation II's debt is paid.

NOTE 3: CASH AND INVESTMENTS

Cash and investments at June 30, 2017, consisted of the following.

Petty Cash	\$	80
Deposits		145,589
Investments		<u>7,759,694</u>
Total	\$	<u>7,905,363</u>

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

Cash and Investments	\$	4,397,691
Restricted Cash and Investments		<u>3,507,672</u>
Total	\$	<u>7,905,363</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 3: CASH AND INVESTMENTS (Continued)

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2017, the School had bank deposits of \$23,449 collateralized with securities held by the financial institution's agent but not in the School's name.

Investments

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

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

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

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

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

Local Government Investment Pools - At June 30, 2017, the School had \$4,252,022 invested in the Colorado Surplus Asset Fund Trust (CSAFE), and the Corporation and the Corporation II had \$1,153,899 and \$2,353,773, respectively, invested in the Colorado Local Government Liquid Asset Trust (Colotrust), investment vehicles established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating the Pools. The Pools operate in conformity with the Securities and Exchange Commission's Rule 2a-7. The Pools are reported at the net asset value per share, with each share valued at \$1. The Pools are rated AAAM by Standard and Poor's. Investments of the Pools 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.

COMMUNITY LEADERSHIP ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 3: CASH AND INVESTMENTS (Continued)

Restricted Cash and Investments

Investments of \$1,153,899 and \$2,353,773 have been restricted by the Corporation and the Corporation II, respectively, for future debt service and building repair and replacement.

NOTE 4: CAPITAL ASSETS

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

	<u>Balances</u> 6/30/16	<u>Additions</u>	<u>Deletions</u>	<u>Balances</u> 6/30/17
Governmental Activities				
Capital Assets, Being Depreciated				
Equipment	\$ 166,009	\$ 37,273	\$ -	\$ 203,282
Less Accumulated Depreciation	<u>(46,066)</u>	<u>(20,180)</u>	<u>-</u>	<u>(66,246)</u>
Governmental Activities Capital Assets, Net	<u>\$ 119,943</u>	<u>\$ 17,093</u>	<u>\$ -</u>	<u>\$ 137,036</u>
Business-Type Activities				
Capital Assets, Not Being Depreciated				
Land	<u>\$ 1,570,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,570,000</u>
Total Capital Assets, Not Being Depreciated	<u>1,570,000</u>	<u>-</u>	<u>-</u>	<u>1,570,000</u>
Capital Assets, Being Depreciated				
Buildings and Improvements	18,843,264	-	-	18,843,264
Equipment	<u>591,049</u>	<u>-</u>	<u>-</u>	<u>591,049</u>
Total Capital Assets, Being Depreciated	<u>19,434,313</u>	<u>-</u>	<u>-</u>	<u>19,434,313</u>
Less Accumulated Depreciation				
Buildings and Improvements	(847,777)	(214,456)	-	(1,062,233)
Equipment	<u>(227,454)</u>	<u>(54,280)</u>	<u>-</u>	<u>(281,734)</u>
Total Accumulated Depreciation	<u>(1,075,231)</u>	<u>(268,736)</u>	<u>-</u>	<u>(1,343,967)</u>
Total Capital Assets, Being Depreciated, Net	<u>18,359,082</u>	<u>(268,736)</u>	<u>-</u>	<u>18,090,346</u>
Business-Type Activities Capital Assets, Net	<u>\$ 19,929,082</u>	<u>\$ (268,736)</u>	<u>\$ -</u>	<u>\$ 19,660,346</u>

Depreciation expense of the governmental activities was charged to programs of the School as follows.

Governmental Activities		
Instruction		\$ 10,405
Supporting Services		<u>9,775</u>
Total		<u>\$ 20,180</u>

COMMUNITY LEADERSHIP ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 5: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended June 30, 2017:

	Balances <u>6/30/16</u>	<u>Additions</u>	<u>Payments</u>	Balances <u>6/30/17</u>	Due Within <u>One Year</u>
Business-Type Activities					
2008 Building Loan	\$ 7,935,000	\$ -	\$ 165,000	\$ 7,770,000	\$ 175,000
Discount	(29,975)	-	(1,363)	(28,612)	-
2013 Building Loan	<u>16,065,000</u>	<u>-</u>	<u>-</u>	<u>16,065,000</u>	<u>60,000</u>
Total	<u>\$ 23,970,025</u>	<u>\$ -</u>	<u>\$ 163,637</u>	<u>\$ 23,806,388</u>	<u>\$ 235,000</u>

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

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

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 235,000	\$ 1,669,875	\$ 1,904,875
2019	250,000	1,655,150	1,905,150
2020	265,000	1,639,500	1,904,500
2021	280,000	1,622,412	1,902,412
2022	300,000	1,603,705	1,903,705
2023 - 2027	1,795,000	7,133,137	8,928,137
2028 - 2032	2,460,000	7,033,263	9,493,263
2033 - 2037	3,395,000	6,584,792	9,979,792
2038 - 2042	4,715,000	4,668,791	9,383,791
2043 - 2047	6,705,000	2,597,798	9,302,798
2048 - 2049	<u>3,435,000</u>	<u>260,564</u>	<u>3,695,564</u>
Total	<u>\$ 23,835,000</u>	<u>\$ 36,468,987</u>	<u>\$ 60,303,987</u>

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 6: INTERFUND TRANSACTIONS

During the year ended June 30, 2017, the General Fund transferred \$24,250 to the Corporation II to fund the repair and replacement reserve required by the Corporation II's loan agreement (See Note 5). In addition, the Corporation transferred \$474 in excess interest earnings to the General Fund.

NOTE 7: RISK MANAGEMENT

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

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

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

NOTE 8: DEFINED BENEFIT PENSION PLAN

General Information

Plan Description - The School contributes to the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). All employees of the School 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.

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.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

General Information (Continued)

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 School 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 School's contribution rate for calendar years 2016 and 2017 was 19.15% and 19.65% of covered salaries, respectively. However, a portion of the School's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 9). The School's contributions to the SDTF for the year ended June 30, 2017, were \$599,279, equal to the required contributions.

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

At June 30, 2017, the School reported a net pension liability of \$19,978,948, representing its proportionate share of the net pension liability of the SDTF. The net pension liability was measured at December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015. Standard update procedures were used to roll forward the total pension liability to December 31, 2016.

The School's proportion of the net pension liability was based on the School's contributions to the SDTF for the calendar year ended December 31, 2016, relative to the contributions of all participating employers. At December 31, 2016, the School's proportion was 0.0671022949%, which was an increase of 0.0030202657% from its proportion measured at December 31, 2015.

COMMUNITY LEADERSHIP ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

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

For the year ended June 30, 2017, the School recognized pension expense of \$4,457,226. At June 30, 2017, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 245,977	\$ 152
Changes of assumptions and other inputs	6,482,752	86,040
Net difference between projected and actual earnings on plan investments	629,624	-
Changes in proportion	910,712	-
Contributions subsequent to the measurement date	<u>318,794</u>	<u>-</u>
Total	<u>\$ 8,587,859</u>	<u>\$ 86,192</u>

School contributions subsequent to the measurement date of \$318,794 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,

2018	\$ 3,479,586
2019	3,191,440
2020	1,505,185
2021	<u>6,662</u>
Total	<u>\$ 8,182,873</u>

Actuarial Assumptions - The actuarial valuation as of December 31, 2015, determined the total pension liability using the following actuarial assumptions and other inputs. On November 18, 2016, PERA's governing board adopted revised economic and demographic assumptions, which were effective on December 31, 2016, and which were reflected in the roll-forward calculation of the total pension liability from December 31, 2015, to December 31, 2016, as follows:

COMMUNITY LEADERSHIP ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

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

	<u>Assumptions</u>	<u>Revised Assumptions</u>
Price inflation	2.8%	2.4%
Real wage growth	1.1%	1.1%
Wage inflation	3.9%	3.5%
Salary increases, including wage inflation	3.9% - 10.1%	3.5% - 9.7%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.5%	7.25%
Discount rate	7.5%	5.26%
Future post-retirement benefit increases:		
Hired prior to 1/1/07	2%	2%
Hired after 12/31/06	ad hoc	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. Active member mortality was adjusted to 55 percent of the base rate for males and 40 percent for females. For disabled retirees, the RP-2000 Disabled Retiree Mortality Table was used, set back two years.

The actuarial assumptions used in the December 31, 2015, valuation were based on the results of an actuarial experience study for the period January 1, 2008, through December 31, 2011, adopted by PERA's 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.

As a result of a 2016 experience analysis, revised economic and demographic actuarial assumptions were adopted by PERA's governing board on November 18, 2016, to more closely reflect PERA's actual experience. The revised assumptions reflected in the roll-forward of the total pension liability included healthy mortality assumptions for active members using 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. For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

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.

COMMUNITY LEADERSHIP ACADEMY, INC.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

Discount Rate - The discount rate used to measure the total pension liability was 5.26%. 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, 2016, the municipal bond index rate was 3.86%, resulting in a discount rate of 5.26%. The discount rate at the prior measurement date was 7.5%.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 5.26%, as well as the School's proportionate share of the net pension liability if it were calculated using a discount rate that is one percentage point lower (4.26%) or one percentage point higher (6.26%) than the current rate, as follows:

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

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

	1% Decrease <u>(4.26%)</u>	Current Discount Rate (5.26%)	1% Increase <u>(6.26%)</u>
Proportionate share of the net pension liability	<u>\$ 25,122,885</u>	<u>\$ 19,978,948</u>	<u>\$ 15,789,397</u>

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 9: POSTEMPLOYMENT HEALTHCARE BENEFITS

Plan Description - The School contributes to the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by the 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 School 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 School 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 School's apportionment to the HCTF for the years ended June 30, 2017, 2016 and 2015 was \$31,507, \$30,094 and \$26,780, respectively, equal to the required amounts for each year.

NOTE 10: COMMITMENTS AND CONTINGENCIES

Claims and Judgments

The School 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 School may be required to reimburse the other government. At June 30, 2017, significant amounts of related expenditures have not been audited but the School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position in the School.

NOTES TO FINANCIAL STATEMENTS

June 30, 2017

NOTE 10: COMMITMENTS AND CONTINGENCIES (Continued)

Tabor Amendment

In November 1992, Colorado voters approved 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 School believes it is in substantial compliance with the Amendment. In accordance with the Amendment, the School has established an emergency reserve representing 3% of qualifying expenditures. At June 30, 2017, the reserve was reported as restricted fund balance in the General Fund, in the amount of \$292,000.

REQUIRED SUPPLEMENTARY INFORMATION

COMMUNITY LEADERSHIP ACADEMY, INC.

REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
AND CONTRIBUTIONS

PUBLIC EMPLOYEES' RETIREMENT ASSOCIATION OF COLORADO SCHOOL DIVISION TRUST FUND

June 30, 2017

	<u>12/31/16</u>	<u>12/31/15</u>	<u>12/31/14</u>	<u>12/31/13</u>
PROPORTIONATE SHARE OF THE NET PENSION LIABILITY				
School's Proportion of the Net Pension Liability	0.0671022949%	0.0640820292%	0.0579476004%	0.0493566656%
School's Proportionate Share of the Net Pension Liability	\$ 19,978,948	\$ 9,800,894	\$ 7,853,846	\$ 6,295,429
School's Covered Payroll	\$ 3,012,109	\$ 2,793,277	\$ 2,427,589	\$ 1,989,724
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	663%	351%	324%	316%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	43%	59%	63%	64%
	<u>6/30/17</u>	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/14</u>
SCHOOL CONTRIBUTIONS				
Statutorily Required Contribution	\$ 433,864	\$ 523,083	\$ 443,208	\$ 351,007
Contributions in Relation to the Statutorily Required Contribution	<u>(433,864)</u>	<u>(523,083)</u>	<u>(443,208)</u>	<u>(351,007)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered Payroll	\$ 2,360,708	\$ 2,950,423	\$ 2,625,539	\$ 2,195,467
Contributions as a Percentage of Covered Payroll	18.38%	17.73%	16.88%	15.99%

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

See the accompanying Independent Auditors' Report.

COMMUNITY LEADERSHIP ACADEMY, INC.

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2017

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES			
Local Sources			
Per Pupil Revenue	\$ 7,442,600	\$ 6,895,011	\$ (547,589)
Pupil Activities	9,500	5,796	(3,704)
Food Service Fees	-	7,813	7,813
Contributions	26,600	90	(26,510)
Investment Income	7,500	30,083	22,583
Miscellaneous	24,500	50,894	26,394
Total Local Sources	7,510,700	6,989,687	(521,013)
State Sources			
At-Risk Supplemental Aid	-	31,805	31,805
Additional At-Risk Funding	-	9,475	9,475
Capital Construction	252,000	249,142	(2,858)
Grants	349,000	374,320	25,320
Total State Sources	601,000	664,742	63,742
Federal Sources			
Grants	1,002,400	1,037,061	34,661
TOTAL REVENUES	9,114,100	8,691,490	(422,610)
EXPENDITURES			
Instruction			
Salaries	2,428,100	2,110,132	317,968
Employee Benefits	887,300	772,769	114,531
Purchased Services	127,800	184,537	(56,737)
Supplies and Materials	431,900	258,941	172,959
Property and Equipment	115,000	96,031	18,969
Miscellaneous	1,400	300	1,100
Total Instruction	3,991,500	3,422,710	568,790
Supporting Services			
Salaries	814,900	826,456	(11,556)
Employee Benefits	276,400	283,730	(7,330)
Purchased Services	3,148,200	2,768,458	379,742
Supplies and Materials	316,500	282,054	34,446
Property and Equipment	50,000	60,977	(10,977)
Miscellaneous	14,500	1,207	13,293
Total Supporting Services	4,620,500	4,222,882	397,618

(Continued)

See the accompanying Independent Auditors' Report.

COMMUNITY LEADERSHIP ACADEMY, INC.

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2017

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
EXPENDITURES (Continued)			
Food Service			
Salaries	102,000	129,105	(27,105)
Employee Benefits	48,700	70,086	(21,386)
Purchased Services	25,000	20,172	4,828
Supplies and Materials	300,000	343,844	(43,844)
Miscellaneous	2,500	-	2,500
Total Food Service	<u>478,200</u>	<u>563,207</u>	<u>(85,007)</u>
TOTAL EXPENDITURES	<u>9,090,200</u>	<u>8,208,799</u>	<u>881,401</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>23,900</u>	<u>482,691</u>	<u>458,791</u>
OTHER FINANCING SOURCES (USES)			
Transfers In	-	474	474
Transfers Out	<u>(23,900)</u>	<u>(24,250)</u>	<u>(350)</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>(23,900)</u>	<u>(23,776)</u>	<u>124</u>
NET CHANGE IN FUND BALANCE	-	458,915	458,915
FUND BALANCE, Beginning	<u>3,726,400</u>	<u>4,024,308</u>	<u>297,908</u>
FUND BALANCE, Ending	<u>\$ 3,726,400</u>	<u>\$ 4,483,223</u>	<u>\$ 756,823</u>

See the accompanying Independent Auditors' Report.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2017

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

Changes in Assumptions and Other Inputs

For the year ended June 30, 2017, the total pension liability was determined by an actuarial valuation as of December 31, 2015. In addition, the following revised economic and demographic assumptions were effective as of December 31, 2016, and were reflected in the roll-forward procedures to determine the total pension liability at 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

Budgetary Information

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

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

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