PAGOSA PEAK OPEN SCHOOL

PAGOSA SPRINGS, COLORADO

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

For the Year Ended
June 30, 2018

PAGOSA PEAK OPEN SCHOOL

ROSTER OF OFFICIALS

Year Ended June 30, 2018

Board Of Directors

Ursala Hudson -	President
Clay Buchner -	Vice President
Ashley Wilson -	Secretary
Mark Weiler -	Treasurer
John Daffron	Member
Bill Hudson	Member

Administrative Staff

James Lewicki -	School Director
Chenni Hammon -	Business Manager

PAGOSA PEAK OPEN SCHOOL

TABLE OF CONTENTS

Year Ended June 30, 2018

PAGOSA PEAK OPEN SCHOOL

TABLE OF CONTENTS

Year Ended June 30, 2018

INTRODUCTORY SECTION

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Management Discussion And Analysis
(Required Supplementary Information – Unaudited)

Pagosa Peak Open School

Management's Discussion and Analysis

As of and for the Year Ended June 30, 2018

As management of Pagosa Peak Open School (the School), we offer readers of the School's basic financial statements this narrative and analysis of the financial activities of the School as of and for the year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information provided in the basic financial statements.

Financial Highlights

The year ended June 30, 2018, was the first year of operations for the School. As of June 30, 2018, the net position was a negative ($643,884). The deficit Net Position is being driven by GASB 68 and 75, or recognition of the School's proportionate interest in the State Teacher's Pension Plan (PERA) and OPEB, Postemployment Benefits Other Than Pensions. Overall PERA for the most recent reporting period had a multi-billion unfunded pension obligation. With the PERA legislation passed last spring, many of the changes are designed to improve PERA's viability over time.

The operations of the School are funded primarily by tax revenue received under Colorado's School Finance Act (the Act). State categorical revenue for the year was $477,731. The General Fund ending fund balance was $2,333.

Overview of Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The basic 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 School's finances in a manner similar to a private-sector business.

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

The statement of activities presents information showing how the School's net position changed during the 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 the related cash flows. Thus, revenue 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 year end).

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 School, like other local governments, uses fund accounting 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. The School maintains two governmental funds, its General Fund, a major fund, and the Grants Fund, a non-major fund.

The School adopts an annual budget for all funds. Budgetary comparisons have been provided for the General Fund and Grants Fund in the basic financial statements to demonstrate compliance with the budgets (pages 47 – 49).

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes are disclosed on pages 9 through 42.

Government-wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of the School's financial condition. As of June 30, 2018, the School's liabilities and deferred inflows exceeded assets and deferred outflows by $643,884, which is a negative net position. $16,000 of this total is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. Accordingly, these funds are not available to satisfy general operating expenses of the School. The unrestricted net position balance was a negative ($659,884).

Net position as of June 30, 2018:

	June 30, 2018
Assets	
Cash and Investments	$ 176,113
Grants and Accounts Receivable	67,832
Prepaid Expenses	1.082
Total Assets	245,027
Deferred Outflows – Pensions/OPEB	1,625,911
Liabilities	
Accounts Payable and Unearned Revenue	8,531
Payroll Liabilities	1,945
Unearned Revenue	155,218
Other Current Liabilities - Debt	77,000
Noncurrent Liability – Net Pension Liability	2,147,265
Total Liabilities	2,389,959
Deferred Inflows – Pensions/OPEB	124,863
Net Position	
Restricted for Emergencies	16,000
Unrestricted	(659,884)
Total Net Position	$ (643,884)

Change in net position for the year ended June 30, 2018:

	June 30,2018
Revenues	
Program Revenues	
Charges for Services	$ 19,570
Capital Grants and Contributions	16,317
Operating Grants and Contributions	325,777
Total Program Revenues	361,664
General Revenues	
State Categorical Revenue	477,731
Investment Earnings	42
Other	2,650
Total General Revenues	480,423
Total Revenues	842,087
Expenditures/Expenses	
Current	
Instruction	940,032
Administrative Support	533,304
Interest on Debt	4,691
Total Expenses	1,478,027
Increase (decrease) in Net Position	(635,940)
Net Position, Beginning of Year	(7,944)
Net Position, End of Year	$ (643,884)

Financial Analysis of the School's Funds

The School has two governmental funds, the General Fund and the Grants Fund. The General Fund is considered a major fund and is used to account for the School's general operations. The General Fund began the year with a negative fund balance of ($7,944). The fund balance increased during the year as the School operated within its budget. The School ended the year with $2,333 in fund balance. The Grants Fund ended the year with a zero fund balance as it began the year.

General Fund Budgetary Highlights

The School budgeted General Fund expenditures of $541,662 for the year ended June 30, 2018. Actual expenditures were $515,345. Fund balance increased $10,277 to $2,333 from a negative ($7,944) ending balance from the prior year. The Grants Fund had budgeted expenditures of $359,637 and actual expenditures of $316,467, resulting in a positive variance of $43,170.

No budget amendments were passes for FY18 as the School was able to operate within the confines of both budgets.

Facility Lease and Debt Administration

The School leases its school facility and land under a month to month operating lease with Parelli Pagosa Properties. The lease began March 1, 2017 and is based on a monthly rate per square foot of $1.75.

The School had $77,000 outstanding debt at June 30, 2018. $12,000 is a line of credit with Southwest Bank at 2.15%. $65,000 is with the Economic Development District of Southwest Colorado at 6.75% and matures August 2018.

Economic Factors, Next Year's Budget, Student Counts

The primary factor driving the budget for the School is student enrollment. Funded Pupil Count (FPC) was 61.9 for FY18. The FPC used to create the FY19 budget was 83. Currently the School is projecting 96 enrolled students with an FPC of 88 for FY19.

The State of Colorado continues to chip away at the large budget stabilization factor (shortfall in the School Finance Act, currently $672 million). The Per Pupil Revenue (PPR) for FY19 increased 5.8% over the prior year. Capital construction funding increased to $291 per FPC. With Colorado's economy currently ranked as one of the best in the nation, we anticipate continued gains in PPR for FY20.

Requests for Information

The financial report is designed to provide a general overview of the School's finances for those interested. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Pagosa Peak Open School, 7 Parelli Way, Pagosa Springs, CO 81147.

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FINANCIAL SECTION

Board of Directors
Pagosa Peak Open School
Pagosa Springs, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, major fund, and the aggregate remaining fund information of Pagosa Peak Open School, (the "School"), 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 School, 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 the financial statements that are free from material misstatement, whether due to fraud or error.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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 entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. 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.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, major fund, and the aggregate remaining fund information of Pagosa Peak Open School, as of June 30, 2018, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter
As discussed in Note 10 to the financial statements, the 2017 financial statements have been restated to reflect the adoption of GASB Statement Number 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions. The adoption of the standard required restatement of the beginning June 30, 2018 fiscal year net position. Our opinion is not modified with respect to this matter.

Other Matters
Required Supplementary Information – Management Discussion and Analysis and Pension Schedules (Unaudited)
Accounting principles generally accepted in the United States of America require that the management, discussion and analysis on pages M1 – M4 and pension schedules on 43 - 46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Required Supplementary Information – Budgetary Comparison Schedule and Other Supplementary Information
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules on pages 47 - 48 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. In addition, the budgetary comparison schedules on pages 49 and listed as other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Holscher, Mayberry & Company, LLC

December 5, 2018
Englewood, Colorado

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Basic Financial Statements

PAGOSA PEAK OPEN SCHOOL
Statement of Net Position
June 30, 2018

		Governmental Activities
ASSETS AND DEFERRED OUTFLOWS		
ASSETS		
Current Assets		
Cash and Investments	$	176,113
Grants Receivable		65,204
Other Accounts Receivable		2,628
Prepaid Expenses		1,082
TOTAL ASSETS		245,027
DEFERRED OUTFLOWS OF FINANCIAL RESOURCES		
Net Deferred Outflows Pensions		1,584,144
Net Deferred Outflows OPEB		41,767
TOTAL DEFERRED OUTFLOWS OF FINANCIAL RESOURCES		1,625,911
TOTAL ASSETS AND DEFERRED OUTFLOWS	$	1,870,938
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE		
LIABILITIES		
Current Liabilities		
Accounts Payable	$	8,531
Payroll Taxes & Deductions Payable		1,945
Short-term Loans Payable		77,000
Total Current Liabilities		87,476
Noncurrent Liabilities		
Due In More Then One Year		2,147,265
TOTAL LIABILITIES		2,234,741
DEFERRED INFLOWS OF FINANCIAL RESOURCES		
Deferred Grant Inflows		155,218
Net Deferred Inflows Pensions		124,061
Net Deferred Inflows OPEB		802
TOTAL DEFERRED INFLOWS OF FINANCIAL RESOURCES		280,081
NET POSTION		
Restricted Net Position		16,000
Unrestricted Net Position		(659,884)
TOTAL NET POSITION		(643,884)
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	$	1,870,938

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

PAGOSA PEAK OPEN SCHOOL
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Progam Revenues: Charges for Services	Progam Revenues: Operating Grants and Contributions	Progam Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Position: Governmental Activities
Primary Government					
Governmental Activities					
Instruction	$ 940,032	$ 9,543	$ 23,230	$ -	$ (907,259)
Supporting Services	533,304	10,027	302,547	16,317	(204,413)
Interest on Debt	4,691	-	-	-	(4,691)
Total Primary Government	$ 1,478,027	$ 19,570	$ 325,777	$ 16,317	(1,116,363)
General Revenues					
State Equalization					477,731
Investment Earnings					42
Other Revenues					2,650
Total General Revenues and Transfers					480,423
Change in Net Position					(635,940)
Beginning Net Position					(7,944)
Ending Net Position					$ (643,884)

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

PAGOSA PEAK OPEN SCHOOL
Balance Sheet
Governmental Funds
June 30, 2018
(With Comparative Totals for June 30, 2017)

		Special Revenue	Totals	
	General Fund	Designated Grants Fund	2018	2017
ASSETS				
Cash and Investments	$ 162,214	$ 13,899	$ 176,113	$ 61,694
Interfund Accounts Receivable	-	76,115	76,115	-
Grants Receivable	-	65,204	65,204	23,854
Other Accounts Receivable	2,628	-	2,628	-
Prepaid Expenses	1,082	-	1,082	-
TOTAL ASSETS	$ 165,924	$ 155,218	$ 321,142	$ 85,548
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE				
Liabilities				
Interfund Accounts Payable	$ 76,115	$ -	$ 76,115	$ -
Accounts Payable	8,531	-	8,531	-
Payroll Taxes & Deductions Payable	1,945	-	1,945	-
Short Term Loans Payable	77,000	-	77,000	50,000
Total Liabilities	163,591	-	163,591	50,000
Deferred Inflows of Financial Resources				
Deferred Grant Revenue	-	155,218	155,218	43,492
Fund Balance				
Restricted Fund Balance				
Restricted for TABOR Emergencies	16,000	-	16,000	-
Unassigned Fund Balance	(13,667)	-	(13,667)	(7,944)
Total Fund Balance	2,333	-	2,333	(7,944)
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	$ 165,924	$ 155,218	$ 321,142	$ 85,548

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

PAGOSA PEAK OPEN SCHOOL
Reconciliation of Governmental Fund Balances
to Governmental Activities Net Position
June 30, 2018

Fund Balance - Governmental Funds		$ 2,333
Certain long-term pension and OPEB related costs and adjustments are not available to pay or are payable currently and are therefore not reported in the funds		
PERA Pension		
Net pension deferred outflows	1,584,144	
Net pension liability	(2,099,325)	
Net pension deferred inflows	(124,061)	(639,242)
PERA Health Care Trust Fund (OPEB)		
Net OPEB deferred outflows	41,767	
Net OPEB liability	(47,940)	
Net OPEB deferred inflows	(802)	(6,975)
Total Net Position - Governmental Activities		$ (643,884)

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

PAGOSA PEAK OPEN SCHOOL
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

		Special Revenue	Totals	
	General Fund	Designated Grants Fund	2018	2017
REVENUES				
Local Sources	$ 31,574	$ 96,300	$ 127,874	$ 9,311
State Sources	494,047	-	494,047	-
Federal Sources	-	220,166	220,166	33,339
TOTAL REVENUES	525,621	316,466	842,087	42,650
EXPENDITURES				
Instruction	218,718	288,170	506,888	7,373
Staff Support	322	-	322	-
General Administration	-	-	-	1,880
School Administration	240,816	10,030	250,846	31,889
Business Services	42,431	1,096	43,527	8,732
Operations and Maintenance	6,156	-	6,156	-
Food Service	2,210	17,170	19,380	-
Debt Service	4,691	-	4,691	720
TOTAL EXPENDITURES	515,344	316,466	831,810	50,594
REVENUES IN EXCESS (DEFICIENCY) OF EXPENDITURES	10,277	-	10,277	(7,944)
OTHER FINANCING SOURCES (USES)				
Transfer In (Out) - net	-	-	-	-
CHANGE IN FUND BALANCE	10,277	-	10,277	(7,944)
BEGINNING FUND BALANCE	(7,944)	-	(7,944)	-
ENDING FUND BALANCE	$ 2,333	$ -	$ 2,333	$ (7,944)

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

PAGOSA PEAK OPEN SCHOOL
Reconciliation of Governmental Changes in Fund Balance
to Governmental Activities Change in Net Position
For the Year Ended June 30, 2018

Change in Fund Balance - Governmental Funds		$ 10,277
Pension and OPEB expense at the fund level represents cash contributions to the defined benefit plan. For the activity level presentation, the amount represents the actuarial cost of the benefits for the fiscal year.		
PERA Pension		
Change in deferred pension outflows	1,584,144	
Change in net pension liability	(2,099,325)	
Change in deferred pension inflows	(124,061)	(639,242)
PERA Health Care Trust Fund (OPEB)		
Change in deferred OPEB outflows	41,767	
Change in net OPEB liability	(47,940)	
Change in deferred OPEB inflows	(802)	(6,975)
Change in Net Position - Governmental Activities		$ (635,940)

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Pagosa Peak Open School (the "School") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

Reporting Entity

In evaluating how to define the government for financial reporting purposes, the School's management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting.

Based upon the application of these criteria, no other organization is includable within the School's reporting entity. The School is considered a component unit of Archuleta County School District 50 JT (the "District"). It is the administrative position of the Colorado Department of Education that a charter school has the same relationship to a public school as does any other school program or school building within a school district. A charter school is part of a local school district that is a political subdivision of the State of Colorado. The School has organized as non-profit corporations under the laws of the State of Colorado and Section 501(c) (3) of the Internal Revenue Code. The School was created to help guide students in development of their character and academic potential through an academically rigorous, content rich educational program.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the activities of the government. For the most part, the effect of interfund activity has been removed from these statements. 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 School does not report any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

Government-Wide and Fund Financial Statements (Continued)

Direct expenses are those clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants 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 operation or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

Financial statements are provided for the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements as applicable.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-wide Financial Statements The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned; 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 Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Entitlement revenues are recognized to the extent of related expenditures or when compliance with matching requirements is met. A receivable is established when the related expenditures exceed revenue receipts and a deferred revenue account is established when receipts exceed the related expenditures. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

All other revenue items are considered to be measurable and available only when cash is received by the government.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

The School reports the following funds:

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

Designated Grants Fund This special revenue fund is used to account for the proceeds received from various Colorado Department of Education and outside Foundation grants and donations.

Amounts reported as Program revenues include:

- Charges to customers or applicants for goods, services, or privileges provided;
- Operating grants and contributions; and
- Capital grants and contributions.

Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all District flow through per pupil funding.

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all funds. All annual appropriations lapse at fiscal year-end.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Budgets and Budgetary Accounting (Continued)

The School adheres to the procedures described below in establishing the budgetary data reflected in the financial statements.

- Budgets are required by state law for all funds. By May 31, the Administrators 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. All budgets lapse at year-end.
- Prior to June 30, the budget is adopted by formal resolution.
- 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.
- Budgeted amounts reported in the accompanying financial statements are as originally adopted by the Board of Directors.

Assets, Deferred Inflows, Liabilities, Deferred Outflows, and Net Position/Fund Balance

Cash The School's cash and cash equivalents are considered to be cash-on-hand and demand deposits, which are deposited in checking accounts which are legally authorized.

Deposits All deposits are reported at their gross value.

Due From Primary Government Activities with the primary government that are representative of cash held by the primary government at the end of the fiscal year are referred to as either "Due From Primary Government" or "Due to Primary Government". There were no amounts to be reported as of June 30, 2018. The School is reporting $65,204 of grants receivable from the Colorado Department of Education that flow through the District at year end.

Capital Assets Capital Assets, which include property, buildings, and equipment, are reported as governmental activity capital assets if acquired through operating resources. Capital assets are defined by the School as assets with an initial, individual cost of $5,000 or more and an estimated useful life in excess of one year. The District did not have any capital assets meeting this threshold as of June 30, 2018.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Capital Assets (Continued)

Such assets will be recorded at historical cost or estimated historical cost if purchased or constructed. Where cost cannot be determined from the available records, estimated historical cost will be used to record the estimated value of the assets. Assets acquired by gift or bequest are recorded at their fair market value at the date of transfer.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets lives are not capitalized.

Property, buildings and equipment of the School will be depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings	30-40
Building Improvements	10-20
Equipment	15

Long-Term Obligations Long-term obligations in the government-wide financial statements are reported as liabilities in the applicable activity.

Vacation, Sick Leave, and Other Compensated Absences Employees are entitled to certain compensated absences based on their length of employment. Except for sick leave, compensated absences do not vest or accumulate and are recorded as expenditures when they are paid. Compensated absences (sick leave) are reflected in the Governmental Activities. Since all employees are contracted to work a set number of days during a year, no vacation accrual accumulates.

Deferred outflows/inflows of resources In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has items that qualify for reporting in this category, all related to outstanding pension and OPEB obligations and further described in Notes 8 and 10.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School reports deferred inflows for pension and OPEB related deferrals as further described in Notes 8 and 10 in addition to grant funds received that have not met the revenue recognition criteria.

NOTE 1: **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

Net Position/Fund Balance In the government-wide financial statements and for the proprietary fund statements, net position is either shown as net investment in capital assets, with these assets essentially being nonexpendable; restricted when constraints placed on the net position are externally imposed; or unrestricted.

For the governmental fund presentation, fund balances that are classified as “nonspendable” include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

Fund balance is reported as “restricted” when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Directors, are reported as “committed” fund balance. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts.

Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, are reported as “assigned” fund balance. Intent is expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

All remaining fund balance in the General Fund is presented as unassigned.

Net Position/Fund Balance Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance, if allowed under the terms of the restriction.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Net Position/Fund Balance Flow Assumption (Continued)

Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Revenues and Expenditures

Revenues for governmental funds are recorded when they become measurable and available. Generally, per-pupil operating revenues and fees are recognized when received. Grants from other governments are recognized to the extent of related expenditures, or when compliance with matching requirements is met. A receivable is established when the related expenditures exceed revenue receipts and a deferred revenue account is established when receipts exceed the related expenditures. Expenditures for governmental funds are generally recognized when the related liability is incurred.

NOTE 2: CASH AND INVESTMENTS

Cash and investments at June 30, 2018 were as follows:

Cash & Equivalents	$ 176,113

This balance is presented in the financial statements as follows:

Governmental Activities - Unrestrictec	$ 176,113

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. The School's cash and investment balances are collateralized as follows:

	Bank Balance	Carrying Balance
FDIC Insured	$ 338,912	$ 176,113

NOTE 2: **CASH AND INVESTMENTS** (Continued)

Deposits (Continued)

At June 30, 2018, State regulatory commissioners have indicated that all financial institutions holding deposits for the School are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. 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 the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102 percent of the uninsured deposits.

Custodial Credit Risk

Deposits in financial institutions, reported as cash, cash equivalents, and investments had a bank balance as summarized above at June 30, 2018, which was fully insured by depository insurance or secured with collateral held through PDPA. All investments evidenced by individual securities are registered in the name of the School.

Investment interest rate risk

The School has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates other than those contained in Colorado Revised Statutes. The Schools did not hold any investments as of June 30, 2018.

Investment credit risk

The School has no investment policy that limits its investment choices other than the limitation of state law as follows:

1. Direct obligations of the US government, its agencies, and instrumentalities to which the full faith and credit of the US government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged;

2. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out of state financial institutions;

3. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper, and repurchase agreements with certain limitations;

NOTE 2: CASH AND INVESTMENTS (Continued)

Investment credit risk (Continued)

4. County, municipal, or school tax supported debt obligations; bond or revenue anticipation notes; money; or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school;

5. Notes or bonds secured by a mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and obligations of the National Mortgage Association; and

6. Money market funds regulated by the Securities and Exchange Commission (SEC) in which investments consist of the investments mentioned in 1, 2, 3, and 4, above.

Concentration of investment credit risk

The School places no limit on the amount it may invest in any one issuer. At June 30, 2018, the School had no concentration of credit risk.

The School would invest excess funds under the prudent investor rule. The criteria for selection of investments and their order of priority are: 1) safety; 2) liquidity; and 3) yield.

NOTE 4: OUTSTANDING DEBT OBLIGATIONS

Long-term debt activity for the year ended June 30, 2018 was as follows:

	Balance 6/30/17	Advances	Payments	Balance 6/30/18	Current Portion	Interest Expense
Governmental Activities						
PERA Net Pension Obligation	$ -	$ 2,099,325	$ -	$ 2,099,325	$ -	$ -
HCTF Net OPEB Obligation	-	47,940	-	47,940	-	-
Total Long-Term Obligations	**$ -**	**$ 2,147,265**	**$ -**	**$ 2,147,265**	**$ -**	**$ -**

These obligations are further described in Notes 8 and 10.

Short-Term Obligations

	Balance 6/30/17	Advances	Payments	Balance 6/30/18	Current Portion	Interest Expense
Governmental Activities						
1st Southwest Line of Credit	$ -	$ 59,882	$ (59,882)	$ -	$ -	$ 883
1st Southwest Line of Credit	-	27,000	(15,000)	12,000	12,000	627
Region 9 Econ. Dev. Loan Payable	50,000	-	(50,000)	-	-	2,122
Region 9 Econ. Dev. Loan Payable	-	65,000	-	65,000	65,000	1,300
Total Short-Term Borrowings	**$ 50,000**	**$ 151,882**	**$ (124,882)**	**$ 77,000**	**$ 77,000**	**$ 4,932**

In June 2017, the School entered into a short-term line of credit with 1st Southwest Bank maturing in December 2017 primarily for cash flow purposes. The line of credit was for $85,000 and bore interest at 6%. The School borrowed $59,882 against the line with the full amount repaid by September 2017 including accrued interest.

The School entered into a second short-term line of credit with 1st Southwest Bank in March 2018 in the amount of $30,000. The line of credit matures in September 2018 and bears interest at 2.15%. The School borrowed a maximum of $27,000 against the line of credit during the year and has an outstanding balance of $12,000 at year end.

The School entered into a $50,000 note payable with Region 9 Economic Development District of Southwest Colorado, Inc. in March 2017, primarily for cash flow purposes. The loan matured in March 2018 and bore interest at 5.5%. The School repaid the balance during the fiscal year including accrued interest.

The School entered into a $90,000 note payable with Region 9 Economic Development District of Southwest Colorado, Inc. in April 2018, primarily for cash flow purposes. The loan matures in August 2018 and bears interest at 6.75%. The School had borrowed $65,000 of the loan through June 30, 2018.

NOTE 5: DEFICIT NET POSITION

The General Fund has a deficit unassigned fund balance of $(13,667) due to the inclusion of the restricted TABOR emergency reserve of $16,000.

The Governmental Activities has a deficit net position of $(643,884), and an unrestricted net position deficit of $(659,884) primarily due to adding the PERA net pension and OPEB liabilities of $2,147,265, further described in Notes 8 and 10. As the School has no control over pension and other retirement benefits or contribution rates, we expect this deficit net position to continue going forward.

NOTE 6: SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES AND LEGAL COMPLIANCE

Claims and Judgments

The School participates in state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the School is required to reimburse the grantor government. As of June 30, 2018, significant amounts of grant 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 any of the individual governmental funds or the overall financial position of the School.

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment (Amendment 1) to the State Constitution which limits state and local government tax powers and imposes spending limitations.

The School is subject to the Tabor Amendment. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and assessed valuation. Revenue received in excess of the limitations may be required to be refunded, unless authorized through ballot measure to retain the revenue. The Tabor Amendment is subject to many interpretations, but the School believes it is in substantial compliance with the Amendment.

The Tabor Amendment requires the School to establish a reserve for emergencies. At June 30, 2018, the School's reserve of $16,000 was recorded as a restricted fund balance in the General Fund.

NOTE 7: RISK MANAGEMENT

The School is exposed to various risks of loss related to: torts; theft of; damage to; destruction of assets; injuries to employees; and natural disasters. The School funds it's outside insurance purchases, deductibles, and uninsured losses through the General Fund. The School carries commercial insurance for all other risks of loss, including errors and omissions and property. Settled claims resulting from these risks have not exceeded commercial coverage.

NOTE 8: DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

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

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years.* Governmental accounting standards require the net pension liability and related amounts of the SCHDTF for financial reporting purposes be measured using the plan provisions inf effect as of the SCHDTF's measurement date of December 31, 2017. As such, the following disclosures do not include the changes to plan provisions required by SB 18-200 with the exception of the section titled *Changes between the measurement date of the net pension liability and June 30, 2018.*

General Information about the Pension Plan

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

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

Benefits provided as of December 31, 2017. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit

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

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit

- $15 times the first 10 years of service credit plus $20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

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

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

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

As of December 31, 2017, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the SCHDTF.

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

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

Contribution provisions as of June 30, 2018. Eligible employees and the School are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq*. Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

January 1st through December 31st	**2017[1]**
Employer contribution rate	10.15%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. 24-51-208(1)(f)	-1.02%
Amount apportioned to the SCHDTF	9.13%
Amortization equalization disbursement (AED) as specified in C.R.S. 24-51-411	4.50%
Supplemental amortization equalization disbursement (SAED) as specified in C.R.S. 24-51-411	5.00%
Total employer contrbution rate to the SCHDTF	**18.63%**

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

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from School were $56,930 for the plan year ended December 31, 2017 and $270,772 for the fiscal year ended June 30, 2018.

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

At June 30, 2018, the School reported a liability of $2,099,325 for its proportionate share of the net pension liability. The net pension liability was measured as of 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 School's proportion of the net pension liability was based on School's contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2017, the School's proportion was .006492%, which was an increase of .006492% from its proportion measured as of December 31, 2016.

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, 2018 the School recognized pension expense of $696,172. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	$ 25,885	$ -
Changes of assumptions or other inputs	$ 162,760	$ -
Net difference between projected and actual earnings on pension plan investments	$ -	$ (124,061)
Changes in proportion and differences between contributions recognized and proportionate share of contributions - Plan Basis	$ 1,366,109	$ -
Contributions subsequent to the measurement date	$ 29,390	$ -
Total	$ 1,584,144	$ (124,061)

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)

$29,390 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	Fiscal Year Totals
2019	$ 614,111
2020	614,111
2021	233,486
2022	(31,015)
Total	$ 1,430,693

Actuarial assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry Age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increase, including wage inflation	3.90-9.70%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	5.26%
Post retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	2.00%
PERA benefit struture hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve (AIR)

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)

A discount rate of 4.78 percent was used in the roll forward calculation of the total pension liability to the measurement date of December 31, 2017.

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

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

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

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

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

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)

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

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

Asset Class	Target Allocation	10 Year Expected Geometric Rate of Return
U.S Equity - Large Cap	21.20%	4.30%
U.S Equity - Small Cap	7.42%	4.80%
Non U.S. Equity - Developed	18.55%	5.20%
Non U.S. Equity - Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income - Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100.00%	

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

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)

Discount rate. The discount rate used to measure the total pension liability was 4.78 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions described above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.5%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based on a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increase financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

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)

Based on the above assumptions and methods, the GASB Statement No. 67 projections test indicates that the SCHDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System, was applied to periods on or after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.43 percent, resulting is a discount rate of 4.78%.

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25 percent and the municipal bond index rate of 3.86 percent were used in the discount rate determination resulting in a discount rate of 5.26 percent, 0.48 percent higher compared to the current measurement date.

Sensitivity of the School's proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 4.78%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.78%) or 1-percentage-point higher (5.78%) than the current rate:

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionare share of the net pension asset (liability)	$ (2,651,804)	$ (2,099,325)	$ (1,649,117)

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

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

Changes between the measurement date of the net pension liability and June 30, 2018

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through SB 18-200: Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability of the Division Trust Funds and thereby reach a 100 percent funded ratio for each division within the next 30 years.

A brief description of some of the major changes to plan provisions required by SB 18-200 are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

- Increases employer contribution rates by 0.25 percent on July 1, 2019.
- Increases employee contribution rates by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- Directs the state to allocate $225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution will be allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the other divisions eligible for the direct distribution.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.
- Member contributions, employer contributions, the direct distribution from the state, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

Changes between the measurement date of the net pension liability and June 30, 2018 (Continued)

At June 30, 2018, the School reported a liability of $2,099,325 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 4.78%. For comparative purposes, the following schedule presents an estimate of what the School's proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SCHDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SCHDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	$948,457

Recognizing that the changes in contribution and benefit provisions also affect the determination of the discount rate used to calculate proportionate share of the net pension liability, approximately $979,978 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

NOTE 9: DEFINED CONTRIBUTION PENSION PLAN

Voluntary Investment Program

Plan Description

Employees of the School that are also members of the SCHDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S, as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Plan. That report can be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 9: DEFINED CONTRIBUTION PENSION PLAN (Continued)

Voluntary Investment Program (Continued)

Funding Policy

The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. The School does not contribute to the plan. Employees are immediately vested in their own contributions, employer contributions, if any, and investment earnings. For the year ended June 30, 2018 program members did not make any contributions to the plan.

NOTE 10: OTHER POST-EMPLOYMENT BENEFITS

Health Care Trust Fund

Summary of Significant Accounting Policies

OPEB. The School participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund 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/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the OPEB Plan

Plan Description
Eligible employees of the School are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 10: OTHER POST-EMPLOYMENT BENEFITS (Continued)

General Information about the OPEB Plan (Continued)

Benefits Provided
The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

Enrollment in the PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

NOTE 10: OTHER POST-EMPLOYMENT BENEFITS (Continued)

General Information about the OPEB Plan (Continued)

PERA Benefit Structure
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; the maximum service-based subsidy is $115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

DPS Benefit Structure
The maximum service-based premium subsidy is $230 per month for retirees who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is $115 per month for retirees who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum subsidy, in each case, is for retirees with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The retiree pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For retirees who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, the HCTF or the DPS HCTF pays an alternate service-based premium subsidy. Each individual retiree meeting these conditions receives the maximum $230 per month subsidy reduced appropriately for service less than 20 years, as described above. Retirees who do not have Medicare Part A pay the difference between the total premium and the monthly subsidy.

Contributions. Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF.

NOTE 10: OTHER POST-EMPLOYMENT BENEFITS (Continued)

General Information about the OPEB Plan (Continued)

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the School were $3,055 for the plan year ended December 31, 2017 and $3,075 for the fiscal year ended June 30, 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At June 30, 2018, the School reported a liability of $47,940 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The School's proportion of the net OPEB liability was based on School's contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the School's proportion was 0.003689%, which was an increase of .003689% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the School recognized OPEB expense of $10,050. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	$ 226	$ -
Net difference between projected and actual earnings on pension plan investments	$ -	$ (802)
Changes in proportion and differences between contributions recognized and proportionate share of contributions - Plan Basis	$ 39,974	$ -
Contributions subsequent to the measurement date	$ 1,567	$ -
Total	$ 41,767	$ (802)

NOTE 10: **OTHER POST-EMPLOYMENT BENEFITS** (Continued)

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

$1,567 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	Fiscal Year Totals
2019	$ 7,697
2020	7,697
2021	7,697
2022	7,698
2023	7,898
2024	711
Total	$ 39,398

*Actuarial assumptions***.** The total OPEB liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry Age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increase, including wage inflation	3.50% in the aggregate
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates (PERA benefit structure):	
Service-based premium subsidy	0.00%
PERACare Medicare plans	5.00%
Medicare Part A premiums	3.00 % for 2017, gradually rising to 4.25% in 2023

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

NOTE 10: OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2016, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

Year	PERA Care Medicare Plans	Medicare Part A Premiums
2017	5.00%	3.00%
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.00%
2023	5.00%	4.25%
2024+	5.00%	4.25%

Mortality assumptions for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in HCTF.

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

NOTE 10: OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

Healthy, post-retirement mortality assumptions for the School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improved projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The following economic and demographic assumptions were specifically developed for, and used in, the measurement of the obligations for the HCTF:

- The assumed rates of PERACare participation were revised to reflect more closely actual experience.
- Initial per capital health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2017 plan year.
- The percentages of PERACare enrollees who will attain age 65 and older ages and are assumed to not qualify for premium-free Medicare Part A coverage were revised to more closely reflect actual experience.
- The percentage of disabled PERACare enrollees who are assumed to not qualify for premium-free Medicare Part A coverage were revised to reflect more closely to actual experience.
- Assumed election rates for the PERACare coverage options that would be available to future PERACare enrollees who will qualify for the “No Part A Subsidy” when they retire were revised to more closely reflect actual experience.
- Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees, who qualify for the “No Part A Subsidy” but have not reached age 65, were revised to more closely reflect actual experience.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

NOTE 10: OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

- The rates of PERACare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.
- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capital health care costs and their related trends are analyzed and reviewed by PERA's actuary, as needed.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

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

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

NOTE 10: OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

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

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

Sensitivity of the School's proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates			
	1% Decrease	Current Discount Rate	1% Increase
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Proportionate share of the net OPEB asset (liability)	$ (46,621)	$ (47,940)	$ (49,528)

NOTE 10: OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

Discount rate. The discount rate used to measure the total OPEB liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2017, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

Sensitivity of the School's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

NOTE 10: OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate			
	1% Decrease	Current Discount Rate	1% Increase
Discount Rate	6.25%	7.25%	8.25%
Proportionate share of the net OPEB asset (liability)	$ (53,899)	$ (47,940)	$ (42,853)

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

NOTE 11: FACILITY LEASE AGREEMENT

On March 1, 2017, the School entered into a lease agreement for facilities. The agreement was for a period of 27 months through June 30, 2019 and required monthly rents of $7,810 per month. This agreement was subsequently modified in September 2017, November 2017 and in July 2018 effective October 1, 2018 as the School's facility needs expanded. Effective October 1, 2018 the School will be leasing the main school space, a kindergarten class, a gym/kitchen and a call center for a total of $13,218 per month through September 30. 2018. Beginning October 1, 2019 rents are projected to increase to $15,379 per month if the lease agreement is extended.

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Required Supplementary Information
(Pension Schedules Unaudited)

PAGOSA PEAK OPEN SCHOOL

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION ASSET (LIABILITY)
PERA Pension Plan
Last 10 Fiscal Years[(1)]

	6/30/18	6/30/17
School's proportion of the net pension asset (liability)	0.006492%	0.000000%
School's proportionate share of the net pension asset (liability)	$ (2,099,325)	$ -
School's covered-employee payroll [(2)]	$ 299,474	$ -
School's proportionate share of the net pension asset (liaiblity) as a percentage of covered-employee payroll	701.00%	0.00%
Plan fiduciary net position as a percentage of the total pension liabilty	43.96%	43.13%

Note: All amounts are as of plan calculation dates which are one fiscal year prior to the date shown.

[(1)] - Additional years will be added to this schedule as they become available.
[(2)] - As annualized by the plan. Actual covered payroll was $147,826 for the period August 2017 through December 2017.

See the accompanying Independent Auditors' Report.

PAGOSA PEAK OPEN SCHOOL

SCHEDULE OF SCHOOL CONTRIBUTIONS
PERA Pension Plan
Last 10 Fiscal Years[1]

	6/30/18	6/30/17
Contractually required contributions	$ 55,792	$ -
Actual contributions	$ (55,792)	$ -
Contribution deficiency (excess)	$ -	$ -
School's covered-employee payroll [2]	$ 299,474	$ -
Contributions as a percentage of covered-employee payroll	18.63%	0.00%

Note: All amounts are as of plan calculation dates which are one fiscal year prior to the date shown.

[1] - Additional years will be added to this schedule as they become available.
[2] - As annualized by the plan. Actual covered payroll was $147,826 for the period August 2017 through December 2017.

See the accompanying Independent Auditors' Report.

PAGOSA PEAK OPEN SCHOOL

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET OPEB ASSET (LIABILITY)
PERA Health Care Trust Fund
Last 10 Fiscal Years[(1)]

	06/30/18	06/30/17
School's proportion of the net pension asset (liability)	0.003689%	0.000000%
School's proportionate share of the net pension asset (liability)	$ (47,940)	$ -
School's covered-employee payroll [(2)]	$ 299,475	$ -
School's proportionate share of the net pension asset (liability) as a percentage of covered-employee payroll	16.01%	0.00%
Plan fiduciary net position as a percentage of the total pension liability	17.53%	16.70%

Note: All amounts are as of plan calculation dates which are one fiscal year prior to the date shown.

[(1)] - Additional years will be added to this schedule as they become available.
[(2)] - As annualized by the plan. Actual covered payroll was $147,826 for the period August 2017 through December 2017.

See the accompanying Independent Auditors' Report.

PAGOSA PEAK OPEN SCHOOL

SCHEDULE OF SCHOOL CONTRIBUTIONS
PERA Health Care Trust Func
Last 10 Fiscal Years[1]

	06/30/18	06/30/17
Contractually required contributions	$ 3,055	$ -
Actual contributions	(3,055)	-
Contribution deficiency (excess	$ -	$ -
School's covered-employee payroll	$ 299,475	$ -
Contributions as a percentage of covered employee payroll	1.02%	0.00%

Note: All amounts are as of plan calculation dates which are one fiscal year prior to the date show

[1] - Additional years will be added to this schedule as they become available.
[2] - As annualized by the plan. Actual covered payroll was $147,826 for the period August 2017 through December 2017.

See the accompanying Independent Auditors' Report.

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Required Supplementary Information

PAGOSA PEAK OPEN SCHOOL
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	2018				
	Original Budget	Final Budget	Actual	Variance with Final Budget	2017 Actual
REVENUES					
Local Sources					
Tuition From Individuals	10,525	10,525	9,543	(982)	-
Investment Earnings	-	-	42	42	-
Food Service Revenue	5,000	5,000	2,902	(2,098)	-
Fees	4,893	4,893	9,776	4,883	-
Donations	25,000	25,000	9,311	(15,689)	7,311
Other Local	-	-	-	-	2,000
Total Local Sources	45,418	45,418	31,574	(13,844)	9,311
State Sources					
State Share (Equalization - Per Pupil Revenue)	477,188	477,188	477,731	543	-
State Grants from CDE					
Capital Construction - Charter Schools	19,056	19,056	16,317	(2,739)	-
Total State Sources	496,244	496,244	494,048	(2,196)	-
Federal Grants from CDE					
TOTAL REVENUES	541,662	541,662	525,622	(16,040)	9,311
EXPENDITURES					
Instruction					
Salaries	156,228	156,228	151,607	4,621	-
Benefits	53,345	53,345	51,971	1,374	-
PS - Professional	-	-	2,350	(2,350)	-
PS - Other	4,893	4,893	6,436	(1,543)	-
Supplies	-	-	6,354	(6,354)	-
Total Instruction	214,466	214,466	218,718	(4,252)	-
Supporting Services					
Staff Support					
PS - Other	-	-	322	(322)	-
General Administration					
PS - Other	-	-	-	-	1,820
School Administration					
Salaries	74,693	74,693	76,849	(2,156)	-
Benefits	27,335	27,335	19,741	7,594	-
PS - Professional	5,250	5,250	7,233	(1,983)	7,945
PS - Property	84,520	84,520	93,239	(8,719)	-
PS - Other	36,306	36,306	40,678	(4,372)	139
Supplies	925	925	576	349	532
Property	3,000	3,000	1,495	1,505	-
Other Expenses	1,000	1,000	1,006	(6)	-
Total School Administration	233,029	233,029	240,817	(7,788)	8,616

(Continued)

See the accompanying Independent Auditors' Report

PAGOSA PEAK OPEN SCHOOL
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	2018				
	Original Budget	Final Budget	Actual	Variance with Final Budget	2017 Actual
(Continued)					
EXPENDITURES (Continued)					
Supporting Services (Continued)					
Business Services					
Salaries	20,966	20,966	20,967	(1)	-
Benefits	8,517	8,517	8,403	114	-
PS - Professional	9,675	9,675	11,006	(1,331)	1,892
PS - Property	-	-	1,078	(1,078)	364
PS - Other	-	-	146	(146)	3,758
Other Expenses	500	500	831	(331)	85
Total Business Services	39,658	39,658	42,431	(2,773)	6,099
Operations and Maintenance					
Salaries	3,245	3,245	3,394	(149)	-
Benefits	693	693	709	(16)	-
PS - Property	500	500	100	400	-
Supplies	2,000	2,000	1,953	47	-
Total Operations and Maintenance	6,438	6,438	6,156	282	-
Food Service					
PS - Professional	4,850	4,850	-	4,850	-
Food	-	-	2,210	(2,210)	-
Total Food Service	4,850	4,850	2,210	2,640	-
Debt Service					
Interest	2,500	2,500	4,691	(2,191)	720
Contingency	40,721	40,721	-	40,721	-
TOTAL EXPENDITURES	541,662	541,662	515,345	26,317	17,255
CHANGE IN FUND BALANCE	-	-	10,277	10,277	(7,944)
BEGINNING FUND BALANCE	-	-	(7,944)	(7,944)	-
ENDING FUND BALANCE	$ -	$ -	$ 2,333	$ 2,333	$ (7,944)

See accompanying Independent Auditors' Report.

PAGOSA PEAK OPEN SCHOOL
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Designated Grants Fund
For the Year Ended June 30, 2018
(With Comparative Totals for the Year Ended June 30, 2017)

	2018			
	Final Budget	Actual	Variance with Final Budget	2017 Actual
REVENUES				
Local Sources				
Donations	$ 107,425	$ 96,300	$ (11,125)	$ -
Federal Sources				
Federal Grants from CDE				
NCLB Title I, Part A - Improving Basic Programs Opreated by Schools	23,300	23,230	(70)	-
NCLB Title II, Part A - Teacher & Principal Training	2,600	-	(2,600)	-
Charter School Start Up Grant	226,312	196,937	(29,375)	33,339
Total Federal Sources	252,212	220,167	(32,045)	33,339
TOTAL REVENUES	359,637	316,467	(43,170)	33,339
EXPENDITURES				
Instruction				
Salaries	61,707	59,177	2,530	-
Benefits	9,808	8,535	1,273	-
PS - Professional	34,941	22,401	12,540	-
PS - Property	9,500	10,884	(1,384)	-
PS - Other	19,614	12,723	6,891	-
Supplies	98,831	88,456	10,375	4,293
Property	85,417	84,383	1,034	3,080
Other Expenses	1,612	1,611	1	-
Total Instruction	321,430	288,170	33,260	7,373
Supporting Services				
General Administration				
Supplies	-	-	-	60
School Administration				
PS - Professional	8,506	8,506	-	13,055
Supplies	1,525	1,525	-	10,218
Property	80	-	80	-
Total School Administration	10,111	10,031	80	23,273
Business Services				
PS - Professional	-	-	-	2,045
PS - Other	1,096	1,096	-	520
Supplies	-	-	-	68
Total Business Services	1,096	1,096	-	2,633
Food Service				
Food	27,000	17,170	9,830	-
TOTAL EXPENDITURES	359,637	316,467	43,170	33,339
CHANGE IN FUND BALANCE	-	-	-	-
BEGINNING FUND BALANCE	-	-	-	-
ENDING FUND BALANCE	$ -	$ -	$ -	$ -

See accompanying Independent Auditors' Report.