

ROCKY MOUNTAIN PREPARATORY SCHOOLS

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2018

COMPRISED OF:

**Rocky Mountain Preparatory Creekside
Rocky Mountain Preparatory Southwest
Rocky Mountain Preparatory Fletcher
Rocky Mountain Preparatory NST**



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Office of the State Auditor

November 27, 2018

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Rocky Mountain Preparatory Schools
Denver, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the general fund, the proprietary fund of Rocky Mountain Preparatory Schools (the School or RMPS), the financial statements of the governmental activities and the general fund of RMPS – Denver (a component unit of School District Number 1 in the City and County of Denver and State of Colorado (Denver Public Schools or DPS) and RMPS – Aurora (a component unit of Joint School District Number 28-J of the Counties of Adams and Arapahoe, Colorado (APS), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's and the component units' basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 auditor's 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 control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinions, the financial statements referred to on page 1 present fairly, in all material respects, the financial position of the governmental activities and general fund of the School and the component units RMPS-Denver (DPS) and RMPS – Aurora (APS) as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the proportionate share of the net pension liability, schedule of pension contributions, the schedule of changes in net OPEB liability and the statements of revenues, expenditures, and changes in fund balance – general fund – budget to actual be presented to supplement the basic financial statements. Such information, although not a part of the financial statements, is required by 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. These limited procedures 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.

Other Information


Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise RMPS's and the component units' basic financial statements. The general fund balance sheet by location, and general fund revenues, expenditures and changes in fund balance by location are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The general fund balance sheet by location, and general fund revenues, expenditures and changes in fund balance by location are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the general fund balance sheet by location, and general fund revenues, expenditures and changes in fund balance by location are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Board of Directors
Rocky Mountain Preparatory Schools

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued a report dated September 21, 2018 on our consideration of the School's and the component units' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness on the School's and the component units' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's and the component units' internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Glendora, California
September 21, 2018

**ROCKY MOUNTAIN PREPARATORY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

This section of the Rocky Mountain Preparatory Schools (the School) annual financial report presents our discussion and analysis of the School's financial performance for the fiscal year ended June 30, 2018. Please read it in conjunction with the audited financial statements, which immediately follow this section.

Financial Highlights

- As of the close of the current fiscal year, the School's governmental fund reported ending fund balance of \$6,453,001.
- The assets of the School's governmental fund comprise primarily of cash of \$5,847,414 and accounts receivable of \$882,709. The liabilities of the School's governmental fund at the close of the fiscal year are \$277,122 which is comprised of accounts payable and deferred revenues.
- The School acquired a building and associated long-term debt during the fiscal year ended June 30, 2018.
- The School's governmental fund had revenues of \$15,628,544 and expenses of \$13,237,234 for the year ended June 30, 2018 for a change in fund balance of \$2,391,310.
- After adjusting for the School's pension and OPEB assets and liabilities and blending the Building Fund, the School's change in net position was an increase of \$121,355 for a total net position of \$213,084.

Overview of the Financial Statements

The discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements are comprised of three components: (1) Statement of Net Position and General Fund Balance Sheet, (2) Statement of Activities and General Fund Revenues, Expenditures and Changes in Fund Balance and (3) Notes to the Basic Financial Statements. In addition, the financial statements also Required Supplementary Information required by the Governmental Accounting Standards Board (GASB) and the Statement of Revenues, Expenditures, Expenditures and Changes in Fund Balance – General Fund – Budget to Actual.

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

**ROCKY MOUNTAIN PREPARATORY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

The *statement of activities* presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position.

| | Governmental Activities 2018 | Governmental Activities 2017 |
|---|------------------------------------|------------------------------------|
| | <u>2018</u> | <u>2017</u> |
| ASSETS | | |
| Current Assets | \$ 7,455,504 | \$ 4,286,906 |
| Noncurrent Assets | 5,958,871 | 146,151 |
| Total Assets | <u>13,414,375</u> | <u>4,433,057</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Deferred Outflows of Resources - Pensions | <u>5,638,821</u> | <u>3,796,844</u> |
| Total Deferred Outflows of Resources | 5,638,821 | 3,796,844 |
| LIABILITIES | | |
| Current Liabilities | 296,830 | 225,215 |
| Noncurrent Liabilities | <u>16,851,078</u> | <u>7,242,660</u> |
| Total Liabilities | 17,147,908 | 7,467,875 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Deferred Inflows of Resources - Pensions | <u>1,692,204</u> | <u>394,133</u> |
| Total Deferred Inflows of Resources | 1,692,204 | 394,133 |
| NET POSITION | | |
| Invested in Capital Assets | 108,871 | 146,151 |
| Emergency Reserve | 397,117 | 212,948 |
| Unrestricted | <u>(292,904)</u> | <u>8,794</u> |
| Total Net Position | <u>\$ 213,084</u> | <u>\$ 367,893</u> |

**ROCKY MOUNTAIN PREPARATORY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

The current assets balance is primarily cash and accounts receivable at June 30, 2018 that were due from the State of Colorado. Increases in current assets are the results of expanding the network of schools and contributions of grants to fund that expansion.

The total noncurrent assets are comprised of capital assets that were purchased with an original cost of \$5,000 or more. The current liabilities balance is a combination of accounts payable that were due but not paid at June 30 and long-term liabilities is comprised of the net pension liability. The pension liability has increased due to more contributions from increasing staff levels.

Revenues

During this year of the School's operations, the primary source of revenue is Per Pupil Revenue from the State of Colorado, federal funding, private grants, and contributions. These revenues continue to grow as more schools are opening and adding grade levels.

Expenses

Total expenses consist of salary and benefit costs, facilities and maintenance costs, general supplies, food services, purchased services and other expenditures needed to operate the School. These expenditures continue to grow as more schools are opening and adding grade levels.

| | Governmental Activities 2018 | Governmental Activities 2017 |
|---|------------------------------------|------------------------------------|
| | <u>2018</u> | <u>2017</u> |
| REVENUES | | |
| Per Pupil Revenue and Preschool Funding | \$ 7,338,388 | \$ 5,441,083 |
| Mill Levy Override | 1,811,942 | 1,333,541 |
| Grants and Contributions | 5,384,274 | 3,735,673 |
| All Other Revenue | <u>1,899,152</u> | <u>340,973</u> |
| Total Revenues | 16,433,756 | 10,851,270 |
| EXPENSES | | |
| Governmental Activities - Program | 11,431,997 | 7,197,624 |
| Supporting Services | <u>4,880,404</u> | <u>3,820,772</u> |
| Total Expenses | <u>16,312,401</u> | <u>11,018,396</u> |
| CHANGES IN NET POSITION | 121,355 | (167,126) |
| Net Position - Beginning of Year | 367,893 | 535,019 |
| Cumulative Effect of Application of GASB No. 75, Net OPEB Liability | <u>(276,164)</u> | <u>-</u> |
| Net Position, June 30, 2017, as Restated | 91,729 | 535,019 |
| NET POSITION - END OF YEAR | <u>\$ 213,084</u> | <u>\$ 367,893</u> |

**ROCKY MOUNTAIN PREPARATORY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Fund Financial Analysis

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The School's governmental fund is discussed below.

Governmental Fund

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

As of the end of the current fiscal year, the School's general fund reported an ending fund balance of \$6,543,001.

Capital Assets

The School had capital assets net of depreciation of \$5,958,871 and related long-term debt of \$5,850,000 as of June 30, 2018.

Budgetary Highlights

The School prepares its budget on an activities basis. That is, all expenditures expected to be incurred are accounted for regardless of when they are actually paid, which includes expenditures related to compensate for absences. However, expenditures for compensated absences are not recognized in the School's general fund until payouts are expected to be made from current financial resources.

Actual revenues of the Creekside location were under the original budget by \$354,806 and under the revised budget by \$433,195 for the year ended June 30, 2018. Enrollment for the year was higher than the original targets but per pupil level funding was lower than projected. Mill levy and grant and contributions funding was higher than projected, making up some of the shortfalls in PPR and other revenue sources. Payroll expenses were \$317,230 under the revised budget, general supplies were \$90,485 over the revised budget, and district fees and services were \$592,312 under the original budget. Many of the budgeted line items were revised upward following the higher than expected enrollment to allow for higher appropriations, with upward revisions in contingencies, transportation, external services, and plant fixtures. Some, but not all, of these allowances were needed leading to total expenses being \$1,223,042 below the revised budget.

Actual revenues of the Southwest location were under the original approved budget by \$160,495 and under the revised budget by \$306,495 for the year ended June 30, 2018. The increase over the original budget was driven by grants and contributions being \$556,636 over the revised budget. Actual expenditures of the Southwest location were under the original approved budget by \$303,503 and \$473,190 under the revised budget for the year ended June 30, 2018. Payroll expenses were \$179,645 under the revised budget. Books and supplies & equipment expenses were \$62,763 under the revised budget as well. Services and other operating expenses were \$232,572 under the revised budget.

**ROCKY MOUNTAIN PREPARATORY SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Actual revenues of the Fletcher location were \$28,938 under the revised budget for the year ended June 30, 2018, as a result of higher than expected grants and contributions. Actual expenditures of the Fletcher location were under the revised budget by \$425,468 for the year ended June 30, 2018. Payroll expenses were \$131,949 under the revised budget as a result of an increase in part-time rather than full-time support staff. Books and supplies & equipment expenses were \$89,849 under the revised budget as a result of less purchases than were anticipated. Services and other operating expenses were \$203,670 under budget as a result of the unused contingency expense.

Economic Factors and Next Year's Budget

The following factors were considered in preparing the School's budget for fiscal year 2018/19.

For fiscal year 2018/19 enrollment at Rocky Mountain Preparatory Schools is projected to be 606 students at Creekside, 427 students at Southwest, 337 students at Fletcher, and 211 students at Berkeley. This increase in students will require increased staffing and other instructional costs. The School estimates that the Per Pupil funding will be approximately three to five percent higher on a per student average, when compared to 2017/18, due to increases in the state budget for per pupil revenue. Accordingly, the total Per Pupil program revenue will increase due to increased enrollment

Contacting the School's Financial Management

This financial report is designed to provide our citizens, taxpayers, parents, investors and creditors with a general overview of the School's finances. If you have questions regarding this report or need additional financial information, contact the School's Director of Finance at (720) 863-8920.

ROCKY MOUNTAIN PREPARATORY SCHOOLS
STATEMENT OF NET POSITION AND GENERAL FUND BALANCE SHEET
JUNE 30, 2018

| ASSETS | General Fund | Adjustments | | Statement of | |
|---|---------------------|-------------------|--------------------|-----------------------|-------------------|
| | | Building Fund | RMP - Denver | RMP - Aurora | Net Position |
| CURRENT ASSETS | | | | | |
| Cash | \$ 5,450,297 | \$ 723,929 | \$ - | \$ - | \$ 6,174,226 |
| Cash Held for TABOR | 397,117 | - | - | - | 397,117 |
| Accounts Receivable | 882,709 | 1,452 | - | - | 884,161 |
| Total Current Assets | <u>6,730,123</u> | <u>725,381</u> | <u>-</u> | <u>-</u> | <u>7,455,504</u> |
| NONCURRENT ASSETS | | | | | |
| Capital Assets, Net of Accumulated Depreciation | - | 5,824,533 | 134,338 | - | 5,958,871 |
| Total Assets | <u>\$ 6,730,123</u> | <u>6,549,914</u> | <u>134,338</u> | <u>-</u> | <u>13,414,375</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Deferred Outflows of Resources - Pensions | - | - | 2,721,072 | 2,917,749 | 5,638,821 |
| LIABILITIES AND FUND BALANCE | | | | | |
| CURRENT LIABILITIES | | | | | |
| Accounts Payable | \$ 275,129 | 19,708 | - | - | 294,837 |
| Deferred Revenues | 1,993 | - | - | - | 1,993 |
| Total Current Liabilities | <u>277,122</u> | <u>19,708</u> | <u>-</u> | <u>-</u> | <u>296,830</u> |
| NONCURRENT LIABILITIES | | | | | |
| Long-Term Debt | - | 5,850,000 | - | - | 5,850,000 |
| Net Pension and OPEB Liabilities | - | - | 6,469,539 | 4,531,539 | 11,001,078 |
| Total Noncurrent Liabilities | <u>-</u> | <u>5,850,000</u> | <u>6,469,539</u> | <u>4,531,539</u> | <u>16,851,078</u> |
| Total Liabilities | 277,122 | 5,869,708 | 6,469,539 | 4,531,539 | 17,147,908 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Deferred Inflows of Resources - Pensions | - | - | 1,509,348 | 182,856 | 1,692,204 |
| FUND BALANCE | | | | | |
| Emergency Reserve | 397,117 | - | (314,171) | (82,946) | - |
| Unassigned | 6,055,884 | - | (5,530,174) | (525,710) | - |
| Total Fund Balance | <u>6,453,001</u> | <u>-</u> | <u>(5,844,345)</u> | <u>(608,656)</u> | <u>-</u> |
| Total Liabilities and Fund Balance | <u>\$ 6,730,123</u> | | | | |
| NET POSITION | | | | | |
| Invested in Capital Assets, Net of Related Debt | | (25,467) | 134,338 | - | 108,871 |
| Emergency Reserve | | - | 314,171 | 82,946 | 397,117 |
| Unrestricted | | 705,673 | 272,359 | (1,270,936) | (292,904) |
| Total Net Position | | <u>\$ 680,206</u> | <u>\$ 720,868</u> | <u>\$ (1,187,990)</u> | <u>\$ 213,084</u> |

See accompanying Notes to Financial Statements.

**ROCKY MOUNTAIN PREPARATORY SCHOOLS
STATEMENT OF ACTIVITIES AND GENERAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
YEAR ENDED JUNE 30, 2018**

| | General Fund | Adjustments | | Statement of Net Position | |
|---|---------------------|-------------------|-----------------------|------------------------------|-------------------|
| | | Building Fund | RMP - Denver | | RMP - Aurora |
| REVENUES | | | | | |
| General Revenues: | | | | | |
| Per Pupil Revenue and Preschool Funding | \$ 7,338,388 | \$ - | \$ - | \$ - | \$ 7,338,388 |
| Mill Levy Override | 1,811,942 | - | - | - | 1,811,942 |
| Program Revenues: | | | | | |
| Federal Revenue | 1,753,212 | - | - | - | 1,753,212 |
| Other State | 497,863 | - | - | - | 497,863 |
| Private Grants and Contributions | 3,133,199 | - | - | - | 3,133,199 |
| Investment Income | 5,792 | - | - | - | 5,792 |
| All Other Local Revenues | 1,088,148 | 805,212 | - | - | 1,893,360 |
| Total Revenues | 15,628,544 | 805,212 | - | - | 16,433,756 |
| EXPENSES | | | | | |
| Program Expenses | 8,356,830 | 125,006 | 1,531,749 | 1,418,412 | 11,431,997 |
| Supporting Services | 4,880,404 | - | - | - | 4,880,404 |
| Total Expenses | 13,237,234 | 125,006 | 1,531,749 | 1,418,412 | 16,312,401 |
| CHANGE IN FUND BALANCE/NET POSITION | 2,391,310 | 680,206 | (1,531,749) | (1,418,412) | 121,355 |
| Fund Balance/Net Position - July 1, 2017 As Previously Reported | 4,061,691 | - | (3,339,236) | (354,562) | 367,893 |
| Cumulative Effect of Application of GASB No. 75, Net OPEB Liability | - | - | (252,492) | (23,672) | (276,164) |
| Net Position, June 30, 2017, as Restated | 4,061,691 | - | (3,591,728) | (378,234) | 91,729 |
| FUND BALANCE/NET POSITION - JUNE 30, 2018 | \$ 6,453,001 | \$ 680,206 | \$ (5,123,477) | \$ (1,796,646) | \$ 213,084 |

See accompanying Notes to Financial Statements.

**ROCKY MOUNTAIN PREPARATORY SCHOOLS
STATEMENT OF NET POSITION – PROPRIETARY FUND TYPES
JUNE 30, 2018**

| | | Governmental Activities |
|---|----|--|
| | | <u>Internal Service Fund - Building Fund</u> |
| ASSETS | | |
| CURRENT ASSETS | | |
| Cash | \$ | 723,929 |
| Accounts Receivable | | 1,452 |
| Total Current Assets | | <u>725,381</u> |
| NONCURRENT ASSETS | | |
| Capital Assets, Net of Accumulated Depreciation | | <u>5,824,533</u> |
| Total Assets | \$ | <u><u>6,549,914</u></u> |
| LIABILITIES AND FUND BALANCE | | |
| CURRENT LIABILITIES | | |
| Accounts Payable | \$ | 19,708 |
| Total Current Liabilities | | <u>19,708</u> |
| NONCURRENT LIABILITIES | | |
| Long-Term Debt | \$ | 5,850,000 |
| Total Noncurrent Liabilities | | <u>5,850,000</u> |
| Total Liabilities | | <u>5,869,708</u> |
| NET POSITION | | |
| Invested in Capital Assets, Net of Related Debt | \$ | (25,467) |
| Unrestricted | | <u>705,673</u> |
| Total Net Position | \$ | <u><u>680,206</u></u> |

See accompanying Notes to Financial Statements.

**ROCKY MOUNTAIN PREPARATORY SCHOOLS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION –
PROPRIETARY FUND TYPES
YEAR ENDED JUNE 30, 2018**

| | Governmental Activities |
|-------------------------------------|---|
| | Internal Service Fund - Building Fund |
| OPERATING REVENUES | |
| Rent | \$ 805,212 |
| Total Operating Revenues | 805,212 |
| OPERATING EXPENSES | |
| Purchased Services | 99,539 |
| Depreciation | 25,467 |
| Total Operating Expenses | 125,006 |
| NET INCOME | 680,206 |
| Net Position - July 1, 2017 | - |
| NET POSITION - JUNE 30, 2018 | \$ 680,206 |

See accompanying Notes to Financial Statements.

**ROCKY MOUNTAIN PREPARATORY SCHOOLS
STATEMENT OF CASH FLOWS – PROPRIETARY FUND TYPES
YEAR ENDED JUNE 30, 2018**

| | <u>Governmental Activities</u> <u>Internal Service Fund - Building Fund</u> |
|--|--|
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash Received from Rental Operations | \$ 803,760 |
| Cash Paid to Suppliers | (79,831) |
| Net Cash Provided by Operating Activities | <u>723,929</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Purchase of Capital Assets | (5,850,000) |
| Proceeds from Issuance of Debt | 6,850,000 |
| Principal Payments on Loan | (1,000,000) |
| Net Cash Provided (Used) by Financing Activities | <u>-</u> |
| NET INCREASE (DECREASE) IN CASH | 723,929 |
| Cash - July 1, 2017 | <u>-</u> |
| CASH - JUNE 30, 2018 | <u><u>\$ 723,929</u></u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | |
| Operating Income | \$ 680,206 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities | |
| Depreciation Expense | 25,467 |
| Changes in Assets and Liabilities | |
| Accounts Receivable | (1,452) |
| Accounts Payable | 19,708 |
| Total Adjustments | <u>43,723</u> |
| Net Cash Provided by Operating Activities | <u><u>\$ 723,929</u></u> |

See accompanying Notes to Financial Statements.

ROCKY MOUNTAIN PREPARATORY SCHOOLS
STATEMENT OF NET POSITION AND GENERAL FUND BALANCE SHEET – RMP – DENVER
JUNE 30, 2018

| ASSETS | General Fund | Building Fund | Adjustments | Statement of Net Position |
|--|--------------|---------------|-------------|------------------------------|
| CURRENT ASSETS | | | | |
| Cash | \$ 4,790,544 | \$ 723,929 | \$ - | \$ 5,514,473 |
| Cash Held for TABOR | 314,171 | - | - | 314,171 |
| Intercompany Receivable | 802,227 | - | - | 802,227 |
| Accounts Receivable | 425,762 | 1,452 | - | 427,214 |
| Total Current Assets | 6,332,704 | 725,381 | - | 7,058,085 |
| NONCURRENT ASSETS | | | | |
| Capital Assets, Net of Accumulated Depreciation | - | 5,824,533 | 134,338 | 5,958,871 |
| Total Assets | \$ 6,332,704 | 6,549,914 | 134,338 | 13,016,956 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | |
| Deferred Outflows of Resources - Pensions | - | - | 2,721,072 | 2,721,072 |
| LIABILITIES AND FUND BALANCE | | | | |
| CURRENT LIABILITIES | | | | |
| Accounts Payable | \$ 221,786 | \$ 19,708 | \$ - | \$ 241,494 |
| Intercompany Payable | 264,977 | - | - | 264,977 |
| Deferred Revenues | 1,596 | - | - | 1,596 |
| Total Current Liabilities | 488,359 | 19,708 | - | 508,067 |
| NONCURRENT LIABILITIES | | | | |
| Long-Term Debt | - | 5,850,000 | - | 5,850,000 |
| Net Pension Liability | - | - | 6,469,539 | 6,469,539 |
| Total Noncurrent Liabilities | - | 5,850,000 | 6,469,539 | 12,319,539 |
| Total Liabilities | 488,359 | 5,869,708 | 6,469,539 | 12,827,606 |
| DEFERRED INFLOWS OF RESOURCES | | | | |
| Deferred Inflows of Resources - Pensions | - | - | 1,509,348 | 1,509,348 |
| FUND BALANCE | | | | |
| Emergency Reserve | 314,171 | - | (314,171) | - |
| Unassigned | 5,530,174 | - | (5,530,174) | - |
| Total Fund Balance | 5,844,345 | - | (5,844,345) | - |
| Total Liabilities and Fund Balance | \$ 6,332,704 | | | |
| Invested in Capital Assets, Net of Related Debt | | | | |
| Invested in Capital Assets, Net of Related Debt | | (25,467) | \$ 134,338 | \$ 108,871 |
| Emergency Reserve | | - | 314,171 | 314,171 |
| Unrestricted | | 705,673 | 272,359 | 978,032 |
| Total Net Position | | \$ 680,206 | \$ 720,868 | \$ 1,401,074 |

RECONCILIATION

| | |
|---|---------------------|
| FUND BALANCE - JUNE 30, 2018 | \$ 5,844,345 |
| Capital assets in governmental activities are not financial resources and, therefore, are not reported as assets in the general fund. | 134,338 |
| Net assets in internal service funds | 680,206 |
| Pension and OPEB contributions made during the fiscal year are removed from fund expenses and are recorded as a deferred outflow and inflows of resources. This amount will be recognized as a reduction/addition of the net pension and OPEB liabilities in the subsequent year. | 1,211,724 |
| Long-term net pension and OPEB liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the general fund. | (6,469,539) |
| NET POSITION - JUNE 30, 2018 | \$ 1,401,074 |

See accompanying Notes to Financial Statements.

**ROCKY MOUNTAIN PREPARATORY SCHOOLS
STATEMENT OF ACTIVITIES AND GENERAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE – RMP – DENVER
YEAR ENDED JUNE 30, 2018**

| | General Fund | Building Fund | Adjustments | Statement of Net Position |
|--|--------------|---------------|----------------|------------------------------|
| REVENUES | | | | |
| General Revenues: | | | | |
| Per Pupil Revenue and Preschool Funding | \$ 5,809,326 | \$ - | \$ - | \$ 5,809,326 |
| Mill Levy Override | 1,684,433 | - | - | 1,684,433 |
| Program Revenues: | | | | |
| Federal Revenue | 1,397,440 | - | - | 1,397,440 |
| Other State | 488,681 | - | - | 488,681 |
| Private Grants and Contributions | 2,169,801 | - | - | 2,169,801 |
| Investment Income | 4,640 | - | - | 4,640 |
| NST Management Fee | - | - | - | - |
| All Other Local Revenues | 912,108 | 805,212 | - | 1,717,320 |
| Total Revenues | 12,466,429 | 805,212 | - | 13,271,641 |
| EXPENSES | | | | |
| Program Expenses | 6,359,003 | 125,006 | 1,531,749 | 8,015,758 |
| Supporting Services | 4,113,381 | - | - | 4,113,381 |
| Total Expenses | 10,472,384 | 125,006 | 1,531,749 | 12,129,139 |
| CHANGE IN FUND BALANCE/NET POSITION | 1,994,045 | 680,206 | (1,531,749) | 1,142,502 |
| Fund Balance/Net Position - July 1, 2017 As Previously Reported | 3,850,300 | - | (3,339,236) | 511,064 |
| Cumulative Effect of Application of GASB No. 75, Net OPEB Liability | - | - | (252,492) | (252,492) |
| Net Position, June 30, 2017, as Restated | 3,850,300 | - | (3,591,728) | 258,572 |
| FUND BALANCE/NET POSITION - JUNE 30, 2018 | \$ 5,844,345 | \$ 680,206 | \$ (5,123,477) | \$ 1,401,074 |
| RECONCILIATION | | | | |
| NET CHANGE IN FUND BALANCE - YEAR ENDED JUNE 30, 2018 | | | | \$ 1,994,045 |
| Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the statement of activities reports only a portion of the outlay as expense (depreciation). | | | | (11,813) |
| Internal service funds change in net assets | | | | 680,206 |
| Pension contributions made during the fiscal year are removed from fund expenses and are recorded as deferred outflows and inflows of resources. This amount will be recognized as a reduction/addition of the net pension liability in the subsequent year. | | | | (1,519,936) |
| Total Adjustment | | | | (1,531,749) |
| CHANGE IN NET POSITION - YEAR ENDED JUNE 30, 2018 | | | | \$ 1,142,502 |

See accompanying Notes to Financial Statements.

**ROCKY MOUNTAIN PREPARATORY SCHOOLS
STATEMENT OF NET POSITION – PROPRIETARY FUND TYPES – RMP – DENVER
JUNE 30, 2018**

| | <u>Governmental Activities</u> <u>Internal Service Fund - Building Fund</u> |
|---|--|
| ASSETS | |
| CURRENT ASSETS | |
| Cash | \$ 723,929 |
| Accounts Receivable | 1,452 |
| Total Current Assets | <u>725,381</u> |
| NONCURRENT ASSETS | |
| Capital Assets, Net of Accumulated Depreciation | <u>5,824,533</u> |
| Total Assets | <u><u>\$ 6,549,914</u></u> |
| LIABILITIES AND FUND BALANCE | |
| CURRENT LIABILITIES | |
| Accounts Payable | \$ 19,708 |
| Total Current Liabilities | <u>19,708</u> |
| NONCURRENT LIABILITIES | |
| Long-Term Debt | <u>5,850,000</u> |
| Total Noncurrent Liabilities | <u>5,850,000</u> |
| Total Liabilities | 5,869,708 |
| NET POSITION | |
| Invested in Capital Assets, Net of Related Debt | (25,467) |
| Unrestricted | <u>705,673</u> |
| Total Net Position | <u><u>\$ 680,206</u></u> |

See accompanying Notes to Financial Statements.

**ROCKY MOUNTAIN PREPARATORY SCHOOLS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION –
PROPRIETARY FUND TYPES – RMP – DENVER
YEAR ENDED JUNE 30, 2018**

| | Governmental Activities |
|-------------------------------------|---|
| | Internal Service Fund - Building Fund |
| OPERATING REVENUES | |
| Rent | \$ 805,212 |
| Total Operating Revenues | 805,212 |
| OPERATING EXPENSES | |
| Purchased Services | 99,539 |
| Depreciation | 25,467 |
| Total Operating Expenses | 125,006 |
| NET INCOME | 680,206 |
| Net Position - July 1, 2017 | - |
| NET POSITION - JUNE 30, 2018 | \$ 680,206 |

See accompanying Notes to Financial Statements.

ROCKY MOUNTAIN PREPARATORY SCHOOLS
STATEMENT OF CASH FLOWS – PROPRIETARY FUND TYPES – RMP – DENVER
YEAR ENDED JUNE 30, 2018

| | Governmental Activities |
|--|---|
| | Internal Service Fund - Building Fund |
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash Received from Rental Operations | \$ 803,760 |
| Cash Paid to Suppliers | (79,831) |
| Net Cash Provided by Operating Activities | 723,929 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Purchase of Capital Assets | (5,850,000) |
| Proceeds from Issuance of Debt | 6,850,000 |
| Principal Payments on Loan | (1,000,000) |
| Net Cash Provided (Used) by Financing Activities | - |
| NET INCREASE (DECREASE) IN CASH | 723,929 |
| Cash - July 1, 2017 | - |
| CASH - JUNE 30, 2018 | \$ 723,929 |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | |
| Operating Income | \$ 680,206 |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities | |
| Depreciation Expense | 25,467 |
| Changes in Assets and Liabilities | |
| Accounts Receivable | (1,452) |
| Accounts Payable | 19,708 |
| Total Adjustments | 43,723 |
| Net Cash Provided by Operating Activities | \$ 723,929 |

See accompanying Notes to Financial Statements.

ROCKY MOUNTAIN PREPARATORY SCHOOLS
STATEMENT OF NET POSITION AND GENERAL FUND BALANCE SHEET – RMP – AURORA
JUNE 30, 2018

| | General Fund | Adjustments | Statement of Net Position |
|---|--------------|----------------|------------------------------|
| ASSETS | | | |
| CURRENT ASSETS | | | |
| Cash | \$ 659,753 | \$ - | \$ 659,753 |
| Cash Held for TABOR | 82,946 | - | 82,946 |
| Intercompany Receivable | 133,423 | - | 133,423 |
| Accounts Receivable | 456,947 | - | 456,947 |
| Total Current Assets | 1,333,069 | - | 1,333,069 |
| Total Assets | \$ 1,333,069 | - | 1,333,069 |
| DEFERRED OUTFLOWS OF RESOURCES | | | |
| Deferred Outflows of Resources - Pensions | - | 2,917,749 | 2,917,749 |
| LIABILITIES AND FUND BALANCE | | | |
| CURRENT LIABILITIES | | | |
| Accounts Payable | \$ 53,343 | \$ - | \$ 53,343 |
| Intercompany Payable | 670,673 | - | 670,673 |
| Deferred Revenues | 397 | - | 397 |
| Total Current Liabilities | 724,413 | - | 724,413 |
| NONCURRENT LIABILITIES | | | |
| Net Pension Liability | - | 4,531,539 | 4,531,539 |
| Total Noncurrent Liabilities | - | 4,531,539 | 4,531,539 |
| Total Liabilities | 724,413 | 4,531,539 | 5,255,952 |
| DEFERRED INFLOWS OF RESOURCES | | | |
| Deferred Inflows of Resources - Pensions | - | 182,856 | 182,856 |
| FUND BALANCE | | | |
| Emergency Reserve | 82,946 | (82,946) | - |
| Unassigned | 525,710 | (525,710) | - |
| Total Fund Balance | 608,656 | (608,656) | - |
| Total Liabilities and Fund Balance | \$ 1,333,069 | | |
| NET POSITION | | | |
| Emergency Reserve | | 82,946 | 82,946 |
| Unrestricted | | (1,270,936) | (1,270,936) |
| Total Net Position | | \$ (1,187,990) | \$ (1,187,990) |

RECONCILIATION

| | |
|--|----------------|
| FUND BALANCE - JUNE 30, 2018 | \$ 608,656 |
| Pension and OPEB contributions made during the fiscal year are removed from fund expenses and recorded as deferred outflows and inflows of resources. This amount will be recognized as a reduction/addition of the net pension and OPEB liabilities in the subsequent year. | (4,531,539) |
| Long-term net pension and OPEB liabilities are not due and payable in the current period and, therefore, are not reported as liabilities in the general fund. | 2,734,893 |
| NET POSITION - JUNE 30, 2018 | \$ (1,187,990) |

See accompanying Notes to Financial Statements.

**ROCKY MOUNTAIN PREPARATORY SCHOOLS
STATEMENT OF ACTIVITIES AND GENERAL FUND REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE – RMP – AURORA
YEAR ENDED JUNE 30, 2018**

| | <u>General Fund</u> | <u>Adjustments</u> | <u>Statement of Net Position</u> |
|--|---------------------|--------------------|--------------------------------------|
| REVENUES | | | |
| General Revenues: | | | |
| Per Pupil Revenue and Preschool Funding | \$ 1,529,062 | \$ - | \$ 1,529,062 |
| Mill Levy Override | 127,509 | - | 127,509 |
| Program Revenues: | | | |
| Federal Revenue | 355,772 | - | 355,772 |
| Other State | 9,182 | - | 9,182 |
| Private Grants and Contributions | 963,398 | - | 963,398 |
| Investment Income | 1,152 | - | 1,152 |
| NST Management Fee | - | - | - |
| All Other Local Revenues | 176,040 | - | 176,040 |
| Total Revenues | 3,162,115 | - | 3,162,115 |
| EXPENSES | | | |
| Program Expenses | 1,997,827 | 1,418,412 | 3,416,239 |
| Supporting Services | 767,023 | | 767,023 |
| Total Expenses | 2,764,850 | 1,418,412 | 4,183,262 |
| CHANGE IN FUND BALANCE/NET POSITION | 397,265 | (1,418,412) | (1,021,147) |
| Fund Balance/Net Position - July 1, 2017 As Previously Reported | 211,391 | (354,562) | (143,171) |
| Cumulative Effect of Application of GASB No. 75, Net OPEB Liability | - | (23,672) | (23,672) |
| Net Position, June 30, 2017, as Restated | 211,391 | (378,234) | (166,843) |
| FUND BALANCE/NET POSITION - JUNE 30, 2018 | \$ 608,656 | \$ (1,796,646) | \$ (1,187,990) |
| <u>RECONCILIATION</u> | | | |
| NET CHANGE IN FUND BALANCE - YEAR ENDED JUNE 30, 2018 | | | \$ 397,265 |
| Pension and OPEB contributions made during the fiscal year are removed from fund expenses and are recorded as deferred outflows and inflows of resources. This amount will be recognized as a reduction/addition of the net pension and OPEB liabilities in the subsequent year. | | | (1,418,412) |
| Total Adjustment | | | (1,418,412) |
| CHANGE IN NET POSITION - YEAR ENDED JUNE 30, 2018 | | | \$ (1,021,147) |

See accompanying Notes to Financial Statements.

**ROCKY MOUNTAIN PREPARATORY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

General

Rocky Mountain Preparatory Schools (the School or RMPS) was formed to operate charter schools as provided in the Colorado Charter Schools Act. RMPS's mission is to provide educational, technical, and supporting services to the School. The School's support is derived primarily from state of Colorado public education monies, foundation contributions, and various government agency grants.

Reporting Entity

The financial reporting entity consists of the School and organizations for which the School is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the School. In addition, any legally separate organizations for which the School is financially accountable are considered part of the reporting entity. Financial accountability exists if the School appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on the School.

RMPS manages several charter schools within the Denver Metro area. The Creekside and Southwest locations are component units of the Denver Public School District (DPS) (RMP – Denver) and the Fletcher location is a component unit of Aurora Public Schools (APS) (RMP – Aurora). RMPS also includes the Network Support Team (NST) which provides supporting services to the School through management fees paid by the School. The financial activities of NST have been allocated to each component unit based upon enrollment.

The following organization is included in the School's and RMP – Denver's reporting entity:

- The Building Corporation – The purpose of the Corporation is to provide a mechanism to issue and pay debt on behalf of the School and RMP – Denver. The Corporation is considered to be part of the School and RMP – Denver for financial reporting purposes because its resources are entirely for the direct benefit of the School and RMP – Denver and is blended into the School's and RMP – Denver's financial statements as an internal service fund.

Accounting Policies

As required by the state of Colorado, the School and the component units account for financial transactions in accordance with accounting principles generally accepted in the United States of America as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

Measurement Focus and Financial Statement Presentation

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the School and the component units as a whole. All of the School's and component units' activities as a charter school are considered governmental in nature per the state of Colorado; therefore, the School and the component units do not report any business-type activities.

ROCKY MOUNTAIN PREPARATORY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus and Financial Statement Presentation (Continued)

Government-Wide Financial Statements (Continued)

The government-wide statements are prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time the liabilities are incurred, regardless of when the cash flows occur. Governmental fund financial statements, therefore, include reconciliation with brief explanations to better identify the relationship between the government-wide statements and the statements for governmental funds (see Notes 2 and 3).

Governmental Fund Financial Statements

The School's and component units' general funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they measurable. Revenues are considered to be available if they are collectible within the current period or soon thereafter to pay liabilities of the current period. For this purpose, the School and the component units' consider revenues to be available if they are collected within 60 days of the end of the current fiscal period with the exception of revenues related to private grants, which are included in revenue if received within six months after year-end. Expenditures generally are recorded when a liability is incurred under accrual accounting. The School and component units account for all of their operating activities in its general fund.

When both restricted and unrestricted resources are available for use, it is the School's and component units' policy to first apply the expenditure toward restricted fund balance and then to other, less restrictive classifications – committed, assigned, and then unassigned fund balances.

Internal Service Fund Financial Statements

The Internal Service Fund is used to account for activity of the Building Corporation for the School and RMP - Denver.

Cash and Cash Equivalents

The School and component units define their cash and cash equivalents to include only cash on hand, demand deposits, and liquid investments with original maturities of three months or less. Cash is restricted in the financial statements to comply with the provisions of the TABOR amendment.

The financial institution holding the School's and the component units' cash accounts participates in the FDIC's Transaction Account Guarantee Program. Interest-bearing transaction accounts were subject to the \$250,000 limit on FDIC insurance per covered institution.

The School's and component units' investment policies conform to state statute for governmental entities. All accounts established at financial institutions should, in the aggregate, total less than \$250,000 so as to provide maximum insurance coverage provided by the FDIC. If, however, deposits exceed the \$250,000 insurance coverage level, the excess must be (1) fully collateralized at face value with government securities, (2) separately segregated in the School's name, and (3) held at a Federal Reserve Bank or another depository.

ROCKY MOUNTAIN PREPARATORY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash and Cash Equivalents (Continued)

Under the provisions of GASB 40, *Deposit and Investment Risk Disclosures*, deposits are not deemed exposed to custodial credit risk if they are collateralized with securities held by the pledging financial institutions under Colorado Public Deposit Protection Act (PDPA), as discussed below. Custodial credit risk is the risk that in the event of bank failure, the deposits may not be returned.

Cash held at charter schools is governed by state statute. 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. 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% of the uninsured deposits.

Prepaid Items

Payments made for services that will benefit periods beyond June 30, 2018, are recorded as prepaid items. In the governmental fund balance sheet, there is a reservation of fund balance equal to the amount of prepaid items, as these amounts are not available for expenditure.

Capital Assets

Capital assets are those purchased or acquired with an original cost of \$5,000 or more and are reported at acquisition cost or estimated acquisition cost. Contributed assets are reported at fair market value as of the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance is expensed as incurred. Depreciation on all capital assets is provided on a straight-line basis over the estimated useful lives of the capital assets.

Deferred Outflows / Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial section, deferred outflow of resources, represents a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources represents an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until that time.

Deferred Outflows – Pension Contributions

The deferred outflow of resources related to pensions resulted from contributions to employee pension plans subsequent to the measurement date of the actuarial valuations for the pension plans. The deferred outflow – pension contributions will be recognized as a reduction of the net pension liability in the subsequent fiscal year.

ROCKY MOUNTAIN PREPARATORY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows / Inflows of Resources (Continued)

Deferred Inflows

The deferred inflows of resources related to pensions resulted from difference between the estimated and actual return on pension plan investments, changes in assumptions, and the difference between expected and actual experience. These amounts are deferred and amortized.

Revenues

Revenue resulting from exchange transactions in which each party gives and receives essentially equal value is recorded under the accrual basis when the exchange takes place.

Nonexchange transactions are those in which the School and the component units receive value without directly giving equal value in return, and includes private grants and contributions and state revenue. Under the accrual basis, this revenue is recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are to be used or the fiscal year when use is first permitted, matching requirements under which the School and the component units must provide local resources to be used for a specific purpose and expenditure requirements, in which the resources are provided to the School and the component units on a reimbursement basis.

Unearned Revenue

Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Grants and entitlements received before eligibility requirements are recorded as unearned revenue.

Fund Balances

Fund balance presented in the governmental fund financial statements represent the difference between assets and liabilities. Accounting standards require that the fund balance be classified into the following categories based upon the type of restrictions imposed on the use of funds:

- Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.
- Restricted – This classification includes amounts that have constraints placed on the use of resources that are either (a) externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or (b) imposed by law through constitutional provisions or enabling legislation. This includes TABOR reserve for emergencies (see Note 10).
- Committed – This classification includes amounts that can be used only for the specific purposes determined by a formal action of the entity's highest level of decision-making authority.
- Assigned – This classification includes amounts intended to be used by the entity for specific purposes but do not meet the criteria to be classified as restricted or committed.
- Unassigned – This classification is the residual amount for the School's general fund and includes all spendable amounts not contained in the other classifications.

**ROCKY MOUNTAIN PREPARATORY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

The net position is the residual of assets plus deferred outflows of resources less liabilities less deferred inflows of resources. The School and the component units maintain the following classifications of net position:

- Net Investment in Capital Assets – Capital assets, net of accumulated depreciation.
- Restricted – Expendable – Net position whose use is subject to externally imposed conditions that can be fulfilled by the actions of the School or by the passage of time. This includes TABOR reserve for emergencies (see Note 10).
- Unrestricted: All other categories of net position.

Use of Estimates

The preparation of financial statements in conformity and in accordance with the generally accepted financial principles in the United States requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflow, liabilities and deferred inflows and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual amounts could differ from those estimates.

NOTE 2 EXPLANATION OF DIFFERENCES BETWEEN THE BALANCE SHEET AND THE STATEMENT OF NET POSITION

Total fund balance of the School's and the component units' general fund differs from net position of governmental activities primarily because of the long-term economic resources measurement focus of the statement of net position versus the current financial resources measurement focus of the general fund balance sheet.

The differences are described below:

| | <u>RMP - Denver</u> | <u>RMP - Aurora</u> | <u>Total</u> |
|--|---------------------|-----------------------|--------------------|
| Fund Balance - June 30, 2018 | \$ 5,844,345 | \$ 608,656 | \$ 6,453,001 |
| Capital assets in governmental activities are not financial resources and, therefore, are not reported as assets in the general fund. | 134,338 | - | 134,338 |
| Net assets in internal service funds | 680,206 | - | 680,206 |
| Pension contributions made during the fiscal year are removed from fund expenses and are recorded as deferred outflows and inflows of resources. This amount will be recognized as a reduction/addition of the net pension liability in the subsequent year. | 1,211,724 | (4,531,539) | (3,319,815) |
| Long-term net pension is not due and payable in the current period and, therefore, is not reported as liabilities in the general fund. | <u>(6,469,539)</u> | <u>2,734,893</u> | <u>(3,734,646)</u> |
| Net Position - June 30, 2018 | <u>\$ 1,401,074</u> | <u>\$ (1,187,990)</u> | <u>\$ 213,084</u> |

**ROCKY MOUNTAIN PREPARATORY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 EXPLANATION OF DIFFERENCES BETWEEN STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE AND THE STATEMENT OF ACTIVITIES

The net change in fund balance for the general fund differs from the change in net position for governmental activities primarily because of the long-term economic resources measurement focus of the statement of activities versus the current financial resources measurement focus of the general fund statement of revenues, expenditures, and changes in fund balance.

The differences are described below:

| | <u>RMP - Denver</u> | <u>RMP - Aurora</u> | <u>Total</u> |
|--|---------------------|-----------------------|--------------------|
| Net Change in Fund Balance - Year Ended June 30, 2018 | \$ 1,994,045 | \$ 397,265 | \$ 2,391,310 |
| Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the statement of activities reports only a portion of the outlay as expense (depreciation). | (11,813) | - | (11,813) |
| Internal service funds change in net assets | 680,206 | - | 680,206 |
| Pension contributions made during the fiscal year are removed from fund expenses and are recorded as deferred outflows and inflows of resources. This amount will be recognized as a reduction/addition of the net pension liability in the subsequent year. | <u>(1,519,936)</u> | <u>(1,418,412)</u> | <u>(2,938,348)</u> |
| Change in Net Position - Year Ended June 30, 2018 | <u>\$ 1,142,502</u> | <u>\$ (1,021,147)</u> | <u>\$ 121,355</u> |

NOTE 4 CASH AND EQUIVALENTS

Restricted Cash

Cash in the amount of \$397,117 as of June 30, 2018, is restricted to comply with provisions of the TABOR amendment.

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The School and the component units have not experienced any losses in such accounts and believes it is not exposed to any significant credit risk on its cash and cash equivalents.

**ROCKY MOUNTAIN PREPARATORY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 ACCOUNTS RECEIVABLE

Accounts receivable primarily consist of funds due from various governmental units. Management believes all of these amounts are collectible; therefore no provisions for uncollectible accounts were recorded. As of June 30, 2018, all amounts are considered collectible within one year.

NOTE 6 CAPITAL ASSETS AND DEPRECIATION

Capital assets and depreciation consisted of the following:

| <u>RMP - Denver</u> | <u>Balance July 1, 2017</u> | <u>Additions</u> | <u>Deductions</u> | <u>Balance June 30, 2018</u> |
|--|---------------------------------|---------------------|-------------------|----------------------------------|
| Capital Assets Being Depreciated: | | | | |
| Facilities Improvements | \$ 177,185 | \$ 5,850,000 | \$ - | \$ 6,027,185 |
| Less: Accumulated Depreciation | <u>(31,034)</u> | <u>(37,280)</u> | <u>-</u> | <u>(68,314)</u> |
| Total Capital Assets Being Depreciated, Net | <u>\$ 146,151</u> | <u>\$ 5,812,720</u> | <u>\$ -</u> | <u>\$ 5,958,871</u> |

Depreciation and amortization expense was \$37,280 for the year ended June 30, 2018.

NOTE 7 RISK MANAGEMENT

The School and the component units are exposed to various risks of loss related to theft of, damage to, and destruction of assets, errors and omissions, injuries to employees, students, and visitors and natural disasters. Management's policy is to minimize these risks through the purchase of commercial insurance. Settled claims have not exceeded the commercial insurance coverage since inception.

NOTE 8 EMPLOYEE BENEFIT PLANS

The School and the component units participate in the Denver Public Schools Division Trust Fund (DPS Division) and the School Division Trust Fund (School Division) single-employer defined benefit pension funds 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 DPS Division and the Schools Divisions 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.

**ROCKY MOUNTAIN PREPARATORY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 EMPLOYEE BENEFIT PLANS (CONTINUED)

Plan Description

Eligible employees of the School and the component units are provided with pensions through the Denver Public Schools Division Trust Fund (DPS Division) and the School Division Trust Fund (School Division) single-employer defined benefit pension plans 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.

Benefits Provided

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 DPS Division Benefit Structure is the greater of the:

- Highest average salary multiplied by 2.5% 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.

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

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100% 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.

In all cases the service retirement benefit is limited to 100% 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% or 100% on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether five years of service credit has been obtained and the benefit structure under which contributions were made.

**ROCKY MOUNTAIN PREPARATORY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 EMPLOYEE BENEFIT PLANS (CONTINUED)

Benefits Provided (Continued)

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%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% or the average 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% or the average CPI-W for the prior calendar year, not to exceed 10% of PERA's Annual Increase Reserve for the DPS Division and the School Division.

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.

DPS Division Contributions

Eligible employees and the School and the component units are required to contribute to the DPS Division 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% of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

| | <u>12/31/2017</u> | <u>12/31/2018</u> |
|---|-------------------|-------------------|
| Employer Contribution Rate ¹ | 10.15% | 10.15% |
| Amount of Employee Contribution Apportioned to the DPS Health Care Trust Fund as Specified in C.R.S. 24-51-208(1)(f) ¹ | (1.02)% | (1.02)% |
| PCOP Offset as Specified in C.R.S. 24-51-412 ¹ | (14.56)% | (14.18)% |
| Amortization Equalization Disbursement (AED) as Specified in C.R.S. 24-51-411 ¹ | 4.50% | 4.50% |
| Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. 24-51-411 ¹ | 5.00% | 5.50% |
| Total Employer Contribution Rate to the DPS ¹ | 4.07% | 4.95% |

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

**ROCKY MOUNTAIN PREPARATORY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 EMPLOYEE BENEFIT PLANS (CONTINUED)

DPS Division Contributions (Continued)

Employer contributions are recognized by the DPS Division in the period in which the compensation becomes payable to the member and the School and the component units are statutorily committed to pay the contributions to the DPS Division. Employer contributions recognized by the DPS Division from the NST and Creekside location were \$187,931 for the year ended June 30, 2018. Employer contributions recognized by the DPS Division from the Southwest location were \$75,055 for the year ended June 30, 2018.

School Division Contributions

Eligible employees and the School and component units 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% of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

| | <u>12/31/2017</u> | <u>12/31/2018</u> |
|---|-------------------|-------------------|
| Employer Contribution Rate ¹ | 10.15% | 10.15% |
| Amount of Employee Contribution Apportioned to the DPS Health Care Trust Fund as Specified in C.R.S. 24-51-208(1)(f) ¹ | (1.02)% | (1.02)% |
| Amount Apportioned | 9.13% | 9.13% |
| Amortization Equalization Disbursement (AED) as Specified in C.R.S. 24-51-411 ¹ | 4.50% | 4.50% |
| Supplemental Amortization Equalization Disbursement (SAED) as Specified in C.R.S. 24-51-411 ¹ | 5.00% | 5.00% |
| Total Employer Contribution Rate to the School Division ¹ | 18.63% | 19.13% |

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

Employer contributions are recognized by the School Division in the period in which the compensation becomes payable to the member and the School and the component units is statutorily committed to pay the contributions to the DPS Division. Employer contributions recognized by the School Division from the Fletcher location were \$215,139 for the 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 NST and Creekside location reported a liability of \$4,519,089 for its proportionate share of the net pension liability, the Southwest location reported a liability of \$1,586,893, and the Fletcher location reported a liability of \$4,430,368. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liabilities 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 and the component unit's proportion of the net pension liability was based on the School's and the component unit's contributions to the DPS Division and School Division for the calendar year 2017 relative to the total contributions of participating employers to the DPS Division and the School Division.

**ROCKY MOUNTAIN PREPARATORY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 EMPLOYEE BENEFIT PLANS (CONTINUED)

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

At December 31, 2017, the NST and Creekside location's proportion was 0.504%, the Southwest location's proportion was 0.177%, and the Fletcher location's proportion was .014%. For the year ended June 30, 2018, the NST and Creekside location recognized pension expense of \$1,111,629, the Southwest location recognized pension expense of \$501,301, and the Fletcher location recognized pension expense of \$1,607,486. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | NST and Creekside RMP - Denver | | Southwest RMP - Denver | | Fletcher RMP - Aurora | |
|---|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Difference Between Expected and Actual Experience | \$ 276,707 | \$ 8,322 | \$ 97,167 | \$ 2,922 | \$ 81,456 | \$ - |
| Changes of Assumptions | 588,826 | 230,085 | 206,768 | 80,795 | 1,131,237 | 7,179 |
| Net Difference Between Projected and Actual Earning on Pension Plan Investments | - | 870,685 | - | 305,744 | - | 173,984 |
| Changes in Proportion and Differences Between Contributions Recognized and Proportionate Share of Contributions | 844,240 | - | 485,927 | - | 1,525,337 | - |
| Contribution Subsequent to the Measurement Date | 94,086 | - | 41,931 | - | 114,271 | - |
| Total | \$ 1,803,859 | \$ 1,109,092 | \$ 831,793 | \$ 389,461 | \$ 2,852,301 | \$ 181,163 |

\$94,086 for the NST and Creekside location, \$41,931 for the Southwest location, and \$114,271 for the Fletcher location were reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, and will therefore be recognized as a reduction of the net pension liability in the year ended June 30, 2018.

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ending June 30,</u> | NST/Creekside RMP - Denver | Southwest RMP - Denver | Fletcher RMP - Aurora |
|-----------------------------|-------------------------------|---------------------------|--------------------------|
| 2018 | \$ 475,873 | \$ 268,405 | \$ 1,394,685 |
| 2019 | 328,752 | 268,405 | 1,005,763 |
| 2020 | 30,381 | 128,979 | 221,873 |
| 2021 | (234,325) | 61,700 | (65,454) |
| 2022 | - | - | - |

**ROCKY MOUNTAIN PREPARATORY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 EMPLOYEE BENEFIT PLANS (CONTINUED)

DPS Division Actuarial Assumptions

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

| | |
|--|---|
| Actuarial Cost Method | Entry Age |
| Price Inflation | 2.40% |
| Real Wage Growth | 1.10% |
| Wage Inflation | 3.50% |
| Salary Increases, Including Wage Inflation | 3.50% to 9.70% |
| Investment Rate of Return | 7.25%, net of pension plan investment expenses, including inflation |
| Discount Rate | 7.25% |
| PERA Benefit Structure Hired Prior to 1/1/07 and DPS Benefit Structure (Automatic) | 2.00% |
| PERA Benefit Structure Hired After 12/31/06 (ad hoc, Substantively Automatic) | Financed by the Annual Increase Reserve |

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% factor applied to male rates and a 55% 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% factor applied to rates for ages less than 80, a 113% 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% factor applied to rates for ages less than 80, a 106% factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was changed to reflect 90% 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.

**ROCKY MOUNTAIN PREPARATORY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 EMPLOYEE BENEFIT PLANS (CONTINUED)

DPS Division Actuarial Assumptions (Continued)

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:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>10-Year Expected Geometric Real Rate of Return</u> |
|-----------------------------------|------------------------------|---|
| 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 Bonds | 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%.

School Division Actuarial Assumptions

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

| | |
|--|---|
| Actuarial Cost Method | Entry Age |
| Price Inflation | 2.40% |
| Real Wage Growth | 1.10% |
| Wage Inflation | 3.50% |
| Salary Increases, Including Wage Inflation | 3.50% to 9.70% |
| Investment Rate of Return | 7.25%, net of pension plan investment expenses, including inflation |
| Discount Rate | 5.26% |
| PERA Benefit Structure Hired Prior to 1/1/07 and DPS Benefit Structure (Automatic) | 2.00% |
| PERA Benefit Structure Hired After 12/31/06 (ad hoc, Substantively Automatic) | Financed by the Annual Increase Reserve |

ROCKY MOUNTAIN PREPARATORY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 EMPLOYEE BENEFIT PLANS (CONTINUED)

School Division Actuarial Assumptions (Continued)

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% factor applied to male rates and a 55% 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% factor applied to rates for ages less than 80, a 113% 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% factor applied to rates for ages less than 80, a 106% factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was changed to reflect 90% 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.

Several factors were considered in evaluating the long-term rate of return assumption for the DPS Division, 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.

**ROCKY MOUNTAIN PREPARATORY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 EMPLOYEE BENEFIT PLANS (CONTINUED)

School Division Actuarial Assumptions (Continued)

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:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>10-Year Expected Geometric Real Rate of Return</u> |
|-----------------------------------|------------------------------|---|
| 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 Bonds | 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%.

DPS Division Discount Rate

The discount rate used to measure the total pension liability was 7.25%. 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 economic and demographic actuarial assumptions adopted by PERA's board on November 18, 2016.
- 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%.
- 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.

ROCKY MOUNTAIN PREPARATORY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 EMPLOYEE BENEFIT PLANS (CONTINUED)

DPS Division Discount Rate (Continued)

- 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%, at which point, the AED and SAED will each drop 0.50% 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 upon 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 increases 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.

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

As of the prior measurement date, the long-term expected rate of return of 7.50% on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate of 7.50%.

ROCKY MOUNTAIN PREPARATORY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 EMPLOYEE BENEFIT PLANS (CONTINUED)

School Division Discount Rate

The discount rate used to measure the total pension liability was 5.26%. The projection of cash flows used to determine the discount rate 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 economic and demographic actuarial assumptions adopted by PERA's board on November 18, 2016.
- 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%.
- 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%, at which point, the AED and SAED will each drop 0.50% 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 upon 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 increases 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.

**ROCKY MOUNTAIN PREPARATORY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 EMPLOYEE BENEFIT PLANS (CONTINUED)

School Division Discount Rate (Continued)

- 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 School Division's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25% 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 and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.86%, resulting in a discount rate of 5.26%.

As of the prior measurement date, the projection test indicated the School Division's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments of 7.50% was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination did not use a municipal bond index rate and the discount rate was 7.50%, 2.24% 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 7.50% (DPS Division) and 5.26% (School Division), 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 or 1 percentage point higher than the current rate:

| | 1% Decrease (6.25)% | Current Discount Rate (7.25)% | 1% Decrease (8.25)% |
|--|------------------------|-------------------------------------|------------------------|
| <u>NST and Creekside - RMP - Denver</u> | | | |
| Proportionate Share of the Net Pension Liability | \$ 7,111,384 | \$ 4,519,089 | \$ 2,373,456 |
| | | | |
| <u>Southwest - RMP - Denver</u> | | | |
| Proportionate Share of the Net Pension Liability | \$ 2,497,186 | \$ 1,586,893 | \$ 833,447 |
| | | | |
| <u>Fletcher - RMP - Aurora</u> | | | |
| Proportionate Share of the Net Pension Liability | \$ 5,596,308 | \$ 4,430,368 | \$ 3,480,260 |

ROCKY MOUNTAIN PREPARATORY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
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NOTE 8 EMPLOYEE BENEFIT PLANS (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 DPS Division based on the proportionate amount of annual payroll of the DPS Division 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.

Pension Plan Fiduciary Net Position

Detailed information about the plan'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.

**ROCKY MOUNTAIN PREPARATORY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
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NOTE 8 EMPLOYEE BENEFIT PLANS (CONTINUED)

Other Post-Employment Benefits – Health Care Trust Funds

Summary of Significant Accounting Policies

RMPS participates in the Health Care Trust Fund (HCTF) and the Denver Public Schools Health Care Trust Fund (DPS HCTF), cost-sharing multiple-employer defined benefit OPEB funds 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 and DPS 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 Plans

Plan description. Eligible employees of the RMPS schools are provided with OPEB through the HCTF and DPS HCTF — cost-sharing multiple-employer defined benefit OPEB plans administered by PERA. The HCTF and DPS HCTF are 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.

Benefits provided. The HCTF and DPS HCTF provide 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.

ROCKY MOUNTAIN PREPARATORY SCHOOLS
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NOTE 8 EMPLOYEE BENEFIT PLANS (CONTINUED)

General Information About the OPEB Plans (Continued)

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.

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% 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% 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.

ROCKY MOUNTAIN PREPARATORY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
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NOTE 8 EMPLOYEE BENEFIT PLANS (CONTINUED)

General Information About the OPEB Plans (Continued)

DPS Benefit (Continued) Structure

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% of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF and DPS HCTF in the period in which the compensation becomes payable to the member and the RMPS schools is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF and DPS HCTF from RMP – Denver and RMP – Aurora were \$73,968 and \$12,321, respectively, for the 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, RMP – Denver and RMP – Aurora reported liabilities of \$345,743 and \$101,171, respectively, for its proportionate share of the net OPEB liabilities. The net OPEB liability for the HCTF and DPS HCTF were measured as of December 31, 2017, and the total OPEB liabilities used to calculate the net OPEB liabilities were determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liabilities to December 31, 2017. The RMP – Denver and RMP – Aurora proportions of the net OPEB liabilities were based on their contributions to the HCTF and DPS HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF and DPS HCTF.

At December 31, 2017, the RMP – Denver and RMP – Aurora proportions were .678 and .008 percent, respectively, which was an increase of .280 and .005 percent, respectively, from its proportion measured as of December 31, 2016.

ROCKY MOUNTAIN PREPARATORY SCHOOLS
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NOTE 8 EMPLOYEE BENEFIT PLANS (CONTINUED)

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

For the year ended June 30, 2018, RMP – Denver and RMP – Aurora recognized OPEB expense of \$101,697 and \$49,737, respectively. At June 30, 2018, RMP – Denver and RMP – Aurora reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | RMP - Aurora | |
|---|--------------------------------------|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Difference Between Expected and Actual Experience | \$ 478 | \$ - |
| Changes of Assumptions | - | - |
| Net Difference Between Projected and Actual Earning on Pension Plan Investments | - | 1,693 |
| Changes in Proportion and Differences Between Contributions Recognized and Proportionate Share of Contributions | 59,186 | - |
| Contribution Subsequent to the Measurement Date | 5,784 | - |
| Total | <u>\$ 65,448</u> | <u>\$ 1,693</u> |

| | RMP - Denver | |
|---|--------------------------------------|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Difference Between Expected and Actual Experience | \$ - | \$ 204 |
| Changes of Assumptions | - | - |
| Net Difference Between Projected and Actual Earning on Pension Plan Investments | - | 10,591 |
| Changes in Proportion and Differences Between Contributions Recognized and Proportionate Share of Contributions | 58,754 | - |
| Contribution Subsequent to the Measurement Date | 26,666 | - |
| Total | <u>\$ 85,420</u> | <u>\$ 10,795</u> |

**ROCKY MOUNTAIN PREPARATORY SCHOOLS
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NOTE 8 EMPLOYEE BENEFIT PLANS (CONTINUED)

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

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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| <u>Year Ending June 30,</u> | <u>RMP - Aurora</u> |
|-----------------------------|---------------------|
| 2019 | \$ 11,299 |
| 2020 | 11,299 |
| 2021 | 11,299 |
| 2022 | 11,299 |
| 2023 | 11,722 |
| Thereafter | 1,055 |

| <u>Year Ending June 30,</u> | <u>RMP - Denver</u> |
|-----------------------------|---------------------|
| 2019 | \$ 130,811 |
| 2020 | 130,811 |
| 2021 | 130,811 |
| 2022 | 130,811 |
| 2023 | 134,727 |
| Thereafter | 12,080 |

Actuarial assumptions. The total OPEB liabilities 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 Increases, Including Wage Inflation | 3.50% in aggregate |
| Investment Rate of Return | 7.25%, net of OPEB plan investment expenses, including inflation |
| 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 |
| DPS Benefit Structure: | |
| Service-Based Premium Subsidy | 0.00% |
| PERACare Medicare Plans | N/A |
| Medicare Part A Premiums | N/A |

**ROCKY MOUNTAIN PREPARATORY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 EMPLOYEE BENEFIT PLANS (CONTINUED)

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

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.

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 liabilities are summarized in the table below:

| Year | PERACare 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 and DPS HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF and DPS 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% factor applied to male rates and a 55% factor applied to female rates.

ROCKY MOUNTAIN PREPARATORY SCHOOLS
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NOTE 8 EMPLOYEE BENEFIT PLANS (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 State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73% factor applied to rates for ages less than 80, a 108% 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 78% factor applied to rates for ages less than 80, a 109% factor applied to rates for ages 80 and above, and further adjustments for credibility.
- 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 improvement projected to 2018 using the MP-2015 projection scale, a 93% factor applied to rates for ages less than 80, a 113% 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% factor applied to rates for ages less than 80, a 106% factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90% 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 and DPS HCTF:

- The assumed rates of PERACare participation were revised to reflect more closely actual experience.
- Initial per capita 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.

ROCKY MOUNTAIN PREPARATORY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
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NOTE 8 EMPLOYEE BENEFIT PLANS (CONTINUED)

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

- 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 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.
- 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 capita 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 and DPS 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.

**ROCKY MOUNTAIN PREPARATORY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
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NOTE 8 EMPLOYEE BENEFIT PLANS (CONTINUED)

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

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:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>10-Year Expected Geometric Real Rate of Return</u> |
|-----------------------------------|------------------------------|---|
| 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 Bonds | 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 proportionate share of the net OPEB liabilities to changes in the Health Care Cost Trend Rates. The following presents the net OPEB liabilities 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:

| HCTF: | 1% Decrease in Trend Rates | Current Trend Rates | 1% Increase in Trend Rates |
|-------------------------------------|-------------------------------|------------------------|-------------------------------|
| 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% |
| Net OPEB Liability – RMP – Aurora | \$98,387 | \$101,171 | \$104,524 |

**ROCKY MOUNTAIN PREPARATORY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
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NOTE 8 EMPLOYEE BENEFIT PLANS (CONTINUED)

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

| DPS HCTF: | 1% Decrease in Trend Rates | Current Trend Rates | 1% Increase in Trend Rates |
|-------------------------------------|----------------------------|---------------------|----------------------------|
| 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% |
| Net OPEB Liability – RMP – Denver | \$345,323 | \$343,273 | \$346,306 |

Discount rate. The discount rate used to measure the total OPEB liabilities was 7.25%. 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 and DPS 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% 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%.

**ROCKY MOUNTAIN PREPARATORY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
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NOTE 8 EMPLOYEE BENEFIT PLANS (CONTINUED)

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

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

| | 1% Decrease (6.25)% | Current Discount Rate (7.25)% | 1% Decrease (8.25)% |
|--|------------------------|-------------------------------------|------------------------|
| <u>RMP - Aurora</u> | | | |
| Proportionate Share of the Net Pension Liability | \$ 113,748 | \$ 101,171 | \$ 90,436 |
| | | | |
| | 1% Decrease (6.25)% | Current Discount Rate (7.25)% | 1% Decrease (8.25)% |
| <u>RMP - Denver</u> | | | |
| Proportionate Share of the Net Pension Liability | \$ 394,010 | \$ 345,743 | \$ 304,485 |

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

Taxable Pension Certificates of Participation (PCOPs)

The District issued Taxable Pension Certificates of Participation (PCOP) on July 17, 1997 to fully fund the unfunded actuarial accrued liability (UAAL) of the plan. Full funding of the UAAL reduced the employer contribution rate from the full funding rate of 15.75% to the normal cost rate of 4.98%. This rate is based upon actuarially determined contribution requirements, the approval and recommendation of the plan's board and approval of the District's Board of Education. DPS – Denver contributed 9.60%, 10.02%, and 9.84% of covered payroll for the fiscal years ended June 30, 2018, 2017, and 2016, respectively, to the District to cover its obligation relating to the PCOP. During the fiscal years ended June 30, 2018, 2017, and 2016, DPS – Denver made contributions totaling \$497,337, \$420,303, and \$236,286 to the District toward its PCOP obligation.

**ROCKY MOUNTAIN PREPARATORY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 LINE OF CREDIT

RMPS enter into a line of credit agreement with MidFirst bank for \$750,000, bearing an annual interest rate of 5.50%. At June 30, 2018 the outstanding balance was \$-0-.

NOTE 10 LONG-TERM DEBT

Following is a summary of RMP – Denver’s long-term debt transactions for the year ended June 30, 2018:

| <u>RMP - Denver</u> | Balance July 1, 2017 | Additions | Repayments | Balance June 30, 2018 |
|-----------------------------|----------------------------|---------------------|-----------------------|-----------------------------|
| CSGF Facility Fund III LLC | \$ - | \$ 1,600,000 | \$ (1,000,000) | \$ 600,000 |
| Low Income Investment Fund | - | 4,250,000 | - | 4,250,000 |
| Colorado Facility Solutions | - | 1,000,000 | - | 1,000,000 |
| Total Long Term Debt | <u>\$ -</u> | <u>\$ 6,850,000</u> | <u>\$ (1,000,000)</u> | <u>\$ 5,850,000</u> |

CSGF Facility Fund III LLC

RMP – Denver obtained (via RMP Berkeley Facility LLC) a loan of \$1,000,000 to support the acquisition of a facility project to be occupied by a future charter school. The loan bears an interest rate of 5.24% per annum through February 28, 2022 and 5.99% thereafter. The loan requires monthly payments of \$29,005 commencing March 1, 2022 and matures March 1, 2044.

Low Income Investment Fund

RMP – Denver obtained (via RMP Berkeley Facility LLC) a loan of \$4,250,000 to support the acquisition of a facility project to be occupied by a future charter school. The loan bears an interest rate of 2.75% per annum and requires one payment of principal and interest on January 1, 2021.

Colorado Facility Solutions

RMP – Denver obtained (via RMP Berkeley Facility LLC) a loan of \$1,000,000 to support the acquisition of a facility project to be occupied by a future charter school. The loan bears an interest rate of 2.75% per annum and requires 2 equal payments of principal and interest on January 1, 2021 and January 1, 2023.

Future maturities of long-term debt are as follows:

| <u>Year Ended June 30,</u> | |
|----------------------------|---------------------|
| 2019 | \$ - |
| 2020 | - |
| 2021 | 1,100,000 |
| 2022 | 116,022 |
| 2023 | 848,067 |
| Thereafter | 3,785,911 |
| Total | <u>\$ 5,850,000</u> |

ROCKY MOUNTAIN PREPARATORY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 11 INTERCOMPANY TRANSFERS

The charter schools have adopted and approved the payment of management fees paid to the NST of approximately 8% of estimated revenues. For the year ended June 30, 2018, the NST recorded \$1,397,216 in management income received from the schools. The fees are paid to account for the services provided in the areas of operations, finance and accounting, marketing, staff recruitment, human resources, student recruitment and enrollment. The management fee amounts are eliminated in the consolidated financial statements, as RMPS is one legal entity inclusive of NST.

NOTE 12 COMMITMENT AND CONTINGENCIES

Facilities Use Agreements

The School and the component units entered into several facility use agreements with Districts for use of a District school building for the 2017-2018 school year. The District will charge the School and the component units per pupil to cover these costs. The cost per student will be recalculated by the District each year. The School and the component units paid \$725,984 under the terms of these agreements for the year ended June 30, 2018.

Claims and Judgments

The School and the component units participates in a number of federal and 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 and the component units may be required to reimburse the grantor government. As of June 30, 2018, significant amounts of grant expenditures have not been audited, but the School and the component units believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School and the component units.

TABOR Amendment

In November 1992, Colorado voters passed the TABOR Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The School believes it has complied with the Amendment. As required by the Amendment, the School has established a reserve for emergencies. At June 30, 2018, the reserve of \$397,117 was recorded as a reservation of fund balance in the General Fund.

ROCKY MOUNTAIN PREPARATORY SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2018, the School adopted the standard of Governmental Accounting Standards Board Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.

The net position of the governmental activities at June 30, 2017, was restated by \$(252,492) for RMP – Denver and \$(23,672) for RMP - Aurora to reflect the cumulative effect of adopting the standards.

Certain balances of deferred outflows of resources and deferred inflows of resources related to pensions at June 30, 2017, were not available and have not been reported in the restatement of the net assets.

REQUIRED SUPPLEMENTARY INFORMATION

ROCKY MOUNTAIN PREPARATORY SCHOOLS
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS*
(SEE INDEPENDENT AUDITORS' REPORT)

NST AND CREEKSIDE – DPS – DENVER

| | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|--|-------------|--------------|--------------|--------------|--------------|
| School's Proportion of the Net Pension Liability (Assets) | 0.179% | 0.274% | 0.353% | 0.417% | 0.504% |
| School's Proportionate Share of the Net Pension Liability (Assets) | \$ 929,887 | \$ 1,712,357 | \$ 2,872,286 | \$ 4,571,504 | \$ 4,519,089 |
| School's Covered Payroll | \$ 975,068 | \$ 1,495,376 | \$ 2,209,248 | \$ 2,753,575 | \$ 3,411,317 |
| School's Proportionate Share of the Net Pension Liability (Assets) as a Percentage of its Covered-Employee Payroll | 95.4% | 114.5% | 130.0% | 166.0% | 132.5% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 86.3% | 83.9% | 79.3% | 74.1% | 79.5% |

SOUTHWEST – DPS – DENVER

| | <u>2015</u> | <u>2016</u> | <u>2017</u> |
|--|-------------|--------------|--------------|
| School's Proportion of the Net Pension Liability (Assets) | 0.108% | 0.133% | 0.177% |
| School's Proportionate Share of the Net Pension Liability (Assets) | \$ 876,093 | \$ 1,454,345 | \$ 1,586,893 |
| School's Covered Payroll | \$ 336,928 | \$ 877,228 | \$ 1,199,787 |
| School's Proportionate Share of the Net Pension Liability (Assets) as a Percentage of its Covered-Employee Payroll | 260.0% | 165.8% | 132.3% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 79.3% | 79.3% | 79.5% |

FLETCHER – DPS – AURORA

| | <u>2016</u> | <u>2017</u> |
|--|--------------|--------------|
| School's Proportion of the Net Pension Liability (Assets) | 0.004% | 0.014% |
| School's Proportionate Share of the Net Pension Liability (Assets) | \$ 1,216,811 | \$ 4,430,368 |
| School's Covered Payroll | \$ 76,427 | \$ 632,004 |
| School's Proportionate Share of the Net Pension Liability (Assets) as a Percentage of its Covered-Employee Payroll | N/A | N/A |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | N/A | N/A |

* Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

See accompanying Notes to Required Supplementary Information.

ROCKY MOUNTAIN PREPARATORY SCHOOLS
SCHEDULE OF SCHOOL CONTRIBUTIONS
LAST 10 FISCAL YEARS*
(SEE INDEPENDENT AUDITORS' REPORT)

NST AND CREEKSIDE – DPS – DENVER

| | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|--------------|--------------|--------------|--------------|--------------|
| Contractually Required Contributions | \$ 60,955 | \$ 59,977 | \$ 72,081 | \$ 136,767 | \$ 187,931 |
| Contributions in Relation to the Contractually Required Contribution | 60,955 | 59,977 | 72,081 | 136,767 | 187,931 |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| School's Covered Payroll | \$ 1,241,686 | \$ 1,860,246 | \$ 2,421,257 | \$ 3,139,468 | \$ 3,755,310 |
| Contributions as a Percentage of Covered-Employee Payroll | 4.91% | 3.22% | 2.98% | 4.36% | 5.00% |

SOUTHWEST – DPS – DENVER

| | 2016 | 2017 | 2018 |
|---|-------------|--------------|--------------|
| Contractually Required Contributions | \$ 21,678 | \$ 46,421 | \$ 75,055 |
| Contributions in Relation to the Contractually Required Contribution | 21,678 | 46,421 | 75,055 |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| School's Covered Payroll | \$ 643,463 | \$ 1,060,809 | \$ 1,353,130 |
| Contributions as a Percentage of Covered-Employee Payroll | 3.37% | 4.38% | 5.55% |

FLETCHER – DPS – AURORA

| | 2017 | 2018 |
|---|-------------|--------------|
| Contractually Required Contributions | \$ 117,742 | \$ 215,139 |
| Contributions in Relation to the Contractually Required Contribution | 117,742 | 215,139 |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> |
| School's Covered Payroll | \$ 612,614 | \$ 1,080,423 |
| Contributions as a Percentage of Covered-Employee Payroll | 19.22% | 19.91% |

* Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively. Years will be added to this schedule as future data becomes available.

See accompanying Notes to Required Supplementary Information.

**ROCKY MOUNTAIN PREPARATORY SCHOOLS
SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY
LAST 10 FISCAL YEARS*
(SEE INDEPENDENT AUDITORS' REPORT)**

| | |
|---|-------------|
| RMP - DENVER | <u>2017</u> |
| Proportion of the net OPEB liability | 0.678% |
| Proportionate share of the net OPEB liability | \$ 345,743 |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | N/A |
| School's Covered Payroll | N/A |
| Net OPEB Liability (Asset) as a Percentage of Covered-Employee Payroll | N/A |
| RMP -AURORA: | <u>2017</u> |
| Proportion of the net OPEB liability | 0.008% |
| Proportionate share of the net OPEB liability | \$ 101,171 |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | N/A |
| School's Covered Payroll | N/A |

* Accounting standards require presentation of 10 years of information. However, the information in this schedule is not required to be presented retroactively.
Years will be added to this schedule as future data becomes available.

ROCKY MOUNTAIN PREPARATORY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND – BUDGET TO ACTUAL – RMPS
YEAR ENDED JUNE 30, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

| | Budgeted Amounts | | Actual (Budgetary Basis) | Variance Between Final Budget and Actual |
|---|-------------------|-------------------|--------------------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Per Pupil Revenue and Preschool Funding | \$ 7,985,000 | \$ 8,718,000 | \$ 7,338,388 | \$ (1,379,612) |
| Mill Levy Override | 1,740,000 | 1,770,000 | 1,811,942 | 41,942 |
| Grants and Contributions | 4,309,000 | 3,893,000 | 5,384,274 | 1,491,274 |
| All Other Local Revenues | 1,405,000 | 1,492,000 | (303,276) | (1,795,276) |
| Total Revenues | <u>15,439,000</u> | <u>15,873,000</u> | <u>14,231,328</u> | <u>(1,641,672)</u> |
| EXPENSES | | | | |
| Payroll | 8,390,000 | 8,544,000 | 7,915,176 | (628,824) |
| Books, Supplies, and Equipment | 1,084,606 | 1,237,775 | 1,175,648 | (62,127) |
| Services and Other Operating Expenses | 5,132,394 | 5,577,159 | 2,743,601 | (2,833,558) |
| Interest Expense | - | - | 5,593 | 5,593 |
| Total Expenses | <u>14,607,000</u> | <u>15,358,934</u> | <u>11,840,018</u> | <u>(3,518,916)</u> |
| CHANGE IN FUND BALANCE | <u>\$ 832,000</u> | <u>\$ 514,066</u> | 2,391,310 | <u>\$ 1,877,244</u> |
| Fund Balance - July 1, 2017 | | | <u>4,061,691</u> | |
| FUND BALANCE - JUNE 30, 2018 | | | <u>\$ 6,453,001</u> | |

See accompanying Notes to Required Supplementary Information.

ROCKY MOUNTAIN PREPARATORY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND – BUDGET TO ACTUAL – RMP – DENVER
YEAR ENDED JUNE 30, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

| | Budgeted Amounts | | Actual (Budgetary Basis) | Variance Between Final Budget and Actual |
|---|---------------------|-------------------|--------------------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Per Pupil Revenue and Preschool Funding | \$ 6,453,000 | \$ 7,160,000 | \$ 5,809,326 | \$ (1,350,674) |
| Mill Levy Override | 1,632,000 | 1,642,000 | 1,684,433 | 42,433 |
| Grants and Contributions | 3,513,496 | 2,768,916 | 4,055,922 | 1,287,006 |
| All Other Local Revenues | 1,136,035 | 1,201,302 | 916,748 | (284,554) |
| Total Revenues | <u>12,734,531</u> | <u>12,772,218</u> | 12,466,429 | (305,789) |
| EXPENSES | | | | |
| Payroll | 6,555,607 | 6,629,942 | 6,133,067 | (496,875) |
| Books, Supplies, and Equipment | 753,812 | 873,360 | 901,082 | 27,722 |
| Services and Other Operating Expenses | 4,190,835 | 4,665,314 | 3,432,642 | (1,232,672) |
| Interest | - | - | 5,593 | 5,593 |
| Total Expenses | <u>11,500,254</u> | <u>12,168,616</u> | 10,472,384 | (1,696,232) |
| CHANGE IN FUND BALANCE | <u>\$ 1,234,277</u> | <u>\$ 603,602</u> | 1,994,045 | <u>\$ 1,390,443</u> |
| Fund Balance - July 1, 2017 | | | <u>3,850,300</u> | |
| FUND BALANCE - JUNE 30, 2018 | | | <u>\$ 5,844,345</u> | |

See accompanying Notes to Required Supplementary Information.

ROCKY MOUNTAIN PREPARATORY SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND – BUDGET TO ACTUAL – RMP – AURORA
YEAR ENDED JUNE 30, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

| | Budgeted Amounts | | Actual (Budgetary Basis) | Variance Between Final Budget and Actual |
|---|---------------------|--------------------|--------------------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Per Pupil Revenue and Preschool Funding | \$ 1,532,000 | \$ 1,558,000 | \$ 1,529,062 | \$ (28,938) |
| Mill Levy Override | 108,000 | 128,000 | 127,509 | (491) |
| Grants and Contributions | 795,504 | 1,124,084 | 1,328,352 | 204,268 |
| All Other Local Revenues | 268,965 | 290,698 | 177,192 | (113,506) |
| Total Revenues | <u>2,704,469</u> | <u>3,100,782</u> | <u>3,162,115</u> | <u>61,333</u> |
| EXPENSES | | | | |
| Payroll | 1,834,393 | 1,914,058 | 1,782,109 | (131,949) |
| Books, Supplies, and Equipment | 330,794 | 364,415 | 274,566 | (89,849) |
| Services and Other Operating Expenses | 941,559 | 911,845 | 708,175 | (203,670) |
| Total Expenses | <u>3,106,746</u> | <u>3,190,318</u> | <u>2,764,850</u> | <u>(425,468)</u> |
| CHANGE IN FUND BALANCE | <u>\$ (402,277)</u> | <u>\$ (89,536)</u> | 397,265 | <u>\$ 486,801</u> |
| Fund Balance - July 1, 2017 | | | <u>211,391</u> | |
| FUND BALANCE - JUNE 30, 2018 | | | <u>\$ 608,656</u> | |

See accompanying Notes to Required Supplementary Information.

ROCKY MOUNTAIN PREPARATORY SCHOOLS
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
YEAR ENDED JUNE 30, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

NOTE 1 SCHEDULE OF SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY

The schedule presents information on the School's and component units' proportionate share of the net pension liability, the plans' fiduciary net position and, when applicable, the state's proportionate share of the net pension liability associated with the School. Accounting standards require calculation of the proportionate share of the pension liability based on the plan information for the previous year. In the future, as data becomes available, 10 years of information will be presented.

NOTE 2 SCHEDULE OF SCHOOL CONTRIBUTIONS

The schedule presents information on the School's and component units' required contribution, the amounts actually contributed and any excess or deficiency related to the required contribution. In the future, as data becomes available, 10 years of information will be presented.

NOTE 3 SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY

This schedule is intended to show trends about the changes in the School's and component units' OPEB liability. . In the future, as data becomes available, 10 years of information will be presented.

NOTE 4 STATEMENTS OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE – GENERAL FUND – BUDGET TO ACTUAL

The information on these schedules are presented in accordance with the requirements of the state of Colorado.

**SUPPLEMENTARY INFORMATION AND
OPTIONAL SUPPLEMENTARY INFORMATION**

**ROCKY MOUNTAIN PREPARATORY SCHOOLS
BOARD OF DIRECTORS AND ADMINISTRATORS
YEAR ENDED JUNE 30, 2018
(SEE INDEPENDENT AUDITORS' REPORT)**

The Board of Directors and the Administrators as of the year ended June 30, 2018 were as follows:

BOARD OF DIRECTORS

| | |
|---------------|-----------------------|
| Lee White | Board Chair |
| Jill Hamilton | Vice Chair |
| Tagg Hansen | Treasurer |
| Paul Zukerman | Parent Representative |
| Justin Fong | Member |
| Rich Billings | Member |
| Pat Donovan | Member |
| Evy Valencia | Member |

ADMINISTRATORS

| | |
|------------------|---|
| James Cryan | Founder and CEO |
| Kevin Flynn | Senior Director of Operations |
| Greg Rawson | Managing Director of Strategy and Growth |
| Sara Taylor | Managing Director of Talent and Academics |
| Fulton Breen | Senior Director of Finance |
| Austen Kassinger | School Leader, Rocky Mountain Preparatory Creekside |
| Jennifer Reese | School Leader, Rocky Mountain Preparatory Southwest |
| Caitlin Vaughan | School Leader, Rocky Mountain Preparatory Fletcher |

**ROCKY MOUNTAIN PREPARATORY SCHOOLS
GENERAL FUND BALANCE SHEET BY LOCATION
JUNE 30, 2018
(SEE INDEPENDENT AUDITORS' REPORT)**

| | Rocky Mountain Preparatory Creekside | Rocky Mountain Preparatory Southwest | Total DPS | Rocky Mountain Preparatory Fletcher (APS) | Eliminations | Total |
|--------------------------------------|---|---|---------------------|--|---------------------|---------------------|
| ASSETS | | | | | | |
| CURRENT ASSETS | | | | | | |
| Cash | \$ 3,740,875 | \$ 1,049,669 | \$ 4,790,544 | \$ 659,753 | \$ - | \$ 5,450,297 |
| Cash Held for TABOR | 206,646 | 107,525 | 314,171 | 82,946 | - | 397,117 |
| Intercompany Receivable | 545,444 | 256,783 | 802,227 | 133,423 | (935,650) | - |
| Accounts Receivable | 283,570 | 142,192 | 425,762 | 456,947 | - | 882,709 |
| Total Current Assets | <u>4,776,535</u> | <u>1,556,169</u> | <u>6,332,704</u> | <u>1,333,069</u> | <u>(935,650)</u> | <u>6,730,123</u> |
| Total Assets | <u>\$ 4,776,535</u> | <u>\$ 1,556,169</u> | <u>\$ 6,332,704</u> | <u>\$ 1,333,069</u> | <u>\$ (935,650)</u> | <u>\$ 6,730,123</u> |
| LIABILITIES AND FUND BALANCES | | | | | | |
| CURRENT LIABILITIES | | | | | | |
| Accounts Payable | \$ 158,630 | \$ 63,156 | \$ 221,786 | \$ 53,343 | \$ - | \$ 275,129 |
| Intercompany Payable | 180,161 | 84,816 | 264,977 | 670,673 | (935,650) | - |
| Deferred Revenues | 1,085 | 511 | 1,596 | 397 | - | 1,993 |
| Total Current Liabilities | <u>339,876</u> | <u>148,483</u> | <u>488,359</u> | <u>724,413</u> | <u>(935,650)</u> | <u>277,122</u> |
| Total Liabilities | 339,876 | 148,483 | 488,359 | 724,413 | (935,650) | 277,122 |
| FUND BALANCES | | | | | | |
| Emergency Reserve | 206,646 | 107,525 | 314,171 | 82,946 | - | 397,117 |
| Unassigned | 4,230,013 | 1,300,161 | 5,530,174 | 525,710 | - | 6,055,884 |
| Total Fund Balances | <u>4,436,659</u> | <u>1,407,686</u> | <u>5,844,345</u> | <u>608,656</u> | <u>-</u> | <u>6,453,001</u> |
| Total Liabilities and Fund Balances | <u>\$ 4,776,535</u> | <u>\$ 1,556,169</u> | <u>\$ 6,332,704</u> | <u>\$ 1,333,069</u> | <u>\$ (935,650)</u> | <u>\$ 6,730,123</u> |

**ROCKY MOUNTAIN PREPARATORY SCHOOLS
GENERAL FUND REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE BY LOCATION
YEAR ENDED JUNE 30, 2018
(SEE INDEPENDENT AUDITORS' REPORT)**

| | Rocky Mountain Preparatory Creekside | Rocky Mountain Preparatory Southwest | Total DPS | Rocky Mountain Preparatory Fletcher (APS) | Total |
|--|---|---|---------------------|--|---------------------|
| REVENUES | | | | | |
| General Revenues: | | | | | |
| Per Pupil Revenue and | | | | | |
| Preschool Funding | \$ 3,978,821 | \$ 1,830,505 | \$ 5,809,326 | \$ 1,529,062 | \$ 7,338,388 |
| Mill Levy Override | 1,079,555 | 604,878 | 1,684,433 | 127,509 | 1,811,942 |
| Program Revenues: | | | | | |
| Federal Revenue | 889,505 | 507,935 | 1,397,440 | 355,772 | 1,753,212 |
| Other State | 335,969 | 152,712 | 488,681 | 9,182 | 497,863 |
| Private Grants and Contributions | 1,321,662 | 848,139 | 2,169,801 | 963,398 | 3,133,199 |
| Investment Income | 3,155 | 1,485 | 4,640 | 1,152 | 5,792 |
| All Other Local Revenues | 657,129 | 254,979 | 912,108 | 176,040 | 1,088,148 |
| Total Revenues | <u>8,265,796</u> | <u>4,200,633</u> | <u>12,466,429</u> | <u>3,162,115</u> | <u>15,628,544</u> |
| EXPENSES | | | | | |
| Program Expenses | 4,142,454 | 2,216,549 | 6,359,003 | 1,997,827 | 8,356,830 |
| Supporting Services | 2,745,749 | 1,367,632 | 4,113,381 | 767,023 | 4,880,404 |
| Total Expenses | <u>6,888,203</u> | <u>3,584,181</u> | <u>10,472,384</u> | <u>2,764,850</u> | <u>13,237,234</u> |
| CHANGE IN FUND BALANCE/ NET POSITION | 1,377,593 | 616,452 | 1,994,045 | 397,265 | 2,391,310 |
| Fund Balance/Net Position - July 1, 2017 | 1,824,784 | 210,160 | 2,034,944 | (239,443) | 1,795,501 |
| Allocation of NST | <u>1,234,282</u> | <u>581,074</u> | <u>1,815,356</u> | <u>450,834</u> | <u>2,266,190</u> |
| Fund Balance/Net Position - After Allocation July 1, 2017 | <u>3,059,066</u> | <u>791,234</u> | <u>3,850,300</u> | <u>211,391</u> | <u>4,061,691</u> |
| FUND BALANCE/NET POSITION - JUNE 30, 2018 | <u>\$ 4,436,659</u> | <u>\$ 1,407,686</u> | <u>\$ 5,844,345</u> | <u>\$ 608,656</u> | <u>\$ 6,453,001</u> |

ROCKY MOUNTAIN PREPARATORY SCHOOLS
STATEMENT OF NET POSITION BY LOCATION
JUNE 30, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

| ASSETS | Rocky Mountain Preparatory Creekside (DPS) | Rocky Mountain Preparatory Southwest (DPS) | Total RMP - Denver | Rocky Mountain Preparatory Fletcher | Total RMP - Aurora | Eliminations | Total |
|--|---|---|-----------------------|--|-----------------------|------------------|-------------------|
| CURRENT ASSETS | | | | | | | |
| Cash | \$ 4,233,147 | \$ 1,281,326 | \$ 5,514,473 | \$ 659,753 | \$ 659,753 | \$ - | \$ 6,174,226 |
| Cash Held for TABOR | 206,646 | 107,525 | 314,171 | 82,946 | 82,946 | - | 397,117 |
| Intercompany Receivable | 545,444 | 256,783 | 802,227 | 133,423 | 133,423 | (935,650) | - |
| Accounts Receivable | 284,557 | 142,657 | 427,214 | 456,947 | 456,947 | - | 884,161 |
| Total Current Assets | <u>5,269,794</u> | <u>1,788,291</u> | <u>7,058,085</u> | <u>1,333,069</u> | <u>1,333,069</u> | <u>(935,650)</u> | <u>7,455,504</u> |
| NONCURRENT ASSETS | | | | | | | |
| Capital Assets, Net of Accumulated Depreciation | 4,095,020 | 1,863,851 | 5,958,871 | - | - | - | 5,958,871 |
| Total Assets | 9,364,814 | 3,652,142 | 13,016,956 | 1,333,069 | 1,333,069 | (935,650) | 13,414,375 |
| DEFERRED OUTFLOWS OF RESOURCES - PENSIONS | 1,862,173 | 858,899 | 2,721,072 | 2,917,749 | 2,917,749 | - | 5,638,821 |
| LIABILITIES AND NET POSITION | | | | | | | |
| CURRENT LIABILITIES | | | | | | | |
| Accounts Payable | \$ 172,031 | \$ 69,463 | \$ 241,494 | \$ 53,343 | \$ 53,343 | \$ - | \$ 294,837 |
| Intercompany Payable | 180,161 | 84,816 | 264,977 | 670,673 | 670,673 | (935,650) | - |
| Deferred Revenues | 1,085 | 511 | 1,596 | 397 | 397 | - | 1,993 |
| Total Current Liabilities | <u>353,277</u> | <u>154,790</u> | <u>508,067</u> | <u>724,413</u> | <u>724,413</u> | <u>(935,650)</u> | <u>296,830</u> |
| NONCURRENT LIABILITIES | | | | | | | |
| Long-Term Debt | 3,978,000 | 1,872,000 | 5,850,000 | - | - | - | 5,850,000 |
| Net Pension Liability | 4,792,685 | 1,676,854 | 6,469,539 | 4,531,539 | 4,531,539 | - | 11,001,078 |
| Total Noncurrent Liabilities | <u>8,770,685</u> | <u>3,548,854</u> | <u>12,319,539</u> | <u>4,531,539</u> | <u>4,531,539</u> | <u>-</u> | <u>16,851,078</u> |
| Total Liabilities | 9,123,962 | 3,703,644 | 12,827,606 | 5,255,952 | 5,255,952 | (935,650) | 17,147,908 |
| DEFERRED INFLOWS OF RESOURCES - PENSIONS | 1,117,078 | 392,270 | 1,509,348 | 182,856 | 182,856 | - | 1,692,204 |
| NET POSITION | | | | | | | |
| Invested in Capital Assets, Net of Related Debt | 117,020 | (8,149) | 108,871 | - | - | - | 108,871 |
| Emergency Reserve | 206,646 | 107,525 | 314,171 | 82,946 | 82,946 | - | 397,117 |
| Unrestricted | 662,281 | 315,751 | 978,032 | (1,270,936) | (1,270,936) | - | (292,904) |
| Total Net Position | <u>\$ 985,947</u> | <u>\$ 415,127</u> | <u>\$ 1,401,074</u> | <u>\$ (1,187,990)</u> | <u>\$ (1,187,990)</u> | <u>\$ -</u> | <u>\$ 213,084</u> |

ROCKY MOUNTAIN PREPARATORY SCHOOLS
STATEMENT OF ACTIVITIES BY LOCATION
YEAR ENDED JUNE 30, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

| | Rocky Mountain Preparatory Creekside | Rocky Mountain Preparatory Southwest | Total RMP - Denver | Rocky Mountain Preparatory Fletcher | Total RMP - Aurora | Total |
|---|---|---|-----------------------|--|-----------------------|-------------------|
| REVENUES | | | | | | |
| General Revenues: | | | | | | |
| Per Pupil Revenue and | | | | | | |
| Preschool Funding | \$ 3,978,821 | \$ 1,830,505 | \$ 5,809,326 | \$ 1,529,062 | \$ 1,529,062 | \$ 7,338,388 |
| Mill Levy Override | 1,079,555 | 604,878 | 1,684,433 | 127,509 | 127,509 | 1,811,942 |
| Program Revenues: | | | | | | |
| Federal Revenue | 889,505 | 507,935 | 1,397,440 | 355,772 | 355,772 | 1,753,212 |
| Other State | 335,969 | 152,712 | 488,681 | 9,182 | 9,182 | 497,863 |
| Private Grants and Contributions | 1,321,662 | 848,139 | 2,169,801 | 963,398 | 963,398 | 3,133,199 |
| Investment Income | 3,155 | 1,485 | 4,640 | 1,152 | 1,152 | 5,792 |
| All Other Local Revenues | 1,204,673 | 512,647 | 1,717,320 | 176,040 | 176,040 | 1,893,360 |
| Total Revenues | <u>8,813,340</u> | <u>4,458,301</u> | <u>13,271,641</u> | <u>3,162,115</u> | <u>3,162,115</u> | <u>16,433,756</u> |
| EXPENSES | | | | | | |
| Program Expenses | 5,308,024 | 2,707,734 | 8,015,758 | 3,416,239 | 3,416,239 | 11,431,997 |
| Supporting Services | 2,745,749 | 1,367,632 | 4,113,381 | 767,023 | 767,023 | 4,880,404 |
| Total Expenses | <u>8,053,773</u> | <u>4,075,366</u> | <u>12,129,139</u> | <u>4,183,262</u> | <u>4,183,262</u> | <u>16,312,401</u> |
| CHANGE IN NET POSITION | 759,567 | 382,935 | 1,142,502 | (1,021,147) | (1,021,147) | 121,355 |
| Net Position - July 1, 2017 As Previously Reported | (815,539) | (488,753) | (1,304,292) | (594,005) | (594,005) | (1,898,297) |
| Cumulative Effect of Application of GASB No. 75, Net OPEB Liability | (192,363) | (60,129) | (252,492) | (23,672) | (23,672) | (276,164) |
| Allocation of NST | 1,234,282 | 581,074 | 1,815,356 | 450,834 | 450,834 | 2,266,190 |
| Net Position - July 1, 2017 After Allocation | <u>226,380</u> | <u>32,192</u> | <u>258,572</u> | <u>(166,843)</u> | <u>(166,843)</u> | <u>91,729</u> |
| NET POSITION - JUNE 30, 2018 | <u>\$ 985,947</u> | <u>\$ 415,127</u> | <u>\$ 1,401,074</u> | <u>\$ (1,187,990)</u> | <u>\$ (1,187,990)</u> | <u>\$ 213,084</u> |

ROCKY MOUNTAIN PREPARATORY SCHOOLS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND – BUDGET TO ACTUAL – NST
YEAR ENDED JUNE 30, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

| | <u>Budgeted Amounts</u> | | Actual (Budgetary Basis) | Variance Between Final Budget and Actual |
|---------------------------------------|-------------------------|-------------------|--------------------------------|---|
| | <u>Original</u> | <u>Final</u> | | |
| REVENUES | | | | |
| Grants and Contributions | \$ 2,918,000 | \$ 1,805,000 | \$ 2,002,429 | \$ 197,429 |
| All Other Local Revenues | 1,352,000 | 1,416,000 | 1,403,008 | (12,992) |
| Total Revenues | <u>4,270,000</u> | <u>3,221,000</u> | 3,405,437 | 184,437 |
| EXPENSES | | | | |
| Payroll | 1,892,000 | 1,830,000 | 1,664,151 | (165,849) |
| Books, Supplies, and Equipment | - | 74,934 | 110,002 | 35,068 |
| Services and Other Operating Expenses | 610,000 | 610,000 | 450,591 | (159,409) |
| Total Expenses | <u>2,502,000</u> | <u>2,440,000</u> | <u>2,224,744</u> | <u>(290,190)</u> |
| CHANGE IN FUND BALANCE | <u>\$ 1,768,000</u> | <u>\$ 781,000</u> | 1,180,693 | <u>\$ 474,627</u> |
| Fund Balance - July 1, 2017 | | | <u>2,266,190</u> | |
| FUND BALANCE - JUNE 30, 2018 | | | <u>\$ 3,446,883</u> | |

ROCKY MOUNTAIN PREPARATORY SCHOOLS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND – BUDGET TO ACTUAL – CREEKSIDE
YEAR ENDED JUNE 30, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

| | Budgeted Amounts | | Actual (Budgetary Basis) | Variance Between Final Budget and Actual |
|---|---------------------|-------------------|--------------------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Per Pupil Revenue and Preschool Funding | \$ 4,462,000 | \$ 5,023,000 | \$ 3,978,821 | \$ (1,044,179) |
| Mill Levy Override | 977,000 | 1,035,000 | 1,079,555 | 44,555 |
| Grants and Contributions | 2,392,234 | 1,816,766 | 2,547,136 | 730,370 |
| All Other Local Revenues | 789,368 | 824,225 | 660,284 | (163,941) |
| Total Revenues | <u>8,620,602</u> | <u>8,698,991</u> | <u>8,265,796</u> | <u>(433,195)</u> |
| EXPENSES | | | | |
| Payroll | 4,267,989 | 4,293,817 | 3,976,587 | (317,230) |
| Books, Supplies, and Equipment | 458,801 | 523,860 | 614,345 | 90,485 |
| Services and Other Operating Expenses | 2,885,780 | 3,293,568 | 2,293,468 | (1,000,100) |
| Interest Expense | - | - | 3,803 | 3,803 |
| Total Expenses | <u>7,612,570</u> | <u>8,111,245</u> | <u>6,888,203</u> | <u>(1,223,042)</u> |
| CHANGE IN FUND BALANCE | <u>\$ 1,008,032</u> | <u>\$ 587,746</u> | 1,377,593 | <u>\$ 789,847</u> |
| Fund Balance - July 1, 2017 | | | <u>3,059,066</u> | |
| FUND BALANCE - JUNE 30, 2018 | | | <u>\$ 4,436,659</u> | |

ROCKY MOUNTAIN PREPARATORY SCHOOLS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND – BUDGET TO ACTUAL – SOUTHWEST
YEAR ENDED JUNE 30, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

| | Budgeted Amounts | | Actual (Budgetary Basis) | Variance Between Final Budget and Actual |
|---|-------------------|------------------|--------------------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Per Pupil Revenue and Preschool Funding | \$ 1,991,000 | \$ 2,137,000 | \$ 1,830,505 | \$ (306,495) |
| Mill Levy Override | 655,000 | 607,000 | 604,878 | (2,122) |
| Grants and Contributions | 1,121,262 | 952,150 | 1,508,786 | 556,636 |
| All Other Local Revenues | 346,667 | 377,077 | 256,464 | (120,613) |
| Total Revenues | <u>4,113,929</u> | <u>4,073,227</u> | <u>4,200,633</u> | <u>127,406</u> |
| EXPENSES | | | | |
| Payroll | 2,287,618 | 2,336,125 | 2,156,480 | (179,645) |
| Books, Supplies, and Equipment | 295,011 | 349,500 | 286,737 | (62,763) |
| Services and Other Operating Expenses | 1,305,055 | 1,371,746 | 1,139,174 | (232,572) |
| Interest Expense | - | - | 1,790 | 1,790 |
| Total Expenses | <u>3,887,684</u> | <u>4,057,371</u> | <u>3,584,181</u> | <u>(473,190)</u> |
| CHANGE IN FUND BALANCE | <u>\$ 226,245</u> | <u>\$ 15,856</u> | 616,452 | <u>\$ 600,596</u> |
| Fund Balance - July 1, 2017 | | | <u>791,234</u> | |
| FUND BALANCE - JUNE 30, 2018 | | | <u>\$ 1,407,686</u> | |

ROCKY MOUNTAIN PREPARATORY SCHOOLS
STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND – BUDGET TO ACTUAL – FLETCHER
YEAR ENDED JUNE 30, 2018
(SEE INDEPENDENT AUDITORS' REPORT)

| | Budgeted Amounts | | Actual (Budgetary Basis) | Variance Between Final Budget and Actual |
|---|---------------------|--------------------|--------------------------------|---|
| | Original | Final | | |
| REVENUES | | | | |
| Per Pupil Revenue and Preschool Funding | \$ 1,532,000 | \$ 1,558,000 | \$ 1,529,062 | (28,938) |
| Mill Levy Override | 108,000 | 128,000 | 127,509 | (491) |
| Grants and Contributions | 795,504 | 1,124,084 | 1,328,352 | 204,268 |
| All Other Local Revenues | 268,965 | 290,698 | 177,192 | (113,506) |
| Total Revenues | <u>2,704,469</u> | <u>3,100,782</u> | <u>3,162,115</u> | <u>61,333</u> |
| EXPENSES | | | | |
| Payroll | 1,834,393 | 1,914,058 | 1,782,109 | (131,949) |
| Books, Supplies, and Equipment | 330,794 | 364,415 | 274,566 | (89,849) |
| Services and Other Operating Expenses | 941,559 | 911,845 | 708,175 | (203,670) |
| Total Expenses | <u>3,106,746</u> | <u>3,190,318</u> | <u>2,764,850</u> | <u>(425,468)</u> |
| CHANGE IN FUND BALANCE | <u>\$ (402,277)</u> | <u>\$ (89,536)</u> | 397,265 | <u>\$ 486,801</u> |
| Fund Balance - July 1, 2017 | | | <u>211,391</u> | |
| FUND BALANCE - JUNE 30, 2018 | | | <u>\$ 608,656</u> | |

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

Board of Directors
Rocky Mountain Preparatory Schools
Denver, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements Rocky Mountain Preparatory Schools (the School or RMPS), RMPS – Denver (a component unit of School District Number 1 in the City and County of Denver and State of Colorado (Denver Public Schools or DPS) and RMPS – Aurora (a component unit of Joint School District Number 28-J of the Counties of Adams and Arapahoe, Colorado (APS), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's and the component units' financial statements, and have issued our report thereon dated September 21, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School's and the component units' internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's and the component units' internal control. Accordingly, we do not express an opinion on the effectiveness of the School's and the component units' internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency or a combination of deficiencies in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's and the component units' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



CliftonLarsonAllen LLP

Glendora, California
September 21, 2018

**ROCKY MOUNTAIN PREPARATORY SCHOOLS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2018**

There were no findings or questioned costs for the current year.

**ROCKY MOUNTAIN PREPARATORY SCHOOLS
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2018**

There were no findings or questioned costs for the prior year.