

**Alta Vista Charter School,
a component unit of Lamar School District RE-2
Auditor's Report and Financial Statements
June 30, 2018**

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November 14, 2018

**Alta Vista Charter School
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June 30, 2018**

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Independent Auditor's Report

Board of Directors
Alta Vista Charter School

We have audited the accompanying financial statements of the governmental activities and each major fund of Alta Vista Charter School (AVCS), a component unit of Lamar School District RE-2, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise AVCS's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

AVCS's 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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of AVCS's 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, budgetary comparison information, Schedule of Schools Proportionate Share of the Net Pension Liability, and Schedule of Contributions and Ratios on pages ii through iii and 31 through 33 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise AVCS's basic financial statements. The supplementary information and the Auditor's Integrity Report are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Supplementary Information is the responsibility of management and was derived from and relates 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 Supplementary Information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

rfarmer, llc

October 25, 2018

MANAGEMENT'S DISCUSSION & ANALYSIS

This section of Alta Vista Charter School's, a component unit of Lamar School District Re-2, annual financial report presents management's discussion and analysis of the school's financial performance during the fiscal year ended on June 30, 2018.

Fund Financial Statements

Financial statements are Governmental type activities. These activities are financed through taxes, intergovernmental revenues, and other non-trade revenues. Each fund is accounted for in the financial statements with a separate set of self-balancing accounts which reflect assets, liabilities, fund equity, revenues, and expenditures. GASB Statement #34 requires two financial statements (Statement of Net Assets-page 3, and Statement of Activities-page 4) combining a broad range of school activities into single financial statements. While these give a look at the big picture of the school's financial status, they are difficult to digest for operational details of the School.

As reflected in the June 30, 2018 Statement of Net Assets, total net assets decreased from \$4,208,968 in 2017 to \$3,435,725 in the current year. This decrease continues to reflect the GASB 68 requiring schools to report pension liabilities. The school's current net pension liability is \$3,637,324. Capital assets, net of related debt, decreased from \$5,900,661 in 2017 to \$5,766,079 in 2018 due to the increase of accumulated depreciation. Restricted assets, which are composed of the required TABOR reserve and BEST Capital Renewal Reserve, increased from \$79,340 to \$91,830 due to the requirement of BEST Capital Renewal. The unrestricted, or undesignated, fund balance decreased from \$(1,771,033) to \$(2,422,184) in 2018. Total liabilities increased from \$3,425,441 in 2017 to \$3,752,894 in 2018. The changes in the fund balance and total liabilities are due to the GASB 68 reporting requirements for reporting pension liability.

In the revenue realm, total revenues in Governmental Funds from state and local sources increased from \$949,305 to \$997,888 due to increased PPOR revenues. In the area of expenditures, total expenses in governmental funds were \$1,601,146 in 2017 and \$1,771,131 in 2018 due to GASB 68 impacting total yearly expenditures.

In the current financial report (2018) expenses were less than revenues by \$56,895 due to conscientious monitoring of expenditures. The result was a change of an ending fund balance in Total Governmental Funds from \$403,191 in 2017 to \$460,086 in 2018.

Analysis of Original, Final, and Actual Budget Results for the General Fund

The school receives revenues of four separate types. The bulk of the operating funds are obtained through transfer from the District of the Per Pupil Funding generated by students enrolled in the school. Other types of revenue include investment earnings, miscellaneous revenues, and grant revenues. It is somewhat useful to compare budgeted versus actual revenue and expenditures. Revenue projections were \$993,656 and actual revenues were \$997,888, a difference of \$4,232.

On the expenditure side of the General Fund, actual expenditures \$940,993 were lower than budgeted (contingency excluded) expenditures \$1,006,601. Restraint in spending across the board accounts for this difference.

Summary Comments

As reviewed earlier, the financial standing of Alta Vista Charter School appears sound. Restraint in spending has allowed the school to build up some reserves

The school employs a somewhat aggressive enrollment process during the spring semester to arrive at a pretty good estimate of enrollment prior to development of the budget. However, continued difficulties with the state and national economy, declining enrollment, and reduction in state funding could dramatically affect the financial situation of the school. Therefore, fiscal prudence is advised in planning for future budgets.

If additional information is required please contact Alta Vista Charter School at (719)-336-2154 or 8785 County RD. LL, Lamar, CO 81052.

**Alta Vista Charter School
Statement of Net Position
June 30, 2018**

	<u>Governmental Activities</u>	<u>Total</u>
ASSETS		
Cash and Equivalents	\$ 575,656	\$ 575,656
Capital Assets		
Buildings	6,563,560	6,563,560
Equipment and Furniture	100,000	100,000
Less: Accumulated Depreciation	<u>(897,481)</u>	<u>(897,481)</u>
Total Capital Assets	<u>5,766,079</u>	<u>5,766,079</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pension Plan	<u>995,619</u>	<u>995,619</u>
Total Assets	<u>7,337,354</u>	<u>7,337,354</u>
LIABILITIES		
Accounts payable and accrued expenses	115,570	115,570
Long-term liabilities		
Due in more than one year		
Net Pension Liability	<u>3,637,324</u>	<u>3,637,324</u>
Total liabilities	<u>3,752,894</u>	<u>3,752,894</u>
DEFERRED INFLOWS OF RESOURCES		
Pension Plan	<u>148,735</u>	<u>148,735</u>
NET POSITION		
Net investment in capital assets	5,766,079	5,766,079
Restricted for:		
BEST Capital Renewal Reserve	63,600	63,600
TABOR	28,230	28,230
Unrestricted	<u>(2,422,184)</u>	<u>(2,422,184)</u>
Total net position	<u>\$ 3,435,725</u>	<u>\$ 3,435,725</u>

The accompanying notes to financial statements
are an integral part of these statements.

**Alta Vista Charter School
Statement of Activities
For the Year Ended June 30, 2018**

<u>Functions/Programs</u>	<u>Program Revenue</u>				<u>Net (Expense) Revenue and Changes in Net Assets</u>	
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Total</u>
Primary government						
Governmental Activities						
Instructional:						
Charter School	\$ 1,771,131	\$ -	\$ 1,400	\$ -	\$ (1,769,731)	\$ (1,769,731)
Total Instructional	<u>1,771,131</u>	<u>-</u>	<u>1,400</u>	<u>-</u>	<u>(1,769,731)</u>	<u>(1,769,731)</u>
Total governmental activities	<u>1,771,131</u>	<u>-</u>	<u>1,400</u>	<u>-</u>	<u>(1,769,731)</u>	<u>(1,769,731)</u>
Total government	<u>1,771,131</u>	<u>-</u>	<u>1,400</u>	<u>-</u>	<u>(1,769,731)</u>	<u>(1,769,731)</u>
General revenues:						
Unrestricted investment earnings					2,280	2,280
Miscellaneous					4,958	4,958
Per pupil revenue					989,250	989,250
Total general revenues, special items, and transfers					<u>996,488</u>	<u>996,488</u>
Change in net assets					<u>(773,243)</u>	<u>(773,243)</u>
Net position - beginning					4,208,968	4,208,968
Net position - ending					<u>\$ 3,435,725</u>	<u>\$ 3,435,725</u>

The accompanying notes to financial statements
are an integral part of these statements.

**Alta Vista Charter School
Balance Sheet
Governmental Fund
June 30, 2018**

	<u>General</u>	<u>Total Governmental Fund</u>
ASSETS		
Cash and cash equivalents	\$ 575,656	\$ 575,656
Total assets	<u>575,656</u>	<u>575,656</u>
 LIABILITIES AND FUND BALANCES		
Liabilities:		
Accounts payable	2,594	2,594
Accrued Salaries	112,976	112,976
Total liabilities	<u>115,570</u>	<u>115,570</u>
 Fund balances:		
Restricted for :		
BEST capital renewal reserve	63,600	63,600
TABOR	28,230	28,230
Unassigned	368,256	368,256
Total fund balances	<u>460,086</u>	<u>460,086</u>
Total liabilities and fund balances	<u>\$ 575,656</u>	<u>\$ 575,656</u>

The accompanying notes to financial statements
are an integral part of these statements.

Alta Vista Charter School

**Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position
June 30, 2018**

Total fund balance, governmental funds	\$	460,086
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Amounts reported for governmental activities in the Statement of Net Position
are different because:

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	5,766,079
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Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.	995,619
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Some liabilities, (such as Notes Payable, Capital Lease Contract Payable, Long-term Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.	(3,786,059)
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Net Assets of Governmental Activities in the Statement of Net Position	<u>\$</u>	<u>3,435,725</u>
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The accompanying notes to financial statements
are an integral part of these statements.

Alta Vista Charter School
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Fund
For the Year Ended June 30, 2018

	<u>General</u>	<u>Total Governmental Fund</u>
REVENUES		
Per pupil revenue	\$ 989,250	\$ 989,250
Intergovernmental	1,400	1,400
Investment earnings	2,280	2,280
Miscellaneous	4,958	4,958
Total revenues	<u>997,888</u>	<u>997,888</u>
EXPENDITURES		
Instructional:		
Charter School	940,993	940,993
Total Instructional	<u>940,993</u>	<u>940,993</u>
Total Expenditures	<u>940,993</u>	<u>940,993</u>
Excess (deficiency) of revenues over expenditures	<u>56,895</u>	<u>56,895</u>
Net change in fund balance	56,895	56,895
Fund balance - beginning	403,191	403,191
Fund balance - ending	<u>\$ 460,086</u>	<u>\$ 460,086</u>

The accompanying notes to financial statements
are an integral part of these statements.

Alta Vista Charter School
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2018

Net change in fund balances - total governmental funds:	\$	56,895
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Amounts reported for Governmental Activities in the Statement of Activities are different because:

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. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which capital outlay of \$0 was less than depreciation of \$134,582 in the current period.		(134,582)
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Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Net difference between PERA pension and actual expense contributions		(695,556)
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Change in net assets of governmental activities	\$	(773,243)
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The accompanying notes to financial statements
are an integral part of these statements.

**Alta Vista Charter School
Notes to Financial Statements
June 30, 2018**

Note 1 Reporting Entity

The Alta Vista Charter School (AVCS) is organized as a charter school as recognized under the Colorado Revised Statutes and operates as a component unit of Lamar School District RE-2. The school operates grades K through 6. The reporting entity for the school consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature of significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. This report does not contain any component units; however, AVCS is a component unit of Lamar School District RE-2 and is also reported as part of their financial statements.

Note 2 Summary of Significant Accounting Policies

The accounting policies of the AVCS conform to generally accepted accounting principles as applicable to governmental units.

Financial Statement Presentation

The financial statements are presented in conformity with standards as prescribed by the Governmental Accounting Standards Board.

School-Wide Financial Statements

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, inter-governmental revenues and other non-exchange revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The School does not allocate indirect expenses to functions in the Statement of Activities. Program revenues included (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

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

Fund Financial Statements

Fund financial statements of the reporting entity are organized into funds each of which are considered to be separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, fund equity, revenues, and expenditures.

Funds are organized as major funds or non-major funds within the governmental statements. An emphasis is placed on major fund within the governmental category. A fund is considered major if it is the primary operating fund of the School or meets the following criteria:

- a. Total assets, liabilities, revenues or expenditures of that individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. Total assets, liabilities, revenues or expenditures of the individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.
- c. In addition, any other governmental fund that the School believes is particularly important to financial statement users may be reported as a major fund.

Governmental Activities

Governmental funds are identified as general, special revenue, debt service or capital projects funds based up on the following guidelines.

General Fund

The General Fund is the general operating fund of the School and is always classified as a major fund. It is used to account for all financial resources except those required to be accounted for in another fund.

Major Funds

The School reports the following major governmental fund:

General Fund

Basis of Accounting

The school-wide Statement of Net Assets and Statement of Activities are presented using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred, or economic asset used. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place.

The modified accrual basis of accounting is followed by the governmental funds. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

State general and categorical aids and other entitlements are recognized as revenue in the period the School is entitled to the resources and the amounts are available. Expenditure-driven programs currently reimbursable are recognized as revenue when the qualifying expenditures have been incurred and the amounts are available. Amounts owed to the School which are not available are recorded as receivables and deferred revenue. Amounts received prior to the entitlement period are also recorded as deferred revenue.

Revenues susceptible to accrual include miscellaneous taxes, expenditure-driven grant programs and investment income.

For governmental fund financial statements, deferred revenues arise when potential revenue does not meet both the “measurable” and “available” criteria for recognition in the current period. Deferred revenues also arise when resources are received before the School has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the School has a legal claim to the resources, the liability for deferred revenue is removed from the combined balance sheet and revenue is recognized.

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

Measurement Focus

On the school-wide Statement of Net Assets and Statement of Activities governmental activities are presented using the economic resources measurement focus. Under this concept, revenues and expenses are matched using the accrual basis of accounting.

The measurement focus of all governmental funds is the flow of current financial resources concept. Under this concept, sources and uses of financial resources, including capital outlays, debt proceeds and debt retirements, are reflected in operations. Resources are not available to finance expenditures and commitments of the current period are recognized as deferred revenue or a reservation of fund equity. Liabilities for claims, judgments, compensated absences and pension contributions which will not be currently liquidated using expendable available financial resources are included as liabilities in the school-wide financial statements but are excluded from the governmental fund financial statements. The related expenditures are recognized in the governmental fund financial statements when the liabilities are liquidated.

Capital Assets

School-Wide Statements

All capital assets are valued at historical cost or estimated historical cost if actual is unavailable, except for donated fixed assets which are recorded at their estimated fair value at the date of donation.

Prior to July 2002, governmental funds' capital assets were accounted for in the general fixed asset account group and were not recorded directly as a part of any individual fund's financial statements. Upon implementing GASB 34 governmental units are required to account for all capital assets including infrastructure in the school-wide statements. The School does not have any infrastructure assets.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation for all fixed assets that cost \$5,000 or more. The range of estimated useful lives by type of asset is as follows:

Site Improvement	10-20 years
Buildings	50 years
Building Improvements	20 years
Furniture and Equipment	5-15 years
Computer and Related Technology	5 years
Library Books	7 years

Interest incurred or earned during the construction of capital assets is capitalized. There was not any capitalized interest during the year.

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets are not capitalized, and related depreciation is not reported in the fund financial statements.

Budgets

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund.

Annual budgets are adopted as required by Colorado Statutes. Formal budgetary integration is employed as a management control device during the year.

Budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP). Budgetary comparisons in this report are presented on the GAAP basis.

The Board of Education shall each year cause to be prepared a proposed budget for the ensuing fiscal year. A statement shall be submitted with the proposed budget describing the major objectives of the educational program to be undertaken by the School during the ensuing fiscal year and the manner in which the budget proposes to fulfill such objectives. The proposed budget shall be submitted to the Board by May 31. The final adoption of the School budget and appropriation resolution must be made by the last day of June. Any changes to the budget and appropriation resolution must be made within the appropriate deadline.

Colorado law requires that all funds have legally adopted budgets and total expenditures for each fund cannot exceed the amount appropriated. All appropriations lapse at the end of each fiscal year. Appropriations for a fund may be increased provided unanticipated resources offset them. Supplemental appropriations were not adopted for the current year.

Appropriations are adopted by resolution for each fund in total. Over expenditures are not deemed to exist unless the fund as a total has expenditures in excess of appropriations.

The budget for the School is adopted and approved by the Lamar School District RE-2 board in addition to AVCS's own board.

Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the school-wide financial statements as expense when the related liabilities are incurred. There were no significant claims or judgments at year-end.

Equity Classifications

School-Wide Statements

Equity is classified as net assets and displayed in three components:

- a) Net investment in capital assets - Consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction or improvement of those assets. If there are significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt.
- b) Restricted net assets - Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors or laws or regulations of other governments or (2) law through constitutional provisions or enabling legislation.
- c) Unrestricted net assets - All other net assets that do not meet the definition of "restricted" or "net investment in capital assets."

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is classified as non-spendable, restricted, committed, assigned and unassigned.

Non-spendable – These are amounts that cannot be spent because they either are not spendable in form (i.e. inventories, prepaids, long-term receivables) or they are legally or contractually required to be maintained intact (i.e. principal of an endowment fund).

Restricted – These are amounts that can be spent only for purposes stipulated by the constitution or externally imposed by creditors (i.e. debt covenants), grantors, or enabling legislation (i.e. TABOR).

Committed – These are amounts that can be used only for purposes determined by a formal action (i.e. resolution or ordinance) of the government's highest level of decision-making authority. Committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action. The formal action of the government's highest level of authority that commits the amounts to a specific purpose should occur prior to the end of the reporting period, but the dollar amount committed may be determined in the subsequent period. It is important to note that if the appropriate action was not taken prior to the end of the reporting year the amounts cannot be reported as committed.

Assigned – These amounts are set aside for planned or intended purposes but are neither restricted nor committed. The intended use may be expressed by the government's highest level of authority to assign funds to be used for a specific purpose. Assigned fund balances in special revenue funds will also include any remaining fund balance that is not restricted or committed. This classification is necessary to indicate that those funds are, at a minimum, intended to be used for the purpose of that particular fund.

Unassigned – This represents the residual classification. Unassigned amounts will be reported only in the general fund, unless it is another governmental fund type that has a deficit fund balance.

When both restricted and unrestricted fund balances are available for use, it is the School's policy to use restricted amounts first. Unrestricted fund balance will be used in the following order: committed, assigned, and unassigned.

Note 3

Cash and Investments

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 regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. 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.

At June 30, 2018, the School's cash deposits had a balance of \$573,976 and were covered by FDIC insurance or the Public Depository Protection Act.

The School's cash includes certificates of deposits and other short-term investments in local area banks.

Colorado statutes specify in which instruments the units of local government may invest which include:

Repurchase agreements,

Obligations of the United States or obligations unconditionally guaranteed by the United States,

Obligations of the State of Colorado and most general obligations of units of local governments,

Federally insured mortgages and student loans,

Participation with other local governments in pooled investment funds (trusts). These trusts are supervised by participating governments and must comply with the same restrictions on cash deposits and investments. (One such trust formed under the statute is "ColoTrust").

Note 4 Capital Assets

Assets that cost more than \$5,000 are capitalized.

Capital asset activity for the year ended June 30, 2018 was as follows:

	Balance 7/1/2017	Additions	Deletions	Balance 6/30/2018
Capital assets being depreciated				
Buildings	\$ 6,563,560	\$ -	\$ -	\$ 6,563,560
Equipment and Furniture	100,000			100,000
Total capital assets	6,663,560	-	-	6,663,560
Less:				
Accumulated Depreciation	(762,899)	(134,582)	-	(897,481)
Net Capital Assets	\$ 5,900,661	\$ (134,582)	\$ -	\$ 5,766,079

Lessee- Operating Leases

The School has no material operating leases with a remaining non-cancellable term exceeding one year.

Lessor- Operating Leases

The School does not receive material lease payments from property rented to others.

Note 5 Pension Plan

Summary of Significant Accounting Policies:

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

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

General Information About the Pension Plan:

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

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

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

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

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

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

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. State Troopers whose disability is caused by an on-the-job injury are immediately eligible to apply for disability benefits and do not have to meet the five years of service credit requirement. 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.

Contributions provisions as of December 31, 2017. Eligible employees and AVCS are required to contribute to the SDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, et seq. Eligible employees who are State Troopers are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements for all employees except State Troopers are summarized in the table below:

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

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 SDTF in the period in which the compensation becomes payable to the member and AVCS is statutorily committed to pay the contributions to the SDTF. Employer contributions recognized by the SDTF from the district were \$96,666 for the year ended December 31, 2017.

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

At December 31, 2017, AVCS reported a liability of \$3,637,324 for its proportionate share of the net pension liability. The net pension liability for the SDTF was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total pension liability to December 31, 2017. The District's proportion of the net pension liability was based on the District's contributions to the SDTF for the calendar year 2017 relative to the total contributions of participating employers to the SDTF.

At December 31, 2017, AVCS's proportion was 0.01124837291%, which was an increase of 0.000114800410% from its proportion measured as of December 31, 2016.

For the year ended December 31, 2017, AVCS recognized pension expense of \$763,274. At December 31, 2017 AVCS reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 66,875	\$ -
Changes of assumptions or other inputs	928,744	5,894
Total deferred outflows-inflows of resources excluding employer specific amounts	995,619	148,735
Net difference between projected and actual earnings on pension plan investments	-	33,404

Net pension liability at 4.78% is \$3,637,324.

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

Actuarial cost method	Entry age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50 – 9.70%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	5.26%
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	2.00%

PERA benefit structure hired after 12/31/06
(ad hoc, substantively automatic)

Financed by the Annual
Increase Reserve (AIR)

A discount rate of 4.7 percent was used in the roll-forward calculation of the total pension liability to the measurement date of December 31, 2017.

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

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

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent 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 percent of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 29, 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 SDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

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

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

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

Discount Rate. The discount rate used to measure the total pension liability was 4.72 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- 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 reached 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 SDTF's fiduciary net position was projected to be depleted in 2038 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 percent on pension plan investments was applied to periods through 2038 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Bond Buyer, was applied to periods on and after 2038 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.43 percent, resulting in a discount rate of 4.72 percent.

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25 percent and the municipal bond index rate of 3.86 percent were used in the discount rate determination resulting in a discount rate of 5.26 percent, 0.54 percent higher compared to the current measurement date.

Sensitivity of AVCS's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 4.72 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.72 percent) or 1-percentage-point higher (5.72 percent) than the current rate:

	1% Decrease (3.72%)	Current Discount Rate (4.72%)	1% increase (5.72%)
Proportionate share of the net pension liability	\$4,594,559	\$3,637,324	\$2,857,287

Pension Plan Fiduciary Net Position. Detailed information about the SDTF'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.

Changes Between the Measurement Date of the Net Pension Liability and December 31, 2017:

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 SDTF based on the proportionate amount of annual payroll of the SDTF 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.
- Expands eligibility to participate in the PERA DC Plan to new members hired on or after January 1, 2019, who are classified college and university employees in the State Division. Beginning January 1, 2021, and every year thereafter, employer contribution rates for the SDTF will be adjusted to include a defined contribution supplement based on the employer contribution amount paid to defined contribution plan participant accounts that would have otherwise gone to the defined benefit trusts to pay down the unfunded liability plus any defined benefit investment earnings thereon.

At December 31, 2017, AVCS reported a liability of \$3,637,324 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 4.72%. For comparative purposes, the following schedule presents an estimate of what the District's proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	\$1,643,311

Recognizing that the changes in contribution and benefit provisions also affect the determination of the discount rate used to calculate proportionate share of the net pension liability, approximately \$1,697,926 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

Reconciliation of Collective Deferred Outflows of Resources

The following presents the SDTF's collective deferral reconciliation showing the beginning deferrals, adding the current year collective deferrals and adjusting for the current year amortization of deferrals to arrive at the ending collective deferral amounts:

Reconciliation Of Deferrals	Deferred Outflows of Resources		
	Differences Between Expected and Actual Experience	Changes of Assumptions or Other Inputs	Net Difference Between Projected and Actual Investment Earnings
Beginning deferral amounts as of prior measurement date, December 31, 2016	\$ 41,869	\$ 108,670	\$ 111,986
Deferral amounts added as of measurement date, December 31, 2017	63,458	399,013	-
Total of amortization amounts recognized in pension expense during measurement period, 2017 ¹ (Negative amounts increase the collective pension)	(38,452)	(556,974)	(39,878)
Outstanding deferral amounts as of measurement date, December 31, 2017	\$ 66,875	\$ (49,291)	\$ 72,108

¹ Negative amounts increase the collective pension expense.

Amortization of Collective Deferred Outflows of Resources

The following presents the SDTF's collective deferral amortization showing the deferrals added each plan year, the amortization period and the amount of the amortization for each plan year:

Deferred Outflows of Resources					
<u>Difference Between Expected and Actual Experience</u>					
For the Plan Year	Deferral Amounts Added	Amortization Period			
2014	\$ -	-			
2015	29,130	3.64 years			
2016	36,264	3.47 years			
2017	59,016	3.41 years			
For the Plan Year	Amortization of the 2014 Deferral ¹	Amortization of the 2015 Deferral ¹	Amortization of the 2016 Deferral ¹	Amortization of the 2017 Deferral ¹	Total Amortization for the Plan Year
2014	\$ -	\$ -	\$ -	\$ -	\$ -
2015	-	8,605	-	-	8,605
2016	-	8,605	11,237	-	19,842
2017	-	8,605	11,237	18,609	38,452
2018	-	5,507	11,237	18,609	35,354

2019	-	-	5,282	18,609	23,891
2020	-	-	-	7,630	7,630
Total	\$ -	\$ 31,323	\$ 38,993	\$ 63,458	\$ 133,774

¹ Positive amounts increase the collective pension expense.

Deferred Outflows of Resources

Changes in Assumptions or Other Inputs

For the Plan Year	Deferral Amounts Added	Amortization Period			
2014	\$ -	-			
2015	-	-			
2016	1,526,667	3.47 years			
2017	399,013	3.41 years			
For the Plan Year	Amortization of the 2014 Deferral ¹	Amortization of the 2015 Deferral ¹	Amortization of the 2016 Deferral ¹	Amortization of the 2017 Deferral ¹	Total Amortization for the Plan Year
2014	\$ -	\$ -	\$ -	\$ -	\$ -
2015	-	-	-	-	-
2016	-	-	439,962	-	439,962
2017	-	-	439,962	117,013	556,974
2018	-	-	439,962	117,013	556,974
2019	-	-	206,782	117,013	323,795
2020	-	-	-	47,975	47,975
Total	\$ -	\$ -	\$ 1,526,667	\$ 399,013	\$ 1,925,680

¹ Positive amounts increase the collective pension expense.

Deferred Outflows of Resources

Net Difference Between Projected and Actual Investment Earnings

For the Plan Year	Deferral Amounts Added	Amortization Period			
2014	\$ 43,824	5.00 years			
2015	149,980	5.00 years			
2016	5,585	5.00 years			
2017	-	-			
For the Plan Year	Amortization of the 2014 Deferral ¹	Amortization of the 2015 Deferral ¹	Amortization of the 2016 Deferral ¹	Amortization of the 2017 Deferral ¹	Total Amortization for the Plan Year
2014	\$ 8,765	\$ -	\$ -	\$ -	\$ 8,765
2015	8,765	22,996	-	-	38,761
2016	8,765	22,996	1,117	-	39,878
2017	8,765	22,996	1,117	-	39,878
2018	8,765	22,996	1,117	-	39,878
2019	-	22,996	1,117	-	31,113
2020	-	-	1,117	-	1,117

Total	\$	43,824	\$	149,980	\$	5,585	\$	-	\$	199,390
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¹ Positive amounts increase the collective pension expense.

Reconciliation of Collective Deferred Inflows of Resources

The following presents the SDTF's collective deferral reconciliation showing the beginning deferrals, adding the current year collective deferrals and adjusting for the current year amortization of deferrals to arrive at the ending collective deferral amounts:

Reconciliation Of Deferrals	Deferred Inflows of Resources		
	Differences Between Expected and Actual Experience	Changes of Assumptions or Other Inputs	Differences Between Projected and Actual Investment Earnings
Beginning deferral amounts as of prior measurement date, December 31, 2016	\$ 29	\$ 15,103	\$ -
Deferral amounts added as of measurement date, December 31, 2017	-	-	268,687
Total of amortization amounts recognized in pension expense during measurement period, 2017 ¹ (negative amounts decrease the collective pension expense	(29)	(9,209)	(53,737)
Outstanding deferral amounts as of measurement date, December 31, 2017	\$ -	\$ -	\$ 214,949

¹ Negative amounts decrease the collective pension expense.

Amortization Schedules of Collective Deferred Inflows of Resources

The following presents the SDTF's collective deferral amortization showing the deferrals added each plan year, the amortization period and the amount of the amortization for each plan year.

Deferred Inflows of Resources

Difference Between Expected and Actual Experience

For the Plan Year	Deferral Amounts Added	Amortization Period				
2014	\$ 156	3.70 years				
2015	-	-				
2016	-	-				
2017	-	-				
For the Plan Year	Amortization of the 2014 Deferral¹	Amortization of the 2015 Deferral¹	Amortization of the 2016 Deferral¹	Amortization of the 2017 Deferral¹	Total Amortization for the Plan Year	
2014	\$ 42	\$ -	\$ -	\$ -	\$ 42	
2015	42	-	-	-	42	
2016	42	-	-	-	42	
2017	29	-	-	-	29	
Total	\$ 156	\$ -	\$ -	\$ -	\$ 156	

¹ Positive amounts decrease the collective pension expense.

Deferred Inflows of Resources

Changes in Assumptions or Other Inputs

For the Plan Year	Deferral Amounts Added	Amortization Period				
2014	\$ -	-				
2015	33,521	3.64 years				
2016	-	-				
2017	-	-				
For the Plan Year	Amortization of the 2014 Deferral¹	Amortization of the 2015 Deferral¹	Amortization of the 2016 Deferral¹	Amortization of the 2017 Deferral¹	Total Amortization for the Plan Year	
2014	\$ -	\$ -	\$ -	\$ -	\$ -	
2015	-	9,209	-	-	9,209	
2016	-	9,209	-	-	9,209	

2017	-	9,209	-	-	9,209
2018	-	5,894	-	-	5,894
Total	\$ -	\$ 33,521	\$ -	\$ -	\$ 33,521

¹ Positive amounts decrease the collective pension expense.

Deferred Inflows of Resources

Net Difference Between Projected and Actual Investment Earnings

For the Plan Year	Deferral Amounts Added	Amortization Period				Total
2014	\$ -	-				
2015	-	-				
2016	-	-				
2017	3,569,694	5.00 years				
For the Plan Year	Amortization of the 2014 Deferral ¹	Amortization of the 2015 Deferral ¹	Amortization of the 2016 Deferral ¹	Amortization of the 2017 Deferral ¹	Total Amortization for the Plan Year	
2014	\$ -	\$ -	\$ -	\$ -	\$ -	-
2015	-	-	-	-	-	-
2016	-	-	-	-	-	-
2017	-	-	-	713,938	713,938	
2018	-	-	-	713,938	713,938	
2019	-	-	-	713,938	713,938	
2020	-	-	-	713,938	713,938	
2021	-	-	-	713,938	713,938	
Total	\$ -	\$ -	\$ -	\$ 3,569,694	\$ 3,569,694	

¹ Positive amounts increase the collective pension expense.

GASB Statement No. 68, paragraph 71b states collective deferred outflows of resources and deferred inflows of resources arising from differences between projected and actual pension plan investment earnings in different measurement periods should be aggregated and included as a net collective deferred outflow of resources related to pensions or a net collective deferred inflow of resources related to pensions.

Difference Between Projected and Actual Investment Earnings

Outstanding Deferred Outflows of Resources	
As of measurement date, December 31, 2017	\$ 72,108
Outstanding Deferred Inflows of Resources	
As of measurement date, December 31, 2017	214,949
Outstanding Net Deferred Inflows of Resources	
As of measurement date, December 31, 2017	<u>\$ 287,057</u>

Net Amount of Collective Deferred Inflows of Resources and Collective Deferred Outflows of Resources Recognized in the Collective Net Pension Expense in Subsequent Years

The following presents the SDTF's net amount of the collective deferred outflows of resources and collective deferred inflows of resources that will be recognized in the

collective pension expense for each of the subsequent five years and in the aggregate thereafter:

For the Plan Year Ended December 31,	Amounts Reported as Collective Deferred Outflows and Collective Deferred Inflows of Resources Recognized in Collective Pension Expense as Follows:
2018	\$ 572,575
2019	325,062
2020	2,985
2021	(53,737)
2022	-
Thereafter	-

Average Expected Remaining Service Life

The following presents the SDTF's average of the expected remaining service lives of all members that are provided with pensions through the pension plan (active and inactive members) determined as of the beginning of the measurement period:

Determined at Beginning of Measurement Period	Average Expected Remaining Service Life
2017	2.71

Collective Pension Expense

Collective pension expense for the year ended December 31, 2017 is as follows:

Service cost at end of year	\$ 107,351
Interest on the total pension liability	302,630
Current-period benefit changes	-
Expensed portion of current-period differences between expected and actual experience in the total pension liability	18,609
Expensed portion of current-period changes of assumptions or other inputs	117,013
Active member contributions	(44,887)
Projected earnings on plan investments	(179,555)
Expensed portion of current-period differences between projected and actual earnings on plan investments	(53,737)
Administrative expense	2,589
Other	2,517
Recognition of beginning collective deferred outflows of resources as pension expense	499,682
Recognition of beginning collective deferred inflows of resources as pension expense	(9,239)
Collective pension expense	<u>\$ 763,274</u>

Components of Schedule of Collective Pension Amounts

Net Pension Liability. The collective net pension liability is the total pension liability less the fiduciary net position for the SDTF.

Difference between Expected and Actual Experience. The difference between expected and actual experience with regard to economic and demographic factors is amortized over a closed period equal to the average of the expected remaining service life of active and inactive members. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or deferred inflow of resources.

Changes of Assumptions or Other Inputs. The change in assumptions about future economic or demographic factors or other inputs is amortized over a closed period equal to the average of the expected remaining service life of active and inactive members. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or deferred inflow of resources.

Net Difference between Projected and Actual Investment Earnings on Pension Plan Investments. The difference between the actual earnings on plan investments compared to the SDTF's expected rate of return in effect during 2017 of 7.25 percent is amortized over a closed period of 5 years. The first year of amortization is recognized as pension expense with the remaining years shown as either a deferred outflow of resources or deferred inflow of resources.

Total Deferred Outflows of Resources Excluding Employer Specific Amounts. The total deferred outflows of resources resulting from the difference between expected and actual experience, the changes of assumptions of other inputs, and the net difference between projected and actual investment earnings on pension plan investments.

Total Deferred Inflows of Resources Excluding Employer Specific Amounts. The total deferred inflows of resources resulting from the difference between expected and actual experience, the changes of assumptions of other inputs, and the net difference between projected and actual investment earnings on pension plan investments.

Collective Pension Expense. Collective pension expense includes changes in the collective net pension liability, projected earnings on pension plan investments, and the amortization of deferred outflows of resources and deferred inflows of resources for the current period.

Subsequent Events:

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 the Division Trust Funds and thereby reach a 100 percent funded ratio for each division within the next 30 years.

A summary of the bill's main provisions is as follows:

Benefit Changes

- Increase the number of years used in the HAS calculation from three to five years for members, except judges, who do not have five years of service credit on December 31, 2019, and for new members hired on or after January 1, 2020.

- Increase the number of years used in the HAS calculation for the Judicial Division from one to three years for members who do not have five years of service credit on December 31, 2019.
- Redefine PERA-includable salary for all members to include payouts of unused sick leave.
- Redefine OERA-includable salary for members hired on or after July 1, 2019, to include contributions to IRC Section 125 and 132 plans.
- Apply the State Trooper contribution rate, retirement age, and benefits to other safety officers, including sheriff deputies and corrections officers hired on or after January 1, 2020.
- For members, other than State Troopers, hired on or after January 1, 2020, age and service for full service retirement is met at:
 - Any age with 35 years.
 - Age 64 with 30 years.
 - Age 65 with 5 years.
- For members, other than State Troopers, hired on or after January 1, 2020, age and service for reduced service retirement is met at:
 - Age 55 with 25 years.
 - Age 60 with 5 years.
- For State Troopers hired on or after January 1, 2020, age and service for full service retirement is met at:
 - Any age with 35 years.
 - Age 55 with 25 years.
 - Age 65 with 5 years.
- For State Troopers hired on or after January 1, 2020, age and service for reduced service retirement is met at:
 - Age 55 with 20 years.
- Temporary suspension of AI for years 2018 and 2019.
- Sets the AI cap at 1.5 percent and extends the AI waiting period from one to three years.

Contribution Changes

- Incrementally increases the member contribution percentage a total of 2.00 percent as follows:
 - 0.75 percent on July 1, 2019.
 - 0.75 percent on July 1, 2020.
 - 0.50 percent on July 1, 2021.
- Increase employer contributions 0.25 percent on July 1, 2019, for all divisions except for the Local Government Division.
- PERA will receive an annual direct distribution from the State in the amount of \$225 million (in actual dollars). The distribution will occur on July 1, 2018 and on July 1 each year thereafter until there are no unfunded actuarial accrued liabilities in the trust fund of any division that receives such distribution. PERA shall allocate the distribution to the trust funds as it would an employer contribution in a manner that is proportionate to the annual payroll of each division except there shall be no allocation to the Local Government Division.
- Beginning January 1, 2021, and every year thereafter, employer contribution rates for the Local Government and State Divisions will be adjusted to include a defined contribution supplement. The defined contribution supplement for these two divisions will be the employer contribution amount paid to defined contribution plan participant accounts that would have otherwise gone to the defined benefit trusts to pay down the unfunded liability plus any defined benefit investment earnings thereon, expressed as a percentage of salary on which employer contributions have been made.

Other Provisions

- Beginning July 1, 2020, and then each year thereafter, member contributions, employer contributions, the direct distribution from the State, and the AI will be adjusted based on certain statutory parameters to keep PERA on path to full funding in 30 years.
- Expands PERAChoice for new members hired on or after January 1, 2019, in the Local Government Division and to new members hired on or after January 1, 2019, who are classified college and university employees in the State Division.
- Increases the cost to disaffiliate for Local Government Division employers.
- Expands the existing Fire and Police Pension Reform Commission to include oversight of PERA and creates a new Subcommittee exclusively focused on PERA.
- PERA may share private equity and real estate investment information in an executive session of the legislative members of the Pension Review Commission unless confidentiality provisions of contracts prohibit such disclosure.

Governmental accounting standards require the net pension liability for financial reporting purposes be measured using the plan provisions in effect as of the pension plan's year-end. The collective net pension liability calculated using the plan provisions in effect at December 31, 2017 for the SDTF can be found in the notes above. For comparative purposes, the following schedule presents the collective net pension liability and associated discount rate disclosed in the notes above, as well as an estimate of what the collective net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SDTF, become law on December 31, 2017. This pro forma information was prepared using the FNP of the SDTF as of December 31, 2017. Future collective net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Discount Rate	Net Pension Liability	Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Estimated Collective Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
4.72%	\$3,637,324	7.25%	\$1,643,311

Recognizing that the changes in contribution and benefit provisions also affect the determination of the discount rate used to calculate the collective net pension liability, approximately \$1,697,929 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

Defined Benefit Other Post Employment Benefit (OPEB) Plan:

Summary of Significant Accounting Policies:

OPEB. AVCS participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado (PERA). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care

participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

General Information About the OPEB Plan:

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

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

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

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

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

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot

charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

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

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were \$1,326 for the year ended December 31, 2017.

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

At December 31, 2017, AVCS reported a liability of \$0, due to the amount being immaterial, for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The District proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, AVCS's proportion was 0.00639128127%.

For the year ended December 31, 2017, AVCS recognized OPEB expense of \$5,292.

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

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

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 liability 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. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

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

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 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent 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 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Female: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

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

- The assumed rates of PERACare participation were revised to reflect more closely actual experience.
- The 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.
- 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, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

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

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

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

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

	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	\$80,776	\$83,061	\$85,814

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2017, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.5%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$93,387	\$83,061	\$74,248

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

Collective OPEB Expense

Collective OPEB expense for the year ended December 31, 2017 is as follows:

Service cost at end of year	\$ 1,281
Interest on the total OPEB liability	6,943
Current-period benefit changes	-
Expensed portion of current-period differences between expected and actual experience in the total OPEB liability	77
Expensed portion of current-period changes of assumptions or other inputs	-
Active member contributions	(464)
Projected earnings on plan investments	(1,138)
Expensed portion of current-period differences between projected and actual earnings on plan investments	(347)
Administrative expense	158
Other	-
Recognition of beginning collective deferred outflows of resources as OPEB expense	-
Recognition of beginning collective deferred inflows of resources as OPEB expense	-
Collective OPEB expense	<u>\$ 6,509</u>

Note 6 Risk Management

AVCS is exposed to various risks of loss related to torts; theft of, damage to or destruction of assets; errors and omissions; workers compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded insurance coverage in any of the last three years. There were no significant reductions in coverage compared to the prior year.

AVCS, in their opinion, has obtained adequate coverage as required by Colorado Revised Statutes to settle claims in the ordinary course of business. However, due to the unknown nature of potential liability, some claims may arise that fall outside the coverage limits for which the School would be financially responsible.

Note 7 Accrued Salaries

AVCS is recognizing the liability for all employees' salaries at year-end, which are due to nine- or ten-months services rendered, paid over twelve months. In effect, the entire wage has been earned, but only a portion paid. Total accrued salaries were \$112,976.

Note 8 Tax, Spending and Debt Limitation

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations including revenue raising, spending abilities, and other specific requirements of state and local governments. The amendment is complex and subject to judicial interpretation. AVCS believes it is in compliance with the requirements of the amendment. However, AVCS has made certain interpretations of the amendment's language in order to determine its compliance. In 1997 the taxpayers of the School voted to retain revenues and not be subject to the fiscal year spending limitation of Article X Section 20 of the Colorado State Constitution provided that no local tax rate or mill levy shall be increased without further voter approval.

Note 9 Lease and Sublease

During 2010-11 AVCS applied for and received a Building Excellent Schools Today (BEST) grant. The grant was for approximately \$5,515,967. The grant, through a sublease agreement, is administered by the State of Colorado Department of Education. Upon completion of the project, the Colorado Department of Education will release the property from the financing bank and the Colorado Department of Education will sublease the property to the school. AVCS is not obligated to pay any lease payments. At the end of 20 years, the building will revert to the Lamar School District, RE-2.

**Alta Vista Charter School
Budget and Actual
General
For the year ended June 30, 2018**

	Budgeted Amounts		Actual
	Original	Final	
REVENUES			
Per pupil revenue	\$ 962,695	\$ 986,756	\$ 989,250
Intergovernmental	-	-	1,400
Investment earnings	900	900	2,280
Miscellaneous	6,000	6,000	4,958
Total revenues	<u>969,595</u>	<u>993,656</u>	<u>997,888</u>
EXPENDITURES			
Instructional:			
Charter School	<u>1,192,423</u>	<u>1,214,854</u>	<u>940,993</u>
Total Instructional	<u>1,192,423</u>	<u>1,214,854</u>	<u>940,993</u>
Total Expenditures	<u>1,192,423</u>	<u>1,214,854</u>	<u>940,993</u>
Excess (deficiency) of revenues over expenditures	<u>(222,828)</u>	<u>(221,198)</u>	<u>56,895</u>
Net change in fund balances	<u>(222,828)</u>	<u>(221,198)</u>	<u>56,895</u>
Fund balances - beginning	<u>401,687</u>	<u>403,191</u>	<u>403,191</u>
Fund balances - ending	<u>\$ 178,859</u>	<u>\$ 181,993</u>	<u>\$ 460,086</u>

**Alta Vista Charter School
Schedule of the School's Proportionate Share of the Net Pension Liability
Year Ended June 30, 2017**

	2017	2016	2015	2014	2013
School's proportion (percentage) of the collective net pension liability	0.000112484	0.000111336	0.000111125	0.0001140520	0.0001140520
School's proportionate share of the collective pension liability	\$3,637,324	\$3,082,852	\$1,699,580	\$1,545,789	\$1,495,331
Covered employee payroll	\$572,575	\$537,751	\$523,916	\$463,798	\$472,612
School's proportionate share of the net pension liability as a percentage of its covered employee payroll	635%	573%	324%	333%	316%
Plan fiduciary net pension as a percentage of the total pension liability	0.000112%	0.000414%	0.000414%	0.000440%	0.000448%

The amounts reported are measured as of December 31.

GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, AVCS will present information for those years for which information is available.

Alta Vista Charter School
Schedule of Contributions and Related Ratios
Year Ended June 30, 2018

	2017	2016	2015	2014	2013
Statutory required contributions	\$ 96,666	\$ 90,595	\$ 90,955	\$ 86,087	\$ 80,740
Contributions in relation to the statutorily required contribution	\$ 96,666	\$ 90,595	\$ 90,955	\$ 86,087	\$ 80,740
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -
Covered employee payroll	\$ 572,575	\$ 537,751	\$ 523,916	\$ 480,956	\$ 474,975
Contribution as a percentage of covered employee payroll	16.88%	16.85%	17.36%	17.90%	17.00%

GASB Statement No. 68 requires ten years of information to be presented in this table. However, until a full 10-year trend is compiled, AVCS will present information for those years for which information is available.



Colorado Department of Education

Charter School Auditor's Integrity Report

Colorado School District/BOCES

District: 2660 - LAMAR RE-2

Fiscal Year 2017-18

Revenues, Expenditures, & Fund Balance by Location and Fund

Location (900- 969): 900

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	1000 - 5999 Total Revenues & Other Sources	0001 - 0999 Total Expenditures & Other Uses	6700 - 6799 & Prior Per Adj (6880*) Ending Fund Balance
Governmental	+		-	=
10 General Fund	990,650	-956,385	34,266	0
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
Sub- Total	990,650	-956,385	34,266	0
11 Charter School Fund	403,191	997,889	940,993	460,087
20,26-29 Special Revenue Fund	0	0	0	0
06 Supplemental Cap Const, Tech, Main, Fund	0	0	0	0
21 Food Service Spec Revenue Fund	0	0	0	0
22 Govt Designated-Purpose Grants Fund	24,249	0	24,249	0
23 Pupil Activity Special Revenue Fund	0	0	0	0
24 Full Day Kindergarten Mill Levy Override	0	0	0	0
25 Transportation Fund	0	0	0	0
31 Bond Redemption Fund	0	0	0	0
41 Building Fund	0	0	0	0
42 Special Building Fund	0	0	0	0
43 Capital Reserve Capital Projects Fund	0	0	0	0
46 Supplemental Cap Const, Tech, Main Fund	0	0	0	0
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0
Totals	1,418,090	41,504	999,507	460,087
Proprietary				
50 Other Enterprise Funds	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0
60,65-69 Other Internal Service Funds	0	0	0	0
Totals	0	0	0	0
Fiduciary				
70 Other Trust and Agency Funds	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0
73 Agency Fund	0	0	0	0
74 Pupil Activity Agency Fund	0	0	0	0
79 GASB 34:Permanent Fund	0	0	0	0
85 Foundations	0	0	0	0
Totals	0	0	0	0

*If you have a prior period adjustment in any fund (Balance Sheet 6880), the amount of your priorperiod adjustment is added into both your ending and beginning fund balances on this report.