

**EXPEDITIONARY LEARNING SCHOOL  
BOARD OF COOPERATIVE EDUCATIONAL  
SERVICES D/B/A ROCKY MOUNTAIN SCHOOL  
OF EXPEDITIONARY LEARNING**

**FINANCIAL STATEMENTS**

**JUNE 30, 2018**

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING  
TABLE OF CONTENTS  
YEAR ENDED JUNE 30, 2018**

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>I</b>
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	<b>IV</b>
<b>BASIC FINANCIAL STATEMENTS</b>	
<b>GOVERNMENT-WIDE FINANCIAL STATEMENTS:</b>	
<b>STATEMENT OF NET POSITION</b>	<b>1</b>
<b>STATEMENT OF ACTIVITIES</b>	<b>2</b>
<b>FUND FINANCIAL STATEMENTS:</b>	
<b>BALANCE SHEET - GOVERNMENTAL FUND</b>	<b>3</b>
<b>RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET TO             THE STATEMENT OF NET POSITION</b>	<b>4</b>
<b>STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN             FUND BALANCE - GOVERNMENTAL FUND</b>	<b>5</b>
<b>RECONCILIATION OF REVENUES, EXPENDITURES AND             CHANGES IN FUND BALANCE OF GOVERNMENTAL             FUND TO THE STATEMENT OF ACTIVITIES</b>	<b>6</b>
<b>NOTES TO BASIC FINANCIAL STATEMENTS</b>	<b>7</b>
<b>REQUIRED SUPPLEMENTARY INFORMATION</b>	<b>33</b>
<b>SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN         FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND</b>	<b>34</b>
<b>NOTES TO REQUIRED SUPPLEMENTARY INFORMATION</b>	<b>35</b>
<b>SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE         OF THE NET PENSION LIABILITY</b>	<b>36</b>
<b>SCHEDULE OF PENSION CONTRIBUTIONS AND RELATED RATIOS</b>	<b>37</b>
<b>SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE         OF THE NET OPEB LIABILITY</b>	<b>38</b>
<b>SCHEDULE OF OPEB CONTRIBUTIONS AND RELATED RATIOS</b>	<b>39</b>
<b>SUPPLEMENTARY INFORMATION</b>	<b>40</b>
<b>AUDITOR'S INTEGRITY REPORT</b>	<b>41</b>



## INDEPENDENT AUDITORS' REPORT

Board of Directors  
Expeditionary Learning School Board of  
Cooperative Educational Services d/b/a  
Rocky Mountain School of Expeditionary Learning  
Denver, Colorado

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the major fund of Expeditionary Learning School Board of Cooperative Educational Services d/b/a Rocky Mountain School of Expeditionary Learning (the School), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 the major fund of the School 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.

Board of Directors  
Expeditionary Learning School Board of  
Cooperative Educational Services d/b/a  
Rocky Mountain School of Expeditionary Learning

***Emphasis of a Matter***

*Implementation of GASB Statement No. 75*

During fiscal year ended June 30, 2018, the School adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result of the implementation of these standards, the School reported a restatement for the change in accounting principle. See Note 12 of the notes to the financial statements for further information. Our opinions were not modified with respect to the restatement.

***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 for the General Fund, pension information, and OPEB information on pages III-VIII and 34-40 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 the School's basic financial statements. The Auditor's Integrity Report is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The Auditor's Integrity Report 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 Auditor's Integrity Report is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



**CliftonLarsonAllen LLP**

Greenwood Village, Colorado  
February 28, 2019

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

The discussion and analysis of the Rocky Mountain School of Expeditionary Learning's (the School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2018. The intent of this discussion and analysis is to look at the School's financial performance as a whole. Readers should also review the financial statements and the accompanying footnotes in order to broaden their understanding of the School's financial performance. Certain comparative information between the current year and the prior year is required to be presented in the Management's Discussion and Analysis.

**Financial Highlights**

- Due to the effect of GASB No. 68, *Accounting and Financial Reporting for Pensions*, and GASB No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, the School has a negative net position. The School's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by (\$7,786,478) (net position).
- The School has unrestricted net position of (\$8,319,333).
- In comparison to the previous year, as restated, the School's net position decreased by \$2,143,673 or 37.99%.

**Overview of the Financial Statements**

Management's discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The basic financial statements, presented on pages 1-33 are comprised of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. This report also contains other required supplementary information and supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader of the School's basic financial statements a broad overview of the financial activities in a manner similar to a private sector business. The government-wide financial statements include the statement of net position and the statement of activities.

The statement of net position presents information about all of the School's assets, liabilities, and deferred outflows and inflows of resources. The difference between assets, liabilities and deferred outflows and inflows of resources is reported as net position. Over time, changes in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The statement of activities presents information showing how the net position of the School changed during the current fiscal year. Changes in net position are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flow may be recorded in a future period.

The government-wide financial statements consolidate governmental activities that are supported from taxes and intergovernmental revenues. Governmental activities consolidate governmental funds including the general fund. The government-wide financial statements can be found on pages 1-2.

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

**Fund Financial Statements**

Fund financial statements are designed to demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for special objectives. The School uses governmental funds to account for its activity.

Governmental funds account for essentially the same information reported in the governmental activities of the government-wide financial statements. However, unlike the government-wide statements, the governmental fund financial statements focus on near-term financial resources and fund balances. Such information may be useful in evaluating financing requirements in the near term.

Since the governmental funds and the governmental activities report information using the same functions, it is useful to compare the information presented. Because the focus of each report differs, reconciliations are provided on the fund financial statements to assist the reader in comparing the near-term requirements with the long-term needs.

All of the School's activities are reported in a single governmental fund, the general fund, which focuses on how money flows into and out of that fund and the balance left at year-end available for spending in future periods.

The School adopts an annual budget for the governmental fund. A budgetary comparison schedule for the general fund is included in the required supplementary information.

The governmental fund financial statements can be found on pages 3-6 of this report.

**Notes to the Basic Financial Statements**

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes can be found on pages 7-33 of this report.

**Other Information**

In addition to the basic financial statements and accompanying notes, this report also contains required supplementary information concerning the School's budgetary comparisons and pension and other postemployment benefit information. Required supplementary information can be found on pages 34-40 of this report.

**Government-wide Financial Analysis**

**Government-wide Net Position**

The assets of the School are classified as current assets and capital assets. Cash and investments, receivables, prepaid expenses, other assets, and inventories are current assets. These assets are available to provide resources for the near-term operations of the School.

Capital assets are used in the operations of the School. These assets represent the modular building, leasehold improvements, minibuses, HVAC installation, and furniture, fixtures, and equipment of the School. The decrease in capital assets during the current year relates to the replacement of one minibus, net of depreciation expense.

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

Current and noncurrent liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued salaries and benefits and unearned revenue. The liquidation of current liabilities is anticipated to be either from current available resources, current assets, or new resources that become available during fiscal year 2019. The increase in current liabilities is related to an increase in accrued salaries and benefits as well as an increase in the School's insurance cost.

The School has no long-term liabilities such as long-term debt obligations. However, the School's proportionate share of the collective pension liability per GASB No. 68 and collective OPEB liability per GASB No. 75 are reflected as a long-term liabilities.

The current assets of the primary government activities exceed current liabilities by \$1,738,072 with unrestricted net position of (\$8,319,333). The School has an investment in capital assets of \$436,412. The School's overall net position decreased by \$2,143,673 during this fiscal year.

**Condensed Statements of Net Position**

	June 30,	
	2018	2017*
Assets:		
Current	\$ 2,041,294	\$ 1,795,909
Capital Assets, Net of Depreciation	436,412	533,785
Total Assets	2,477,706	2,329,694
Deferred Outflow of Resources:		
Deferred Pension and OPEB Outflows of Resources	3,719,792	4,652,583
Liabilities:		
Current	303,222	260,435
Long-Term	13,045,094	11,929,928
Total Liabilities	13,348,316	12,190,363
Deferred Inflow of Resources:		
Deferred Pension and OPEB Inflows of Resources	635,660	149,069
Net Position		
Net Investment in Capital Assets	436,412	533,785
Restricted	96,443	77,581
Unrestricted	(8,319,333)	(5,968,521)
Total Net Position	\$ (7,786,478)	\$ (5,357,155)

*\*The School was unable to reflect the Other Postemployment Benefits liability to the beginning of fiscal year 2017 as that information was not available.*

**Government-wide Activities**

All of the School's programs and services are reported as governmental activities including instruction, support services, operations and facility maintenance. Government activities decreased the net position of the School by \$2,143,673. The details of this decrease are shown in the following schedule:

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

**Condensed Statements of Activities**

	Year Ended June 30,	
	2018	2017*
Revenues:		
Program Revenue:		
Charges for Service	\$ 440,479	\$ 438,095
Operating Grants and Contributions	157,884	149,312
General Revenue:		
Per Pupil Funding	2,998,813	2,937,288
Other	225,956	241,899
Total Revenue	3,823,132	3,766,594
Expenses:		
Governmental Activities:		
Instructional	4,253,865	4,021,877
Support Services	1,372,937	1,209,166
Building	340,003	323,947
Total Expenses	5,966,805	5,554,990
Change in Net Position	(2,143,673)	(1,788,396)
Net Position - Beginning of year- as Restated (Note 12)	(5,642,805)	(3,568,759)
Net Position - End of year	\$ (7,786,478)	\$ (5,357,155)

*\*The School was unable to reflect the Other Postemployment Benefits liability to the beginning of fiscal year 2017 as that information was not available.*

The key element of the decrease in net position for governmental activities is due to the increase in net pension expense.

**Financial Analysis of the School's Governmental Funds**

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

All of the School's activities are reported in governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end available for spending in future periods. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the School's general government operations and the basic services it provides. Governmental fund information helps determine where there are more or fewer financial resources that can be spent in the near future to finance educational programs. Such information is useful in assessing the School's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, the School's one governmental fund, the general fund, reported an ending fund balance of \$1,738,072.

Unassigned fund balance for the School at the end of the fiscal year was \$1,227,293.

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE YEAR ENDED JUNE 30, 2018**

The School is not subject to the requirements of TABOR; however, in compliance with Colorado Revised Statute 22-44-106(2), the Board of Directors has specified that the School's operating reserve in the general fund may not exceed 15% of the budgeted expenditures of the general fund. As such, the Board authorized a 10% general reserve of \$574,000 and a 5% general contingency of \$288,000 of the general fund ending fund balance to be used in the event of an emergency. The School's net position is invested in U.S. Bank and CSAFE, a governmental investment pool.

The general fund is the chief operating fund of the School. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Actual expenditures of the general fund amounted to \$3,620,534. Unassigned general fund balance represents 34% of expenditures while total general fund balance represents 48% of expenditures.

**General Fund Budgetary Highlights**

The fund balance for the general fund increased by \$204,648, resulting in an ending fund balance of \$1,738,072. While the actual expenditures were less than the adopted budgeted expenditures by \$276,307, the actual revenue was greater than budgeted revenue by \$78,341 resulting in a net positive variance of \$354,648 for the year. The positive variance is due to an increase in fee income and fundraising revenue compared to budget and a reduction in support services, supplies and materials and administrative expenses compared to budget.

**Economic Factors and Next Year's Budgets and Rates**

The economic outlook for the 2018-2019 school year is expected to improve with an anticipated funding increase to aid in offsetting employee insurance and PERA benefits.

- The year ending June 30, 2018 is the 25<sup>th</sup> year of operations for the Rocky Mountain School of Expeditionary Learning.
- The School opened at its location at 1700 South Holly Street in November 2000. The School has a 440 student capacity (including the two modular units). We anticipate an enrollment of 385 students for the 2018-2019 school year.
- For 2018-2019, the School will be receiving \$8,369.44 per pupil (FTE basis), which is an increase of 5.71% over the 2017-2018 funding of \$7,915.10 per pupil.
- The operations of the School are funded primarily by tax revenue received under the State Finance Act by Denver Public Schools. Per pupil revenue for the year ended June 30, 2018 was \$2,998,813 as compared to \$2,937,288 for the year ended June 30, 2017.

**Requests for Information**

This financial report is designed to provide a general overview of the School's finances for all those with an interest in the School. Questions concerning any of the information provided in this report or requests for additional information shall be addressed to:

Rocky Mountain School of Expeditionary Learning  
Julie L. Stelzer  
1700 South Holly Street  
Denver, CO 80222

## **BASIC FINANCIAL STATEMENTS**

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2018**

**ASSETS AND DEFERRED OUTFLOWS OF RESOURCES**

**ASSETS**

Cash and Investments	\$ 1,922,500
Accounts Receivable	7,341
Inventory	3,721
Other Assets	8,603
Prepaid Expenses	99,129
Capital Assets Net of Accumulated Depreciation:	
Computer Equipment	5,695
Modular Building	27,569
Leasehold Improvements	284,024
Vehicles	119,124
Total Assets	2,477,706

**DEFERRED OUTFLOWS OF RESOURCES**

Related to Pension	3,708,634
Related to OPEB	11,158
Total Deferred Outflows of Resources	3,719,792

**LIABILITIES, DEFERRED INFLOWS OF  
RESOURCES AND NET POSITION**

**LIABILITIES**

Accounts Payable	84,568
Accrued Salaries and Benefits	156,632
Unearned Revenue	62,022
Net Pension Liability	12,753,850
Net OPEB Liability	291,244
Total Liabilities	13,348,316

**DEFERRED INFLOWS OF RESOURCES**

Related to Pension	626,831
Related to OPEB	8,829
Total Deferred Inflows of Resources	635,660

**NET POSITION**

Investment in Capital Assets	436,412
Restricted for:	
Fund Raising Projects	67,343
Transportation Fees	29,100
Unrestricted	(8,319,333)
Total Net Position	\$ (7,786,478)

See accompanying Notes to Financial Statements.

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018**

	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
<b>FUNCTIONS/PROGRAMS</b>					
Governmental Activities:					
Instructional	\$ 4,253,865	\$ 403,017	\$ 157,884	\$ -	\$ (3,692,964)
Support Services	1,372,937	32,236	-	-	(1,340,701)
Building	340,003	5,226	-	-	(334,777)
Total Governmental Activities	\$ 5,966,805	\$ 440,479	\$ 157,884	\$ -	(5,368,442)
General Revenues:					
Per Pupil Revenue					2,998,813
State BOCES Funding					207,392
Net Investment Earnings					11,142
Miscellaneous					7,422
Total					3,224,769
Change in Net Position					(2,143,673)
Net Position - Beginning of Year (as Restated)					(5,642,805)
Net Position - End of Year					\$ (7,786,478)

See accompanying Notes to Financial Statements.

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING  
BALANCE SHEET – GOVERNMENTAL FUND  
JUNE 30, 2018**

	<u>General</u>
<b>ASSETS</b>	
Cash and Investments	\$ 1,922,500
Accounts Receivable	7,341
Inventory	3,721
Other Assets	8,603
Prepaid Expenditures	99,129
Total Assets	\$ 2,041,294
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	
<b>LIABILITIES</b>	
Accounts Payable	\$ 84,568
Accrued Salaries and Benefits	156,632
Unearned Revenue	62,022
Total Liabilities	303,222
<b>FUND BALANCE</b>	
Nonspendable	102,850
Restricted for:	
Fund Raising Projects	67,343
Transportation Fees	29,100
Assigned for:	
Fieldwork Fees	159,980
Budget Carryover - Strategic Plan	100,000
Budget Carryover - Construction and Renovation	50,000
Student Government	1,506
Unassigned	1,227,293
Total Fund Balance	1,738,072
Total Liabilities, Deferred Inflows of Resources and Fund Balance	\$ 2,041,294

See accompanying Notes to Financial Statements.

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING  
RECONCILIATION OF GOVERNMENTAL FUND BALANCE SHEET  
TO THE STATEMENT OF NET POSITION  
JUNE 30, 2018**

Total Fund Balance - Governmental Fund	\$	1,738,072
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets (net of accumulated depreciation) used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		436,412
Long-term liabilities are not due and payable in the current period, and, therefore, are not reported in the governmental funds.		
Net Pension Liability		(12,753,850)
Net OPEB Liability		(291,244)
Deferred pension outflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Related to Pension		3,708,634
Related to OPEB		11,158
Deferred pension inflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		
Related to Pension		(626,831)
Related to OPEB		(8,829)
Net Position of Governmental Activities	\$	<u><u>(7,786,478)</u></u>

See accompanying Notes to Financial Statements.

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
GOVERNMENTAL FUND  
YEAR ENDED JUNE 30, 2018**

	General
<b>REVENUES</b>	
Per Pupil Operating Revenue	\$ 2,998,813
State BOCES Funding	207,392
Fee Income	403,017
Grant Revenue	5,500
Fundraising	
School Based	23,821
Parent Based	130,613
After School Program	32,236
Facility Use Rental	5,226
Net Investment Earnings	11,142
Miscellaneous	7,422
Total Revenue	3,825,182
<b>EXPENDITURES</b>	
Instructional	
Payroll and Benefits	1,787,936
Fieldwork	222,098
Professional Development	46,171
Special Education Fees	196,851
Other	137,622
Support Services	
Payroll and Benefits	557,295
Administrative	150,073
Vehicle Expense	27,230
Technology	26,971
Fundraising Costs	42,820
After School Program	34,210
Building	
Lease	150,000
Facility Maintenance	190,003
Capital Expenditures	51,254
Total Expenditures	3,620,534
<b>NET CHANGE IN FUND BALANCE</b>	204,648
Fund Balance - Beginning of Year	1,533,424
<b>FUND BALANCE - END OF YEAR</b>	<b>\$ 1,738,072</b>

See accompanying Notes to Financial Statements.

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING  
RECONCILIATION OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCE OF GOVERNMENTAL FUND TO THE  
STATEMENT OF ACTIVITIES  
YEAR ENDED JUNE 30, 2018**

Net changes in fund balance - Total governmental fund	\$	204,648
Amounts reported for governmental activities in the statement of activities are statement of activities different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital Outlay	51,254	
Depreciation Expense	<u>(148,627)</u>	(97,373)
Revenues in the funds that were recognized when pledged in the statement of activities.		
Pledged Contributions From Capital Campaign		(2,050)
Some items reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. The (increases) decreases in these activities consist of:		
Pension Expense	(2,245,633)	
Other Postemployment Benefits Expense	<u>(3,265)</u>	<u>(2,248,898)</u>
Governmental Activities Change in Net Position	\$	<u><u>(2,143,673)</u></u>

See accompanying Notes to Financial Statements.

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 1 DEFINITION OF REPORTING ENTITY**

**Financial Reporting Entity**

Expeditionary Learning School Board of Cooperative Educational Services, d/b/a Rocky Mountain School of Expeditionary Learning (the School), was organized on July 1, 1993 and is governed pursuant to provisions of the Board of Cooperative Services Act. The School is located in Denver, Colorado and was established to improve and expand educational services in the member districts through the opening and operation of a K-12 expeditionary learning school that will draw students from all of the member districts and that will represent a cross-district collaboration among member districts. The member districts are: Cherry Creek School District No. 5 (Cherry Creek Schools), School District No. 1 in the City and County of Denver (Denver Public Schools), Douglas County School District RE-1 (Douglas County Schools), Arapahoe County District No. 6 (Littleton Public Schools), and Adams-Arapahoe 28-J School District (Aurora Public Schools).

The School follows the Governmental Accounting Standards Board (GASB) accounting pronouncements which provide guidance for determining which governmental activities, organizations and functions should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's elected governing body as the basic, but not the only, criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The School is not financially accountable for any other organization, nor is the School a component unit of any other primary governmental entity.

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying financial statements have been prepared in accordance with generally accepted accounting principles applicable to governmental units. A summary of the School's significant accounting policies consistently applied in the preparation of these financial statements follows:

**Government-wide and Fund Financial Statements**

The government-wide financial statements include the statement of net position and the statement of activities. These financial statements include all of the activities of the School. Governmental activities are normally supported by intergovernmental per pupil revenues.

The statement of net position reports all financial and capital resources of the School with the difference between the assets, liabilities, and deferred outflows and inflows of resources of the School being reported as net position.

The statement of activities demonstrates the degree to which the direct and indirect 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.

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Government-wide and Fund Financial Statements (Continued)**

Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

Per pupil revenue and other items not properly included among program revenues are reported instead as general revenues.

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

The School reports the following major governmental fund:

The General Fund is the School's primary operating fund. It accounts for all financial resources of the general government.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met. Depreciation is computed and recorded as an operating expense. Expenditures for capital assets are shown as increases in assets and redemption of bonds and notes are recorded as a reduction in liabilities.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The major sources of revenue susceptible for accrual are per pupil intergovernmental revenue, contributions and fieldwork fees. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation paid. All other revenue items are considered to be measurable and available only when cash is received by the School.

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

**Investments**

Investments are reported at amortized cost.

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Inventories**

Inventories are stated at the lower of cost using the first-in, first-out method or market. Inventory consists primarily of grocery store gift cards used for fund raising purposes. The cost is recorded as an expenditure/expense at the time the individual inventory items are sold rather than when purchased.

**Prepaid Items**

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**Capital Assets**

Capital assets, which include leasehold improvements, vehicles and equipment, are reported by the School. Capital assets are defined by the School as assets with an initial, individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition cost at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the life of the asset are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets, as applicable. Depreciation expense has been computed using the straight-line method over the following estimated economic useful lives:

Computer Equipment	5 years
Furnishings and Equipment	5 years
Vehicles	5 to 10 years
Modular building	14 years
Leasehold Improvements	Lesser of 20 years or life of remaining building lease

**Net Position**

In the government-wide financial statements, net position is restricted when constraints placed on the net position are externally imposed.

**Fund Balance**

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the School is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- **Nonspendable** – This classification includes amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. The School classified the fund balance related to inventory and prepaid items as nonspendable.

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

- **Restricted** – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. Restricted balances relate to donor contributions accumulated for specific annual fund raising projects and fees collected for the purchase of buses.
- **Committed** – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Governing Board.

These amounts cannot be used for any other purpose unless the Governing Board removes or changes the specified use by taking the same type of action (i.e. resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

- **Assigned** – This classification includes amounts that are subject to a purpose constraint that represents an intended use, but does not meet the criteria to be classified as restricted or committed. The purpose of this assignment must be narrower than the purpose of the General Fund. The School has assigned \$159,980 of unspent fieldwork fees for future trips, \$100,000 for implementation of the strategic plan, \$50,000 for construction and renovation, and \$1,506 for student government programs as of June 30, 2018.
- **Unassigned** – This classification includes the residual fund balance for the General Fund.

When both restricted and unrestricted resources are available, the School would typically use restricted fund balances first, followed by committed then assigned, then unassigned.

In compliance with Colorado Revised Statute 22-44-106(2), the Board of Directors has specified that the School's operating reserve in the general fund may not exceed 15% of the budgeted expenditures of the general fund. As such, the Board authorized a 10% general reserve of \$574,000 and a 5% general contingency of \$288,000 of the general fund ending fund balance to be used in the event of an emergency.

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Deferred Inflows and Outflows of Resources**

*Deferred outflows of resources* – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. See Note 7 and Note 8 for deferred outflows of resources related to pension and other postemployment benefits, respectively.

*Deferred inflows of resources* - In addition to liabilities, the School's financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. See Note 7 and Note 8 for the deferred inflows of resources related to pension and other postemployment benefits, respectively.

**NOTE 3 CASH DEPOSITS AND INVESTMENTS**

**Cash Deposits**

The School's deposits are governed by Colorado statute. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state 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 for all uninsured public deposits as a group is to be maintained by another institution or held in trust. The market value of the collateral must be at least equal to the aggregate uninsured deposits.

The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At June 30, 2018, cash deposits consisted of the following:

Cash Deposits	<u>\$ 1,261,942</u>
---------------	---------------------

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 3 CASH DEPOSITS AND INVESTMENTS (CONTINUED)**

**Investments**

**Credit Risk**

The School has not adopted a formal investment policy; however, the School follows State statutes regarding investments.

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest, which include:

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

The local government investment pool used by the School is the Colorado Surplus Asset Fund Trust (CSAFE) and is rated AAAM by Standard & Poor's.

**Interest Rate Risk**

Colorado revised statutes generally limit investment maturities to five years or less unless formally approved by the Board of Directors. Revenue bonds of U.S. local governments, corporate and bank securities and guaranteed investment contracts not purchased with bond proceeds are limited to maturities of three years or less.

As of June 30, 2018, the School had the following investments:

Investments	Maturity	
Local Government Investment Pool (CSAFE)	Less than 1 Year	\$ 660,558

**CSAFE**

At June 30, 2018, the School had invested in the Colorado Surplus Asset Fund Trust (CSAFE), which is an investment vehicle established by State statute for local government entities to pool surplus assets. The State Securities Commissioner administers and enforces all State statutes governing CSAFE. CSAFE is similar to a money market fund, with each share value at \$1.00.

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 3 CASH DEPOSITS AND INVESTMENTS (CONTINUED)**

**CSAFE (Continued)**

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

Cash Deposits	\$ 1,261,942
Investments	660,558
	<u>\$ 1,922,500</u>

The School categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The School's investment in CSAFE as of June 30, 2018 is measured at amortized cost and is therefore not categorized in a level of the fair value hierarchy.

**NOTE 4 CAPITAL ASSETS**

A summary of changes in capital assets is as follows:

	Balance June 30, 2017	Additions	Deletions	Balance June 30, 2018
<b>Assets</b>				
Computer Equipment	\$ 73,381	\$ -	\$ -	\$ 73,381
Furniture and Equipment	24,840	-	-	24,840
Modular Building	105,930	-	-	105,930
Leasehold Improvements	645,119	-	-	645,119
Vehicles	392,378	51,254	76,806	366,826
Total Capital Assets	<u>1,241,648</u>	<u>51,254</u>	<u>76,806</u>	<u>1,216,096</u>
<b>Accumulated Depreciation:</b>				
Computer Equipment	(59,497)	(8,189)	-	(67,686)
Furniture and Equipment	(24,840)	-	-	(24,840)
Modular Building	(70,793)	(7,568)	-	(78,361)
Leasehold Improvements	(281,886)	(79,209)	-	(361,095)
Vehicles	<u>(270,847)</u>	<u>(53,661)</u>	<u>(76,806)</u>	<u>(247,702)</u>
Total Accumulated Depreciation	<u>(707,863)</u>	<u>(148,627)</u>	<u>(76,806)</u>	<u>(779,684)</u>
Total Assets	<u>\$ 533,785</u>	<u>\$ (97,373)</u>	<u>\$ -</u>	<u>\$ 436,412</u>

All depreciation expense is charged to the Instructional function/program.

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 5 ACCRUED SALARIES AND BENEFITS**

Salaries of employees of the School are paid monthly in the month subsequent to the month earned. The salaries and benefits earned, but unpaid, at June 30, 2018 are \$156,632. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements of the General Fund.

**NOTE 6 OPERATING LEASE**

The School leases operating facilities (land and building) from Denver Public Schools under a twenty-two year lease, which expires October 31, 2022. The lease requires semi-annual payments of \$75,000 (\$150,000 annually), payable on the first day of November and May each year. During the year ended June 30, 2018, the School paid Denver Public Schools \$150,000. Due to the timing of the School's required semiannual payments, \$50,000 of the above described lease payment was considered by the School to be prepaid rent as of June 30, 2018.

Total operating facilities rental expense for the year ended June 30, 2018 amounted to \$150,000.

The future minimum lease payments for the lease is as follows:

Year ended June 30,

2019	\$ 150,000
2020	150,000
2021	150,000
2022	150,000
	<u>\$ 600,000</u>

**NOTE 7 DEFINED BENEFIT PENSION PLAN**

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

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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

**General Information about the Pension Plan**

*Plan Description*

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

*Benefits Provided*

PERA provides retirement, disability, and survivor benefits. Retirements are determined by the amount of service credit earned and/or purchases, highest average salary, the benefit structure 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% and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100% match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

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

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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

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 receive an annual increase of 2%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2% or the average CPI-W for the prior calendar year, not to exceed 10% of PERA's Annual Increase Reserve (AIR) for the SCHDTF.

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

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

*Contributions*

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

	<u>For the Year Ended December 31, 2017</u>	<u>For the Year Ended December 31, 2018</u>
Employer Contribution Rate <sup>1</sup>	10.15 %	10.15 %
Amount of Employer Contribution Apportioned to the health Care Trust Fund as Specified in C.R.S. § 24-51-208(1)(f) <sup>1</sup>	(1.02)%	(1.02)%
Amount Apportioned to the SCHDTF <sup>1</sup>	9.13 %	9.13 %
Amortization Equalization Disbursement (AED) as Specified in C.R.S. § 24-51-411 <sup>1</sup>	4.50 %	4.50 %
Supplemental Amortization Equalization Disbursement (SAED) as Specified in C.R.S. § 24-51-411 <sup>1</sup>	5.00 %	5.50 %
Total Employer Contribution Rate to the SCHDTF <sup>1</sup>	<u>18.63 %</u>	<u>19.13 %</u>

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

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the School for the year ended June 30, 2018 were \$346,294.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources**

At June 30, 2018, the School reported a liability of \$12,753,850 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017. The School's proportion of the net pension liability was based on the School's contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2017, the School's proportion was 0.0394411014%, which was a decrease of 0.0006273525% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the School recognized pension expense of \$2,252,978. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference Between Expected and Actual Experience	\$ 234,490	\$ -
Changes of Assumptions or Other Inputs	3,256,532	20,665
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	500,856
Changes in Proportion and Differences Between Contributions Recognized and Proportionate Share of Contributions	34,175	105,310
Contributions Subsequent to the Measurement Date	183,437	-
Total	<u>\$ 3,708,634</u>	<u>\$ 626,831</u>

\$183,437 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2019	\$ 1,974,579
2020	1,115,984
2021	(3,774)
2022	(188,423)
	<u>\$ 2,898,366</u>

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

*Actuarial Assumptions*

The December 31, 2016 actuarial valuation used 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 <sup>1</sup>	5.26%
Future Post Retirement Benefit Increases:	
PERA Benefit Structure Hired Prior to January 1, 2007; and DPS Benefit Structure (Automatic)	2.00%
PERA Benefit Structure Hired After December 31, 2006 (Ad Hoc, Substantively Automatic)	Financed by the Annual Increase Reserve

<sup>1</sup> The discount rate reflected in the roll-forward calculation of the collective total pension liability to the measurement date was 4.78% as described below.

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

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

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

The mortality assumption for disabled retirees was based on 90% of the RP-2014 Disabled Retiree Mortality Table.

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

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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 SCHDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed by the investment consultant 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%.

*Discount Rate*

The discount rate used to measure the total pension liability was 4.78%. The projection of cash flows used to determine the discount rate 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%.

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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

Based on the above assumptions and methods, the GASB Statement No. 67 projection test indicates the SCHDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25% on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the average of the Bond Buyer General Obligation 20-year Municipal Bond Index Rates during the month of December published at the end of each week by The Bond Buyer, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.43%, resulting in a discount rate of 4.78%.

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

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

*Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate*

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

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate Share of the Net Pension Liability	\$ 16,110,282	\$ 12,753,850	\$ 10,018,742

*Pension Plan Fiduciary Net Position*

Detailed information about the SCHDTF's fiduciary net position is available in PERA's comprehensive annual financial report, which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**Changes Between the Measurement Date of the Net Pension Liability and June 30, 2018**

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through SB 18-200: *Concerning Modifications to the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability the Division Trust Funds and thereby reach a 100% 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](http://www.leg.colorado.gov).

- Increases employer contribution rates by 0.25% on July 1, 2019.
- Increases employee contribution rates by a total of 2% (to be phased in over a period of 3 years starting on July 1, 2019).
- Directs the state to allocate \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution will be allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the other divisions eligible for the direct distribution.

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING  
 NOTES TO BASIC FINANCIAL STATEMENTS  
 JUNE 30, 2018**

**NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)**

- 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.

At June 30, 2018, the School reported a liability of \$12,753,850 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 4.78%. For comparative purposes, the following schedule presents an estimate of what the School's proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SCHDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SCHDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

<b>Estimated Discount Rate            Calculated Using Plan            Provisions Required by            SB 18-200 (pro forma)</b>	<b>Proportionate Share of the            Estimated Net Pension Liability            Calculated Using Plan            Provisions Required by            SB 18-200 (pro forma)</b>
7.25%	5,762,079

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 \$5,953,577 of the estimated reduction is attributable to the use of a 7.25% discount rate.

**NOTE 8 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Health Care Trust Fund (HCTF) administered by the Public Employees' Retirement Association of Colorado (PERA) and additions to/deductions from the HCTF's fiduciary net position have been determined on the same basis as they are reported by the HCTF. For this purpose, the HCTF recognizes benefit payments when due and payable in accordance with benefit terms. Investments are reported at fair value.

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 8 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

**General Information about the OPEB Plan**

*Plan Description*

Eligible employees of the School are provided with OPEB through the Health Care Trust Fund (HCTF) - a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan administered by the Public Employees' Retirement Association of Colorado (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. PERA issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at [www.copera.org/investments/pera-financial-reports](http://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 Division, School Division, Local Government Division and Judicial Division Trust Funds), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

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

Eligibility to enroll in PERACare is voluntary and includes, among others, benefit recipients and their eligible dependents, as well as certain surviving spouses, divorced spouses and guardians. 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.

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 8 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

*PERA Benefit Structure*

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5% 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.

*Contributions*

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the School were \$18,697 for the year ended June 30, 2018.

**Inflows of Resources Related to OPEB**

At June 30, 2018, the School reported a liability of \$291,244 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2017. The School's proportion of the net OPEB liability was based on the School's contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF. At December 31, 2017, the School's proportion was 0.0224102735%, which was a decrease of 0.0003651172% from its proportion measured as of December 31, 2016.

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 8 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred**

For the year ended June 30, 2018, the School recognized OPEB expense of \$3,405. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	\$ 1,377	\$ -
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	-	4,872
Changes in Proportion and Differences Between Contributions Recognized and Proportionate Share of Contributions	-	3,957
Contributions Subsequent to the Measurement Date	9,781	-
Total	<u>\$ 11,158</u>	<u>\$ 8,829</u>

\$9,781 reported as deferred outflows of resources related to OPEB resulting from the School contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30,</u>	
2019	\$ (1,725)
2020	(1,725)
2021	(1,725)
2022	(1,724)
2023	(506)
Thereafter	(47)
	<u>\$ (7,452)</u>

*Actuarial Assumptions*

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

Actuarial Cost Method	Entry Age
Price Inflation	2.40%
Real Wage Growth	1.10%
Wage Inflation	3.50%
Salary Increases, Including Wage Inflation	3.50 % in the 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	
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

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 8 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

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

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

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

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

<u>Year</u>	<u>PERACare Medicare Plans</u>	<u>Medicare Part A Premiums</u>
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 male rates and a 55 percent factor applied to female rates.

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 8 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

Healthy, post-retirement mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 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.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

The mortality assumption for disabled retirees was based on 90% of the RP-2014 Disabled Retiree Mortality Table.

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

- The assumed rates of PERACare participation were revised to reflect more closely actual experience.
- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2017 plan year.
- The percentages of PERACare enrollees who will attain age 65 and older ages and are assumed to not qualify for premium-free Medicare Part A coverage were revised to more closely reflect actual experience.
- 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.

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 8 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

- 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 of 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 by the investment consultant 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:

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 8 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

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

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

*Sensitivity of the School's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates*

The following presents the School's proportionate share of the net OPEB liability, as well as what the School's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend 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%
Proportionate Share of the Net OPEB Liability	\$ 327,450	\$ 291,244	\$ 260,341

*Discount Rate*

The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate 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.

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING  
NOTES TO BASIC FINANCIAL STATEMENTS  
JUNE 30, 2018**

**NOTE 8 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)**

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

Based on the above assumptions and methods, the HCTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate. There was no change in the discount rate from the prior measurement date.

*Sensitivity of the School's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate*

The following presents the School's proportionate share of the net OPEB liability, as well as what the School's 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%) or 1-percentage-point higher (8.25%) than the current discount rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate Share of the Net OPEB Liability	\$ 327,450	\$ 291,244	\$ 260,341

*OPEB Plan Fiduciary Net Position*

Detailed information about the HCTF plan's fiduciary net position is available in the separately issued comprehensive annual financial report issued by PERA. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 9 TAX, SPENDING AND DEBT LIMITATIONS**

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR), contains tax, spending, revenue and debt limitations, which apply to the State of Colorado and all local governments.

The School does not believe itself to be subject to the requirements of TABOR as the School has been established by intergovernmental agreement by Cherry Creek Schools, Denver Public Schools, Douglas County Schools, Littleton Public Schools and Aurora Public Schools and it receives no direct tax dollars and has no power to tax. TABOR is applied to the school districts, which have formed the School. The School receives an allocation of per pupil funding from Denver Public Schools for each pupil admitted to the School from the sponsoring districts. TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of what organizations may be subject to TABOR may require judicial interpretation.

**NOTE 10 RISK MANAGEMENT**

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

The School is a member of the Colorado School Districts Self-Insurance Pool (Colorado Pool), which was established by the Colorado Association of School Boards. The Colorado Pool is a public entity risk pool currently operating as a common risk management and insurance program.

The School pays an annual premium to the Colorado Pool for its property, casualty and liability insurance coverage. In the event aggregated losses incurred by the Colorado Pool exceed amounts recoverable from reinsurance contracts and funds accumulated by the Colorado Pool, the Colorado Pool may require additional contributions from the Colorado Pool members. Any excess funds which the Colorado Pool determines are not needed for purposes of the Colorado Pool may be returned to the members pursuant to a distribution formula.

The Colorado Pool retains liability losses up to \$750,000 per occurrence and purchases insurance coverage of up to \$9,250,000 per occurrence in excess of the Colorado Pool's definition depending on the type of liability loss. The Colorado Pool property insurance policy provides limits up to \$1,000,000,000 per occurrence subject to the Colorado Pool's retention of \$10,000,000 per occurrence and an annual aggregate of \$10,000,000. Flood and earthquake coverage provided by the Colorado Pool has annual aggregate limits of \$100,000,000.

The School continues to carry commercial insurance coverage for other risks of loss including workers compensation and employee health and accident insurance. Settled claims have not exceeded any coverage in any of the past three fiscal years.

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING**  
**NOTES TO BASIC FINANCIAL STATEMENTS**  
**JUNE 30, 2018**

**NOTE 11 INTERGOVERNMENTAL AGREEMENT**

Effective July 1, 2017 through June 30, 2022, the School entered into an agreement with the member districts for the operation of an expeditionary learning school. According to the agreement, student admissions are up to the following for each district, not to exceed 400: Denver Public Schools - 200 FTE; Cherry Creek Schools - 110 FTE; Douglas County Schools - 50 FTE; Littleton Public Schools - 40 FTE; and Aurora Public Schools - 40 FTE. In the event a district does not fill its allocation, students from another district shall be eligible for admission with the concurrence of their district of residence.

Funding for the School is provided in the amount of one hundred percent (100%) of member Denver Public Schools' per-pupil revenue (PPR) for each pupil admitted to the School, up to a maximum of 400 students.

Denver Public Schools makes distributions to the School quarterly, on or about July 15 (25%), October 15 (25%), and January 15 (50%), less any adjustments or rescissions from the Colorado Department of Education.

**NOTE 12 RESTATEMENT FOOTNOTE**

For the year ended June 30, 2018, the School adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB no. 75), which is effective for financial statements beginning after June 15, 2017. GASB No. 75 revises and establishes new financial reporting requirements for most governments that provide postemployment benefits other than pensions (OPEB). GASB No. 75 requires cost-sharing employers participating in the Health Care Trust Fund (HCTF) administered by the Public Employees' Retirement Association of Colorado (PERA) to record their proportionate share, as defined in GASB No. 75, of the HCTF's net OPEB liability.

For the School, the effect of implementing this standard was to change how it accounts and reports the net OPEB liability. Implementation of the standard resulted in a restatement of the prior period net position as shown below.

Net Position, June 30, 2017, as Previously Reported	\$ (5,357,155)
Cumulative Effect of Application of GASB No. 75, Net OPEB Liability	<u>(285,650)</u>
Net Position, June 30, 2017, as Restated	<u><u>\$ (5,642,805)</u></u>

**REQUIRED SUPPLEMENTARY INFORMATION**

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE – BUDGET TO ACTUAL – GENERAL FUND  
YEAR ENDED JUNE 30, 2018**

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Per Pupil Operating Revenue	\$ 2,906,750	\$ 2,998,944	\$ 2,998,813	\$ (131)
State BOCES Funding	213,475	207,392	207,392	-
Fee Income	374,882	372,611	403,017	30,406
Grant Revenue	-	5,500	5,500	-
School Based Fundraising	18,640	15,844	23,821	7,977
Parent Based Fundraising	94,750	94,750	130,613	35,863
After School Program	38,500	29,000	32,236	3,236
Facility Use Rental	7,500	7,500	5,226	(2,274)
Net Investment Earnings	4,000	10,500	11,142	642
Miscellaneous	4,800	4,800	7,422	2,622
Total Revenues	<u>3,663,297</u>	<u>3,746,841</u>	<u>3,825,182</u>	<u>78,341</u>
<b>EXPENDITURES</b>				
Payroll and Benefits:				
Instructional	1,800,967	1,797,702	1,787,936	9,766
Support Services	645,379	603,434	557,295	46,139
Fieldwork	222,406	222,491	222,098	393
Professional Development	49,700	51,700	46,171	5,529
Special Education Fees	197,726	196,851	196,851	-
Supplies and Materials	210,646	216,222	137,622	78,600
Administrative	188,588	270,525	150,073	120,452
Vehicle Expense	54,131	54,131	27,230	26,901
Technology	42,914	42,888	26,971	15,917
Fundraising Costs	36,000	36,000	42,820	(6,820)
After School Program	34,300	25,000	34,210	(9,210)
Financial Aid	10,500	10,500	-	10,500
Building Lease	150,000	150,000	150,000	-
Facility Maintenance	109,150	158,800	190,003	(31,203)
Capital Expenditures	60,890	60,597	51,254	9,343
Total Expenditures	<u>3,813,297</u>	<u>3,896,841</u>	<u>3,620,534</u>	<u>276,307</u>
<b>NET CHANGES IN FUND BALANCES</b>	<u>\$ (150,000)</u>	<u>\$ (150,000)</u>	204,648	<u>\$ 354,648</u>
Fund Balance - Beginning of Year			<u>1,533,424</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 1,738,072</u>	

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING**  
**NOTES REQUIRED SUPPLEMENTARY INFORMATION**  
**JUNE 30, 2018**

**NOTE 1 BASIS OF ACCOUNTING**

The budget for the General Fund is adopted on a basis consistent with generally accepted accounting principles (GAAP) using the modified accrual basis of accounting.

**NOTE 2 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Budgets are required by State statutes for all funds. The School adheres to the following procedures in establishing the budgetary data reflected in the financial statements.

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

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING  
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
LAST 10 FISCAL YEARS**

	2017	2016	2015	2014	2013
School's Proportion (Percentage) of the Collective Net Pension Liability (Asset)	0.0394411014%	0.0400684539%	0.0394925832%	0.0404203481%	0.0420701317%
School's Proportionate Share of the Collective Pension Liability (Asset)	\$ 12,753,850	\$ 11,929,928	\$ 6,040,112	\$ 5,478,315	\$ 5,366,034
Covered Payroll	1,819,371	1,798,344	1,721,078	1,693,323	1,695,981
School's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	701.00%	663.38%	350.95%	323.52%	316.40%
Plan Fiduciary Net Position as a Percentage Percentage of the Total Pension Liability	43.96%	43.13%	59.16%	62.80%	64.06%

\* The amounts presented for each fiscal year were determined as of December 31 based on the measurement date of the Plan. Information earlier than 2013 was not available.

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING  
SCHEDULE OF PENSION CONTRIBUTIONS AND RELATED RATIOS  
LAST 10 FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Statutorily Required Required Contributions	\$ 346,294	\$ 339,353	\$ 313,050	\$ 286,644	\$ 270,031	\$ 258,749	\$ 229,647	\$ 196,337	\$ 180,142	\$ 168,825
Contributions in Relation to the Statutorily Required Contribution	<u>346,294</u>	<u>339,353</u>	<u>313,050</u>	<u>286,644</u>	<u>270,031</u>	<u>258,749</u>	<u>229,647</u>	<u>196,337</u>	<u>180,142</u>	<u>168,825</u>
Contribution Deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	1,833,060	1,845,708	1,764,956	1,697,858	1,689,544	1,715,966	1,511,020	1,378,017	1,450,858	1,461,400
Contribution as a Percentage of Covered Payroll	18.89%	18.39%	17.74%	16.88%	15.98%	15.08%	15.20%	14.25%	12.42%	11.55%

\* The amounts presented for each fiscal year were determined as of June 30

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING  
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE  
OF THE NET OPEB LIABILITY  
LAST 10 FISCAL YEARS**

	<u>2017</u>	<u>2016</u>
School's Proportion (Percentage) of the Collective Net OPEB Liability (Asset)	0.0224102735%	0.0227753907%
School's Proportionate Share of the Collective OPEB Liability (Asset)	\$ 291,244	\$ 295,291
Covered Payroll	1,819,371	1,798,344
School's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	16.01%	16.42%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	17.53%	16.72%

\* The amounts presented for each fiscal year were determined as of December 31 based on the measurement date of the Plan. Information earlier than 2016 was not available.

**ROCKY MOUNTAIN SCHOOL OF EXPEDITIONARY LEARNING  
SCHEDULE OF OPEB CONTRIBUTIONS AND RELATED RATIOS  
LAST 10 FISCAL YEARS**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Statutorily Required Required Contributions	\$ 18,697	\$ 18,826	\$ 18,003	\$ 17,318	\$ 17,233	\$ 17,503	\$ 15,412	\$ 14,056	\$ 14,799	\$ 14,906
Contributions in Relation to the Statutorily Required Contribution	<u>18,697</u>	<u>18,826</u>	<u>18,003</u>	<u>17,318</u>	<u>17,233</u>	<u>17,503</u>	<u>15,412</u>	<u>14,056</u>	<u>14,799</u>	<u>14,906</u>
Contribution Deficiency	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	1,833,060	1,845,708	1,764,956	1,697,858	1,689,544	1,715,966	1,511,020	1,378,017	1,450,858	1,461,400
Contribution as a Percentage of Covered Payroll	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%

\* The amounts presented for each fiscal year were determined as of June 30

## **SUPPLEMENTARY INFORMATION**



**Colorado Department of Education**  
**Auditors Integrity Report**  
 District: 9130 - EXPEDITIONARY BOCES  
 Fiscal Year 2017-18  
 Colorado School District/BOCES

Revenues, Expenditures, & Fund Balance by Fund

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	1,533,421	3,825,183	3,620,533	1,738,070
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0
<b>Sub- Total</b>	<b>1,533,421</b>	<b>3,825,183</b>	<b>3,620,533</b>	<b>1,738,070</b>
11 Charter School Fund	0	0	0	0
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	0	0	0	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
39 Certificate of Participation (COP) Debt Service 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
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Proprietary</b>				
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
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fiduciary</b>				
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
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

FINAL