ASPEN VIEW ACADEMY

BASIC FINANCIAL STATEMENTS

June 30, 2019

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FINANCIAL SECTION

JOHN CUTLER
& ASSOCIATES

Board of Directors
Aspen View Academy
Castle Rock, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, and each major fund of Aspen View Academy, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the Academy'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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, and each major fund of Aspen View Academy, as of June 30, 2019, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

600 17TH STREET SUITE 2800 SOUTH • DENVER, COLORADO 80202 •TEL 303.634.2259 •FAX 303.496.4631

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information, schedules of the school's proportionate share, and schedules of the school's contributions on pages 39-43 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.

John Cutler & Associates, LLC

October 31, 2019

Aspen View Academy
Management's Discussion and Analysis
As of and for the fiscal year ended June 30, 2019

As management of Aspen View Academy, we offer readers of the School's basic financial statements this narrative and analysis of the financial activities of The Academy for the fiscal year ended June 30, 2019.

Financial Highlights

- The liabilities of the Academy exceeded its assets at the close of the most recent fiscal year by $12,301,342 (net position). This is a change from the previous year's deficit net position of $12,504,784. The vast majority of this deficit is caused by the Governmental Accounting Standards Board (GASB) Statement 68. (Notes 7 & 8 pages 15-37).

- The General Fund balance increased $447,442 from $1,794,974 to $2,272416. The increase was caused by an increase in revenue coupled with The Academy's practice to limit routine expenditures so as to not exceed revenue in any particular year. The revenue increase was primarily from local sources but includes a modest increase from State and Federal Grants and Donations as well. The funds will provide additional reserves.

Overview of the Financial Statements

Management's discussion and analysis is intended to serve as an introduction to the Academy's basic financial statements and provide an analytical overview of the Academy's financial activities. The basic financial statements 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 supplemental information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the financial activities in a manner similar to a private sector business.

The statement of net position presents information about all of the Academy's assets and liabilities. The difference between assets and liabilities 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 assets of the School changed during the current fiscal year. Changes in net assets 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.

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. Fund financial statements for the Academy include two fund types – governmental funds and proprietary funds.

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.

The Academy maintains one governmental fund, The Academy General Fund. The Academy adopts an annual appropriated budget for its general fund. The budget is developed using estimates for enrollment and State and Federal Grant awards. The Academy Board then approves a modified budget and appropriation after enrollment count and grant award letters are finalized (typically Dec/Jan of each fiscal year). A budgetary comparison schedule for the General Fund is included in the required supplemental information (page 35).

The School maintains one proprietary fund, The Academy Building Corporation. The Academy Building Corporation is considered a component unit of the charter school and is reported as business-type activities in the proprietary fund. This unit is presented with statements of net position, changes in net position and cash flows.

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 9-34 of this report.

Government-wide Financial Analysis

Net Position may serve over time as a useful indicator of a government's financial position. In the case of The Academy, liabilities exceeded assets by $12,301,342 at the close of the most recent fiscal year. Again, the majority of this deficit is caused by the Governmental Accounting Standards Board (GASB) Statement 68. All Colorado Schools, The Academy included, are now required to include its Net Pension Liability as part of the net position of the governmental activities. A detailed explanation of the Defined Benefit Pension Plan that impacted the financial statement as a result of GASB 68 can be found in notes 7 & 8 , pages 15-37. The Schedule of Schools Proportionate Share (Page 40) shows how the Academy's proportionate share of the Net Pension Liability decreased from 0.078% to 0.068% but because of the changes in actuarial assumptions, the liability actually decreased to $12,123,046.

The assets of the School are classified as current assets and capital assets. Cash and investments, receivables, internal balances and inventories are current assets. These assets are available to provide resources for the near-term operations of the School. The majority of the current assets are the result of unspent revenues received from the state. Capital assets are used in the operations of the School. These assets represent land, buildings, and equipment of the School.

Current and non-current 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, deferred revenue, and current debt obligations. The liquidation of current liabilities is anticipated to be either from current available resources, current assets, or new resources that become available during fiscal 2018.

Long-term liabilities such as long-term debt obligations will be liquidated from resources that will become available after fiscal year 2018. The noncurrent liabilities primarily relate to the debt incurred to fund the facilities of The Academy or are part of the school's portion of the state's pension liability.

Cash and investments are 18.4% of the Academy's Governmental and Business-Type assets (up from 17.3 last year and 15.5 the year before).

The Academy's Net Position
Governmental Activities

	June 30, 2019	June 30, 2018
Cash and Investments	$ 2,702,904	$ 2,145,798
Accounts Receivable	$ 58,608	$ 2,160
Capital Assets	$ 15,128,123	$ 15,523,989
Total Assets	$ 17,889,635	$ 17,671,947
Deferred Outflows – Related to Pensions	$ 3,776,448	$ 9,913,451
Current liabilities	$ 489,096	$ 352,984
Other liabilities	$ 12,449,356	$ 13,033,350
Pension Liability (GASB 68)	$ 12,728,519	$ 25,668,094
Total Liabilities	$ 25,666,971	$ 39,054,428
Deferred Inflows – Related to Pensions	$ 8,300,484	$ 1,035,754
Net Position		
Investment in Capital Assets	$ 2,678,767	$ 2,490,639
Restricted for:		
Tabor	$ 250,000	$ 216,000
Unrestricted	$ (15,230,109)	$ (15,211,423)
Total Net Position	$ (12,301,342)	$ (12,504,784)

The Academy's Change in Net Position
For the year ending June 30, 2014
Governmental and Business-Type Activities

	June 30, 2019	June 30, 2018
Program Revenue:		
Charges for Services	$ 857,971	$ 788,618
Operating Grants and Contributions	$ 233,143	$ 91,812
Capital Grants and Contributions	$ 212,572	$ 212,572
Total Program Revenues	$ 1,303,686	$ 1,093,002
General Revenue		
Per Pupil Revenue	$ 6,367,037	$ 5,888,616
Mill Levy	$ 977,347	$ 437,073
Other	$ 43,894	$ 18,187
Total General Revenue	$ 7,388,278	$ 6,343,876
Total Revenue	$ 8,691,964	$ 7,436,878
Expenses:		
Current:		
Instruction	$ 6,034,911	$ 7,980,700
Supporting Services	$ 2,005,495	$ 3,917,106
Interest on Long-term Debt	$ 448,116	$ 461,855
Total Expenses	$ 8,488,522	$ 12,359,661
Increase (Decrease) in Net Position	$ 203,442	$ (4,922,783)
Beginning Net Position	$ (12,504,784)	$ (7,582,001)
Ending Net Position	$ (12,301,342)	($ 12,504,784)

Financial Analysis of Government and Business-type Activities Net Position

,From the previous two statements, the impact of the implementation of Governmental Accounting Standards Board (GASB) Statement 68 and 75 is quite evident. GASB published an article, **New GASB Pension Statements to Bring about Major Improvements in Financial Reporting – Dec 2013.** In this article it states:

> "This is an important change that will more clearly depict the government's financial position. While this information will, in some cases, give the appearance that a government is financially weaker than it was previously, the financial reality of the government's situation will not have changed."

This is exactly the case for The Academy. It is important to note that without the impact of the Pension Liability, the net position of The Academy would have been an increase of $17,252,525 as opposed to the depicted decrease of $10,178,686.

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.

Governmental Funds. The focus of the School's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, 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.

General Fund Budgetary Highlights

The Academy approves a budget in June based on enrollment projections for the following school year. In October after enrollment stabilizes, adjustments are made to the budget. The Academy approved a supplemental budget to true up the beginning fund balance and adjustment to the actual student count. Actual expenditures in the general fund were over revenues by $221,113. The General Fund balance increased by $477,442 during fiscal year 2019.

Capital Asset and Debt Administration

Capital assets. Capital assets include the land and building in the Academy Building Corporation Fund and other capital assets in the governmental activities fund of $15,128,123. Depreciation expense of $395,866 was reported in the Governmental Activities capital assets. See Note 4 for more information.

Long-term lease. The Academy participates in a long-term lease agreement with the Corporation. Monthly principal and interest payments are due under the lease agreements, with interest accruing at rates ranging from 3.75% to 7.25%. The lease ends in January 2037. Annual debt service ranges from $561,550 to $966,156 and is clearly outlined in the bond documents. See Note 6 for more information.

Economic Factors and Next Year's Budgets and Rates

The FY 2019/2020 budget projects the Academy's general fund balance will increase by $268,694. This is primarily due to a projected increase in per pupil revenue with stable State and Federal grant funding. Enrollment is projected to be stable in FY 2019/2020 and beyond.

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:

Aspen View Academy
2131 Low Meadow Blvd.
Castle Rock, CO 80129

BASIC FINANCIAL STATEMENTS

ASPEN VIEW ACADEMY

STATEMENT OF NET POSITION
As of June 30, 2019

	PRIMARY GOVERNMENT		
	GOVERNMENTAL ACTIVITIES		COMPONENT UNIT
	2019	2018	FOUNDATION
ASSETS			
Cash and Investments	$ 2,702,904	$ 2,095,798	$ 75,836
Accounts Receivable	58,608	2,160	500
Due From Foundation	-	50,000	-
Prepaid Expenses	-	-	-
Capital Assets, Not Depreciated	2,000,000	2,000,000	-
Capital Assets, Depreciated, Net of Accumulated Depreciation	13,128,123	13,523,989	-
TOTAL ASSETS	17,889,635	17,671,947	76,336
DEFERRED OUTFLOWS OF RESOURCES			
Related to Pensions	3,727,324	9,855,061	-
Related to OPEB	49,124	58,390	-
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,776,448	9,913,451	-
LIABILITIES			
Accounts Payable	100,924	16,552	33
Accrued Expenses	388,172	336,432	-
Unearned Revenues	-	-	-
Noncurrent Liabilities			
Due in One Year	597,350	583,993	-
Due in More than One Year	11,852,006	12,449,357	-
Net Pension Liability	12,123,046	25,095,025	-
Net OPEB Liability	605,473	573,069	-
TOTAL LIABILITIES	25,666,971	39,054,428	33
DEFERRED INFLOWSOF RESOURCES			
Related to Pensions	8,299,532	1,026,167	-
Related to OPEB	922	9,587	-
TOTAL DEFERRED INFLOWS OF RESOURCES	8,300,454	1,035,754	-
NET POSITION			
Net Investment in Capital Assets	2,678,767	2,490,639	-
Restricted for Emergencies	250,000	216,000	-
Unrestricted	(15,230,109)	(15,211,423)	76,303
TOTAL NET POSITION	$ (12,301,342)	$ (12,504,784)	$ 76,303

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

ASPEN VIEW ACADEMY

STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

		PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION		
					Governmental Activities		Component Unit Foundation
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2019	2018	2019
PRIMARY GOVERNMENT							
Governmental Activities							
Instructional	$ 6,034,911	$ 351,403	$ 21,968	$ -	$ (5,661,540)	$ (7,595,169)	$ -
Supporting Services	2,005,495	506,568	211,175	212,572	(1,075,180)	(3,209,635)	-
Interest on Long-Term Debt	448,116	-	-	-	(448,116)	(461,855)	-
Total Governmental Activities	$ 8,488,522	$ 857,971	$ 233,143	$ 212,572	(7,184,836)	(11,266,659)	-
COMPONENT UNIT							
Foundation	$ 178,472	$ -	$ -	$ -	$ -	$ -	$ (178,472)
GENERAL REVENUES							
Per Pupil Revenue					6,367,037	5,888,616	-
Mill Levy					977,347	437,073	-
Grants and Contributions					-	-	91,790
Other					43,894	18,187	77,015
TOTAL GENERAL REVENUES					7,388,278	6,343,876	168,805
CHANGE IN NET POSITION					203,442	(4,922,783)	(9,667)
NET POSITION, Beginning, Restated					(12,504,784)	(7,582,001)	85,970
NET POSITION, Ending					$ (12,301,342)	$ (12,504,784)	$ 76,303

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

ASPEN VIEW ACADEMY

BALANCE SHEET
ALL GOVERNMENTAL FUNDS
June 30, 2019

	GENERAL FUND	
	2019	2018
ASSETS		
Cash and Investments	$ 2,702,904	$ 2,095,798
Accounts Receivable	58,608	2,160
Due From Foundation	-	50,000
TOTAL ASSETS	$ 2,761,512	$ 2,147,958
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	$ 100,924	$ 16,552
Accrued Expenses	388,172	336,432
TOTAL LIABILITIES	489,096	352,984
FUND BALANCES		
Restricted for Emergencies	250,000	216,000
Unassigned	2,022,416	1,578,974
TOTAL FUND BALANCES	2,272,416	1,794,974
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	15,128,123	15,523,989
Long-term liabilities are not due and payable in the current period and are not reported in the funds. These are the loans payable.	(12,449,356)	(13,033,350)
Long-term liabilities and related assets related to pensions are not due and payable in the current period and therefore, are not reported in the funds. This liability includes includes net pension liability ($12,123,046), net OPEB liability ($605,473), deferred outflows related to pensions $3,727,324, deferred outflows related to OPEB $49,124, deferred inflows related to pensions ($8,299,532), and deferred inflows related to OPEB (	(17,252,525)	(16,790,397)
Net position of governmental activities	$ (12,301,342)	$ (12,504,784)

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

ASPEN VIEW ACADEMY

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
Year Ended June 30, 2019

	GENERAL FUND	
	2019	2018
REVENUES		
Local Sources	$ 8,306,249	$ 7,182,494
State Sources and Federal Sources	385,715	254,384
TOTAL REVENUES	8,691,964	7,436,878
EXPENDITURES		
Instruction	5,637,481	4,768,733
Supporting Services	1,277,511	1,454,033
Capital Outlay	267,420	150,876
Debt Service		
Principal	583,994	570,801
Interest	448,116	461,855
TOTAL EXPENDITURES	8,214,522	7,406,298
NET CHANGE IN FUND BALANCES	477,442	30,580
FUND BALANCES, Beginning	1,794,974	1,764,394
FUND BALANCES, Ending	$ 2,272,416	$ 1,794,974

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

ASPEN VIEW ACADEMY

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	$ 477,442
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the depreciation expense for the year.	(395,866)
Repayment of long-term debt and related costs are reported as an expenditure in the governmental funds and decrease fund balance. For the Academy as a whole, however, these costs and payments reduce the liabilities or are capitalized in the statement of net position and do not result in an expense in the statement of activities.	583,994
Deferred Charges related to pensions are not recognized in the governmental funds. However, in the government-wide statements these amounts are capitalized and amortized.	(462,128)
Change in net position of governmental activities	$ 203,442

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

NOTE 1: ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

Aspen View Academy (the "Academy") was organized in 2013 pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Douglas County School District RE-1 (the "District").

The accounting policies of the Academy conform to generally accepted accounting principles as applicable to governmental units. Following is a summary of the more significant policies.

Reporting Entity

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

Aspen View Academy Building Corporation

The Aspen View Academy Building Corporation (the "Building Corporation") is considered to be financially accountable to the Academy. The Building Corporation was formed to support and assist the Academy to perform its function and to carry out its purpose, specifically enter into a loan agreement for the Academy's modular building. As the Academy made payments directly to the financial institution, there are no transactions to report for the Building Corporation. Separate financial statements are not available for the Building Corporation. The Academy paid $55,801 and $13,099 for principal and interest on behalf of the Building Corporation.

Aspen View Academy Foundation

The Aspen View Academy Foundation (the "Foundation") is a non-profit organization formed for the sole purpose of assisting the Academy in achieving its educational mission. The Foundation's financial information is discretely presented in the Academy's financial statements. Separate financial statements are not available.

The Academy is a component unit of the Douglas County School District RE-1.

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

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Academy. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported in a single column.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include 1) charges to students or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted intergovernmental revenues not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported in separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period, not to exceed 60 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

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

Intergovernmental revenues, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Academy.

Internally dedicated resources are reported as general revenues rather than as program revenues.

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

The Academy reports the following major governmental fund:

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

Deferred Outflows/Inflows of Resources

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

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

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

Assets, Liabilities and Fund Balance/Net Position

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

Prepaid Expenses – Certain payments to vendors reflect costs applicable to future periods and are reported as prepaid expenses.

Capital Assets – Capital assets, which include property and equipment, are reported in the governmental activities' column in the government-wide financial statements. Capital assets are defined by the Academy as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net assets in the government-wide financial statements. Depreciation has been provided over the following estimated useful lives of the capital assets using the straight-line method: buildings and improvements 15 – 35 years; equipment 5 years.

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net position in the government-wide financial statements. Depreciation has been provided using the straight-line method over the estimated useful life of 40 years for buildings and improvements and 10 years for equipment.

Unearned Revenues – Unearned revenues represent resources received by the Academy before it has a legal claim on them.

Compensated Absences – the Academy's employees are eligible to accrue eight days of paid time off during the year. Accrued paid time off is paid to employees in June each year at a rate of $100 per day.

Long-term Debt – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are recognized in the current period. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

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

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

Net Position – The government-wide fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted. Net investment in capital assets is intended to reflect the portion of net position, which is associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost. Restricted net position is liquid assets, which have third party limitations on their use. Unrestricted net position represents assets that do not have any third-party limitations on their use.

Fund Balance Classification – 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 Academy 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 because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact. The Academy does not report any fund balances as nonspendable at June 30, 2019.

- 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. The Academy has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies.

- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or 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. The Academy did not have any committed resources as of June 30, 2019.

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

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

- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The Academy would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources.

Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Academy's financial position and operations. However, complete comparative data in accordance with generally accepted accounting principles has not been presented since its inclusion would make the financial statements unduly complex and difficult to read.

Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2: ***STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY***

Budgets and Budgetary Accounting

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

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

NOTE 3: ***CASH AND INVESTMENTS***

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At June 30, 2019 State regulatory commissioners have indicated that all financial institutions holding deposits for the Academy are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held.

The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The Academy has no policy regarding custodial credit risk for deposits.

At June 30, 2019, the Academy had deposits with financial institutions with a carrying amount of $2,778,740. The bank balances with the financial institutions were $2,949,424. Of these balances, $397,991 was covered by federal depository insurance and $2,551,433 was covered by collateral held by authorized escrow agents in the financial institution's name (PDPA).

Investments

Interest Rate Risk

The Academy does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

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

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

NOTE 3: ***CASH AND INVESTMENTS*** (Continued)

Investments (Continued)

The Academy has no policy for managing credit risk or interest rate risk.

The Academy has no investments as of June 30, 2019.

NOTE 4: ***CAPITAL ASSETS***

Capital Assets activity for the year ended June 30, 2019 is summarized below.

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Governmental Activities				
Capital Assets, Not Depreciated				
Land	$ 2,000,000	$ -	$ -	$ 2,000,000
Capital Assets, Depreciated				
Buildings and Improvements	15,237,721	-	-	15,237,721
Equipment	101,064	-	-	101,064
Total Capital Assets, Depreciated	15,338,785	-	-	15,338,785
Accumulated Depreciation				
Buildings and Improvements	1,792,719	380,943	-	2,173,662
Equipment	22,077	14,923	-	37,000
Total Accumulated Depreciation	1,814,796	395,866	-	2,210,662
Total Capital Assets, Depreciated, Net	13,523,989	(395,866)	-	13,128,123
Net Capital Assets	**$ 15,523,989**	**$ (395,866)**	**$ -**	**$ 15,128,123**

Depreciation was charged to the Supporting Services activity of the Academy.

NOTE 5: *LONG-TERM DEBT*

Following is a summary of the Academy's long-term debt transactions for the year ended June 30, 2019

	Balance June 30, 2018	Additions	Payments	Balance June 30, 2019	Due In One Year
Loan Payable-District	$12,829,000	$ -	$ 525,000	$12,304,000	$ 535,000
Loan Payable	204,350	-	58,994	145,356	62,350
Total	**$13,033,350**	**$ -**	**$ 583,994**	**$12,449,356**	**$ 597,350**

Loan Payable - District

In October 2012, the Academy entered into an installment purchase agreement with the District to purchase property and construct its facility. Under the terms of the agreement, the Academy is required to make monthly loan payments, including accrued interest ranging from $38,640 to $80,448 beginning in August 2013 through January 2037.

Loan Payable

In August 2016, the Academy entered into loan agreement in the amount of $300,000 to purchase and install a modular building. The loan carries an interest rate of 5.50% and requires monthly principal and interest payments in the amount of $5,742 through September 2021.

Future debt service requirements for the loans are as follows:

Year Ended June 30,	Principal	Interest	Total
2020	$ 597,350	$ 434,632	$ 1,031,982
2021	610,934	420,346	1,031,280
2022	577,072	403,909	980,981
2023	575,000	391,156	966,156
2024	590,000	376,782	966,782
2025-2029	3,245,000	1,569,256	4,814,256
2030-2034	3,955,000	869,677	4,824,677
2035-2037	2,299,000	191,100	2,490,100
Total	**$ 12,449,356**	**$ 4,656,858**	**$ 17,106,214**

NOTE 6: ***RISK OF LOSS***

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The Academy carries commercial insurance for these risks of loss. Settled claims have not exceeded insured amounts in the last three years.

NOTE 7: ***DEFINED BENEFIT PENSION PLAN***

Summary of Significant Accounting Policies

Pensions. The Academy participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/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.

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.* The bill was signed into law by Governor Hickenlooper on June 4, 2018. A brief description of some of the major changes to plan provisions required by SB 18-200 for the SCHDTF are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

- Increases employer contribution rates for the SCHDTF by 0.25 percent on July 1, 2019.
- Increases employee contribution rates for the SCHDTF by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- As specified in C.R.S. § 24-51-413, the State is required to contribute $225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a non-employer contribution for financial reporting purposes.

NOTE 7: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

General Information about the Pension Plan

- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, increases 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.

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

Benefits provided as of December 31, 2018. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

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

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

NOTE 7: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

General Information about the Pension Plan (Continued)

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

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

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

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

As of December 31, 2018, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments in certain years, referred to as annual increases in the C.R.S. Pursuant to SB 18-200, there are no annual increases (AI) for 2018 and 2019 for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure will receive an annual increase, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 1.5 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 will receive the lessor of an annual increase of 1.5 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The automatic adjustment provision may raise or lower the aforementioned AI for a given year by up to one-quarter of 1 percent based on the parameters specified C.R.S. § 24-51-413.

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 lifetime retirement benefit formula(s) 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.

NOTE 7: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

General Information about the Pension Plan (Continued)

Contributions provisions as of June 30, 2019: Eligible employees, the Academy and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 8 percent of their PERA-includable salary during the period of July 1, 2018 through June 30, 2019. Employer contribution requirements are summarized in the table below:

	January 1, 2018 Through December 31, 2018	January 1, 2019 Through December 31, 2019
Employer contribution rate[1]	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) [1]	(1.02)%	(1.02)%
Amount apportioned to the SCHDTF[1]	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 [1]	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 [1]	5.50%	5.50%
Total employer contribution rate to the SCHDTF	**19.13%**	**19.13%**

Contribution rates for the SCHDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

As specified in C.R.S. § 24-51-413, the State is required to contribute $225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a non-employer contribution for financial reporting purposes.

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the Academy is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the Academy were $760,157 for the year ended June 30, 2019.

NOTE 7: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

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

The net pension liability for the SCHDTF was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total pension liability to December 31, 2018. The Academy proportion of the net pension liability was based on the Academy contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers and the State as a non-employer contributing entity.

At June 30, 2019, the Academy reported a liability of $12,123,046 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a non-employer contributing entity. The amount recognized by the Academy as its proportionate share of the net pension liability, the related support from the State as a non-employer contributing entity, and the total portion of the net pension liability that was associated with the Academy were as follows:

The Academy's proportionate share of the net pension liability	$12,123,046
The State's proportionate share of the net pension liability as a non-employer contributing entity associated with the Academy	$1,657,658
Total	$13,780,704

At December 31, 2018, the Academy's proportion was 0.06846 percent, which was a decrease of 0.00914 percent from its proportion measured as of December 31, 2017.

NOTE 7: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

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

For the year ended June 30, 2019, the Academy recognized pension expense of $1,188,077 and revenue of $8,516 for support from the State as a non-employer contributing entity. At June 30, 2019, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$411,227	N/A
Changes of assumptions or other inputs	$2,262,820	$7,539,231
Net difference between projected and actual earnings on pension plan investments	$660,782	N/A
Changes in proportion and differences between contributions recognized and proportionate share of contributions	N/A	$760,301
Contributions subsequent to the measurement date	$392,495	N/A
Total	$3,727,324	$8,299,532

$392,495 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2020	($259,004)
2021	($2,919,675)
2022	($2,147,485)
2023	$361,461

NOTE 7: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

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

Actuarial assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.70 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	4.78 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)	2.00 percent compounded annually
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

The revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2017 to December 31, 2018:

Discount rate	7.25 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	0% through 2019 and 1.5% compounded annually, thereafter
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

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

NOTE 7: _DEFINED BENEFIT PENSION PLAN_ (Continued)

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

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.

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

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

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

Several factors were considered in evaluating the long-term rate of return assumption for the SCHDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

NOTE 7: ***<u>DEFINED BENEFIT PENSION PLAN</u>*** (Continued)

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

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

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

- 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%.

NOTE 7: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

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

- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200. 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 for each year, including the scheduled increase in SB 18-200. Employer contributions also include the 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.

- As specified in law, the State will provide an annual direct distribution of $225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.

- Employer contributions and the amount of total service costs for future plan members were based upon a process 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. 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 middle of the year.

Based on the above assumptions and methods, the projection test indicates the SCHDTF'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 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount determination does not use the municipal bond rate, and therefore, the discount rate is 7.25 percent.

NOTE 7: *DEFINED BENEFIT PENSION PLAN* (Continued)

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

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25 percent and the municipal bond index rate of 3.43 percent were used in the discount rate determination resulting in a discount rate of 4.78 percent, 2.47 percent lower compared to the current measurement date.

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	$15,412,379	$12,123,046	$9,362,741

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

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

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

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

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

NOTE 7: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

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

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

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

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

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

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

NOTE 8: ***DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN***

Summary of Significant Accounting Policies

OPEB. The Academy participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 8: ***DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN***

General Information about the OPEB Plan

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

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

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

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

NOTE 8: ***DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN***

General Information about the OPEB Plan (Continued)

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

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

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

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

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

NOTE 8: ***DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN***

General Information about the OPEB Plan (Continued)

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the Academy is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the Academy were $40,389 for the year ended June 30, 2019.

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

At June 30, 2019, the Academy reported a liability of $605,473 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2018. The Academy proportion of the net OPEB liability was based on the Academy's contributions to the HCTF for the calendar year 2018 relative to the total contributions of participating employers to the HCTF.

At December 31, 2018, the Academy's proportion was 0.0445 percent, which was an increase of 0.00041 percent from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the Academy recognized OPEB expense of $53,921. At June 30, 2019, the Academy 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	$2,198	$922
Changes of assumptions or other inputs	$4,247	N/A
Net difference between projected and actual earnings on OPEB plan investments	$3,482	N/A
Changes in proportion and differences between contributions recognized and proportionate share of contributions	$18,377	N/A
Contributions subsequent to the measurement date	$20,820	N/A
Total	$49,124	$922

NOTE 8: ***<u>DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN</u>***

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

$20,820 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	
2020	$5,755
2021	$5,755
2022	$5,755
2023	$8,173
2024	$1,887
2025	$57

Actuarial assumptions. The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.25 percent for 2018, gradually rising to 5.00 percent in 2025
DPS benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

NOTE 8: *DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN*

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

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

The actuarial assumptions used in the December 31, 2017, 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 discussed below.

In determining the additional liability for PERACare enrollees who are age sixty–five or older and who are not eligible for premium–free Medicare Part A, the following monthly costs/premiums are assumed for 2018 for the PERA Benefit Structure:

Medicare Plan	**Cost for Members Without Medicare Part A**	**Premiums for Members Without Medicare Part A**
Self-Funded Medicare Supplement Plans	$736	$367
Kaiser Permanente Medicare Advantage HMO	602	236
Rocky Mountain Health Plans Medicare HMO	611	251
UnitedHealthcare Medicare HMO	686	213

The 2018 Medicare Part A premium is $422 per month.

NOTE 8: *DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN*

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

In determining the additional liability for PERACare enrollees in the PERA Benefit Structure who are age sixty–five or older and who are not eligible for premium–free Medicare Part A, the following chart details the initial expected value of Medicare Part A benefits, age adjusted to age 65 for the year following the valuation date:

Medicare Plan	Cost for Members Without Medicare Part A
Self-Funded Medicare Supplement Plans	$289
Kaiser Permanente Medicare Advantage HMO	300
Rocky Mountain Health Plans Medicare HMO	270
UnitedHealthcare Medicare HMO	400

All costs are subject to the health care cost trend rates, as discussed below.

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, 2017, 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.

NOTE 8: ***DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN***

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

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

Year	PERACare Medicare Plans	Medicare Part A Premiums
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.25%
2023	5.00%	4.50%
2024	5.00%	4.75%
2025+	5.00%	5.00%

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.

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.

NOTE 8: ***DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN***

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

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

- Males: Mortality 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.

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

The following health care costs assumptions were updated and used in the measurement of the obligations for the HCTF:

- 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 2018 plan year.

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

Several factors were considered in evaluating the long-term rate of return assumption for the HCTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

NOTE 8: ***DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN***

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

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

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%.

NOTE 8: <u>*DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN*</u>

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

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.25%	3.25%	4.25%
Ultimate Medicare Part A trend rate	4.00%	5.00%	6.00%
Net OPEB Liability	$588,753	$605,473	$624,703

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2018, measurement date.

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.

- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

NOTE 8: *DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN*

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

- 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 middle of the year.

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	$677,471	$605,473	$543,921

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

NOTE 9: ***COMMITMENTS AND CONTINGENCIES***

Claims and Judgments

The Academy participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Academy may be required to reimburse the grantor government. As of June 30, 2019, significant amounts of grant expenditures have not been audited, but the Academy believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Academy.

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The Academy believes it has complied with the Amendment. As required by the Amendment, the Academy has established a reserve for emergencies. At June 30, 2019, the reserve of $250,000 was recorded as a restriction of fund balance in the General Fund.

NOTE 10: ***DEFICIT NET POSITION***

The net position of the governmental activities is in a deficit position in the amount of $12,314,699 due to the Academy including its Net Pension Liability and Net OPEB liability per the requirements of GASB Statement Nos. 68 and 75.

REQUIRED SUPPLEMENTARY INFORMATION

ASPEN VIEW ACADEMY

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2019

	2019				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2018 ACTUAL
REVENUES					
Local Sources					
Per Pupil Operating Revenue	$ 6,411,135	$ 6,363,069	$ 6,367,037	$ 3,968	$ 5,888,616
Mill Levy Override	451,275	964,402	977,347	12,945	437,073
Charges for Services	426,950	467,250	506,568	39,318	425,055
Tuition	393,050	393,050	351,403	(41,647)	363,563
Grants and Donations	65,000	60,000	60,000	-	50,000
Other Revenue	8,000	50,696	43,894	(6,802)	18,187
State and Federal Sources					
Grants and Donations	235,951	234,676	385,715	151,039	254,384
TOTAL REVENUES	7,991,361	8,533,143	8,691,964	158,821	7,436,878
EXPENDITURES					
Salaries	4,007,570	4,202,465	4,153,043	49,422	3,795,567
Employee Benefits	1,229,966	1,271,577	1,245,115	26,462	1,184,596
Purchased Services	1,841,396	2,017,139	1,039,388	977,751	826,614
Supplies and Materials	429,500	446,500	428,949	17,551	407,526
Property	225,000	315,000	267,420	47,580	150,876
Other	25,000	25,000	48,497	(23,497)	8,463
Debt Service					
Principal	54,000	59,500	583,994	(524,494)	570,801
Interest	-	-	448,116	(448,116)	461,855
TOTAL EXPENDITURES	7,812,432	8,337,181	8,214,522	122,659	7,406,298
NET CHANGE IN FUND BALANCES	178,929	195,962	477,442	281,480	30,580
FUND BALANCE, Beginning	1,794,974	1,794,974	1,794,974	-	1,764,394
FUND BALANCE, Ending	$ 1,973,903	$ 1,990,936	$ 2,272,416	$ 281,480	$ 1,794,974

See the accompanying independent auditors' report.

ASPEN VIEW ACADEMY

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
SCHOOL DIVISION TRUST FUND

Years Ended December 31,

	2013	2014	2015	2016	2017	2018
School's proportionate share of the Net Pension Liability	0.036%	0.058%	0.068%	0.072%	0.078%	0.068%
School's Net Pension Liability	$ 4,652,408	$ 7,805,549	$ 10,338,964	$ 21,316,073	$ 25,095,025	$ 12,123,046
School's covered payroll	$ 980,287	$ 2,412,658	$ 2,945,995	$ 3,213,232	$ 3,579,874	$ 3,763,862
School's proportionate share of the Net Pension Liability as a percentage of its covered payroll	474.6%	323.5%	350.9%	663.4%	701.0%	322.1%
Plan fiduciary net position as a percentage of the total pension liability	64.1%	62.8%	59.2%	43.10%	43.96%	57.01%

See the accompanying independent auditors' report.

ASPEN VIEW ACADEMY

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
SCHOOL DIVISION TRUST FUND

Years Ended June 30,

	2014	2015	2016	2017	2018	2019
Statutorily required contributions	$ 325,231	$ 449,984	$ 557,173	$ 659,542	$ 699,046	$ 760,157
Contributions in relation to the Statutorily required contributions	325,231	449,984	557,173	659,542	699,046	760,157
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
School's covered payroll	$ 2,030,647	$ 2,655,175	$ 3,143,638	$ 3,399,025	$ 3,702,730	$ 3,952,832
Contributions as a percentage of covered payroll	16.02%	16.95%	17.72%	19.40%	18.88%	19.23%

See the accompanying independent auditors' report.

ASPEN VIEW ACADEMY

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
HEALTH CARE TRUST FUND

Years Ended December 31,

	2016	2017	2018
School's proportionate share of the Net OPEB Liability	0.041%	0.044%	0.045%
School's proportionate share of the Net OPEB Liability	$ 527,618	$ 573,069	$ 605,473
School's covered payroll	$ 3,213,232	$ 3,579,874	$ 3,763,862
School's proportionate share of the Net OPEB Liability as a percentage of its covered payroll	16.4%	16.0%	16.1%
Plan fiduciary net position as a percentage of the total pension liability	16.72%	17.53%	17.03%

See the accompanying independent auditors' report.

ASPEN VIEW ACADEMY

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
HEALTH CARE TRUST FUND

Years Ended June 30,

	2017	2018	2019
Statutorily required contributions	$ 34,670	$ 37,768	$ 40,389
Contributions in relation to the Statutorily required contributions	34,670	37,768	40,389
Contribution deficiency (excess)	$ -	$ -	$ -
School's covered payroll	$ 3,399,025	$ 3,702,730	$ 3,959,832
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%

See the accompanying independent auditors' report.