ROCKY MOUNTAIN CLASSICAL ACADEMY

FINANCIAL STATEMENTS
With Independent Auditors' Report

For the Year Ended June 30, 2018

ROCKY MOUNTAIN CLASSICAL ACADEMY
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JUNE 30, 2018

Hoelting & Company, Inc.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Rocky Mountain Classical Academy

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Rocky Mountain Classical Academy, a component unit of El Paso County School District No. 49, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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 business-type activities, and each major fund of Rocky Mountain Classical Academy, as of June 30, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Emphasis of Matter

As described in Note 1 to the financial statements, effective July 1, 2017, the School adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* Our opinion is not modified with respect to this matter.

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents 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.

Hoelting & Company Inc.

Colorado Springs, Colorado
December 13, 2018

ROCKY MOUNTAIN CLASSICAL ACADEMY

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2018

As management of Rocky Mountain Classical Academy (the School) we offer readers of the School's annual financial report this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2018. Readers are encouraged to consider the information presented here in conjunction with the annual financial report.

FINANCIAL HIGHLIGHTS

- Liabilities and deferred inflows of the school exceeded the assets and deferred outflows of the school by $16,684,191 during the fiscal year resulting in a negative net position balance. This is largely due to the net pension and net OPEB liabilities.

- The School's total net position decreased $7,578,170.

- Long-term liabilities of $65,385,136 consist of $40,287,457 loan outstanding, $24,537,350 net pension liability and $560,329 net OPEB liability.

- As of the close of the current fiscal year, the School's general fund reported an ending fund balance surplus of $4,245,308.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serve as an introduction to the School's basic financial statements. The School's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the School's finances as a whole, in a manner similar to a private-sector business and include two statements:

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

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

Both government-wide financial statements distinguish functions of the School that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the School include general government of running a K-8 charter school in El Paso County School District 49.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The fund financial statements provide more detailed information about the School's operations, focusing on its most significant funds, not the School as a whole.

Governmental Funds. The School's basic services are included in this governmental fund, which focuses on (1) how money flows into and out of the fund and (2) the balances left at year-end that are available for spending or reserves. Consequently, the governmental fund statements provide a detailed short-term view that helps determine the status of financial resources that can be spent in the near future to finance the School's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Thus, readers may better understand the long-term impact of the School's near-term financing decisions. To facilitate this comparison between governmental funds and governmental activities, reconciliations are provided for both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balance.

Proprietary funds. The School reports one proprietary fund, an enterprise fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The School uses an enterprise fund to account for its building lease activities. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Individual fund data for the Enterprise fund is provided in the other supplementary information in this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the School. The School adopts an annual appropriated budget for the general fund. A budgetary comparison schedule has been provided to demonstrate compliance with the budget.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the School's financial position. In the case of the School, total liabilities and deferred inflows exceeded assets and deferred outflows by $16,684,191 as of June 30, 2018 resulting in a negative net position balance.

84.0% of the organization's assets are its investment in capital assets. These assets consist of land, buildings, and furnishings at 4620 Antelope Ridge Drive.

Condensed Statement of Net Position

	2018	2017
Current and other assets	$ 5,092,926	$ 7,818,079
Capital assets	27,208,600	22,224,816
Total assets	32,301,526	30,042,895
Deferred Outflows	18,440,839	8,436,856
Long-term liabilities	65,385,136	45,950,188
Other liabilities	894,533	1,255,412
Total liabilities	66,279,669	47,205,600
Deferred Inflows	1,146,887	308,172
Net position:		
Net investment in capital assets	(4,718,622)	(4,997,159)
Restricted	320,000	2,950,977
Unrestricted	(12,285,569)	(7,059,839)
Total net position	$ (16,684,191)	$ (9,106,021)

Condensed Statement of Changes in Net Position

	2018	2017
Revenues:		
General revenues:		
Per pupil revenue	$ 9,771,215	$ 9,397,353
Other	422,276	326,863
Program Revenue:		
Charges for Services	343,278	2,891,095
Operating grants and contributions	266,436	222,402
Capital grants and contributions	353,188	368,840
Total revenues	11,156,393	13,206,553
Expenses:		
Instruction	9,028,232	6,976,538
Support services	4,874,388	6,313,859
Building Corporation	4,385,801	2,666,537
Total expenses	18,288,421	15,956,934
Change in net position	(7,132,028)	(2,750,381)
Net position, beginning	(9,106,021)	(6,355,640)
Prior period adjustment	(446,142)	-
Net position, beginning-as restated	(9,552,163)	(6,355,640)
Net position, ending	$ (16,684,191)	$ (9,106,021)

ANALYSIS OF THE SCHOOL'S FUNDS

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

The general fund is the operating fund of the School. The fund balance for the general fund was a surplus of $4,245,308 at the end of the current fiscal year.

Total net position of the Enterprise fund at June 30, 2018 is a negative $4,254,301.

BUDGETARY HIGHLIGHTS

The School's budget is prepared in accordance with state law. The budget was adopted based on a funded student count higher than FY 17, higher per pupil revenue from FY 17, and a projection of savings due to new bond issuance with lower interest to be paid in the FY18 year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Capital assets include all capital outlays related to capital assets at the school or the land and building at Antelope Ridge Drive. The School's investment in capital assets at the end of the year was $27,208,600.

Major capital asset events during the current fiscal year included the following:

- $5,268,635 of capital outlays for the build out of an Early Childhood Educational Wing.
- $105,495 of curb and gutter improvements.
- $93,266 of safety improvements.

Debt Administration

At the end of current fiscal year, the School had $40,287,457 in debt outstanding. During the year, the School received $40,929,877 in loan funding through the Public Financing Authority to advance refund bonds and to finance building improvements.

ECONOMIC FACTORS

Rocky Mountain Classical Academy is located along the Powers corridor in Colorado Springs. This is a growing part of Colorado Springs. Growth in the surrounding zip code areas is forecasted to be approximately 10% over the next five years.

Rocky Mountain Classical Academy has addressed a new bond issuance as of September 1, 2017 that refinanced the old bond rates with new lower finance rates. Rocky Mountain Classical Academy completed the build out of an Early Childhood Educational Wing in July 2018 and has started Rocky Mountain Classical Preschool opening its doors August 2018.

REQUESTS FOR INFORMATION

This financial report is designed to provide the School's stakeholders and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Sarah Siegrist at 4620 Antelope Ridge Drive, Colorado Springs, CO 80922.

BASIC FINANCIAL STATEMENTS

ROCKY MOUNTAIN CLASSICAL ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	$ 4,464,393	468,076	$ 4,932,469
Receivables	12,021	-	12,021
Deposits	18,710	-	18,710
Internal balances	66,432	(66,432)	-
Prepaid expense	129,726	-	129,726
Capital assets not being depreciated	-	6,962,226	6,962,226
Capital assets, net of accumulated depreciation	-	20,246,374	20,246,374
Total Assets	4,691,282	27,610,244	32,301,526
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension outflows	9,467,878	-	9,467,878
Deferred OPEB outflows	101,490	-	101,490
Deferred charge on refunding	-	8,871,471	8,871,471
Total deferred outflows of resources	9,569,368	8,871,471	18,440,839
LIABILITIES			
Accounts payable and other current liabilities	72,731	448,558	521,289
Accrued salaries and benefits	347,846	-	347,846
Unearned revenues	25,398	-	25,398
Long-term liabilities			
Due within one year	-	1,034,430	1,034,430
Due in more than one year	-	39,253,027	39,253,027
Net pension liability	24,537,350	-	24,537,350
Net OPEB liability	560,329	-	560,329
Total Liabilities	25,543,654	40,736,015	66,279,669
DEFERRED INFLOWS OF RESOURCES			
Deferred pension inflows	1,137,513	-	1,137,513
Deferred OPEB inflows	9,374	-	9,374
Total deferred inflows of resources	1,146,887	-	1,146,887
NET POSITION			
Net investment in capital assets	-	(4,718,622)	(4,718,622)
Restricted for:			
TABOR	320,000	-	320,000
Debt service	-	-	-
Unrestricted	(12,749,890)	464,321	(12,285,569)
Total Net Position	$ (12,429,890)	$ (4,254,301)	$ (16,684,191)

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

ROCKY MOUNTAIN CLASSICAL ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

		Program Revenues			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities							
Instruction	$ 9,028,232	$ 283,590	$ 163,873	$ -	$ (8,580,769)	$ -	$ (8,580,769)
Student support	7,009	-	-	-	(7,009)	-	(7,009)
Instructional staff	44,525	-	-	-	(44,525)	-	(44,525)
General administration	59,741	-	-	-	(59,741)	-	(59,741)
School administration	2,912,760	-	-	-	(2,912,760)	-	(2,912,760)
Business services	437,220	-	-	-	(437,220)	-	(437,220)
Maintenance and operations	854,986	4,935	-	353,188	(496,863)	-	(496,863)
Central services	187,424	-	-	-	(187,424)	-	(187,424)
Food Service	333,186	54,753	102,563	-	(175,870)	-	(175,870)
Other Service	37,537	-	-	-	(37,537)	-	(37,537)
Total governmental activities	13,902,620	343,278	266,436	353,188	(12,939,718)		(12,939,718)
Business-type activities							
Building corporation	4,385,801	-	-	-		(4,385,801)	(4,385,801)
Total	$ 18,288,421	$ 343,278	$ 266,436	$ 353,188		(4,385,801)	(17,325,519)
General Revenues:							
Per pupil revenue					9,771,215	-	9,771,215
Investment income					-	17,243	17,243
Other					405,033	-	405,033
Transfers					(2,469,439)	2,469,439	-
Total general revenues and transfers					7,706,809	2,486,682	10,193,491
Change in Net Position					(5,232,909)	(1,899,119)	(7,132,028)
Net position, beginning, as restated (deficit)					(7,196,981)	(2,355,182)	(9,552,163)
Net Position, ending (deficit)					$ (12,429,890)	$ (4,254,301)	$ (16,684,191)

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

ROCKY MOUNTAIN CLASSICAL ACADEMY
BALANCE SHEET
GENERAL FUND
JUNE 30, 2018

ASSETS		
Cash	$	4,464,393
Receivables		12,021
Deposits		18,710
Interfund receivable		66,432
Prepaid expenses		129,726
Total Assets	$	4,691,282
LIABILITIES		
Accounts payable and other current liabilities	$	72,731
Accrued salaries and benefits		347,845
Unearned revenues		25,398
Total Liabilities		445,974
FUND BALANCE		
Nonspendable		129,726
Restricted for TABOR		320,000
Unassigned		3,795,582
Total Fund Balance		4,245,308
Total Liabilities and Fund Balance	$	4,691,282

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

ROCKY MOUNTAIN CLASSICAL ACADEMY
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Total Fund Balance of Governmental Funds		$ 4,245,308
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred outflows of resources.		
Pension outflows	$ 9,467,878	
OPEB outflows	101,490	9,569,368
Net pension and OPEB liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net pension liabilities	$ (24,537,350)	
Net OPEB liabilities	(560,329)	(25,097,679)
Other long-term liabilities are not due and payable in the current period and, therefore, are reported as deferred inflows of resources.		
Pension inflows	$ (1,137,513)	
OPEB inflows	(9,374)	(1,146,887)
Total Net Position of Governmental Activities		$ (12,429,890)

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

ROCKY MOUNTAIN CLASSICAL ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

REVENUES	
Local sources	$ 754,220
State sources	10,191,969
Federal sources	192,962
Total revenues	11,139,151
EXPENDITURES	
Instruction	5,167,960
Students	7,009
Instructional staff	44,525
General administration	59,741
School administration	1,493,920
Business services	437,220
Maintenance and operations	2,932,752
Central service	187,425
Food Service	241,260
Other Services	37,537
Total expenditures	10,609,349
Excess (deficiency) of revenues over expenditures	529,802
OTHER FINANCING SOURCES (USES)	
Transfers out	(205,184)
Total other financing sources (uses)	(205,184)
Net change in fund balance	324,618
Fund balance - beginning	3,920,690
Fund balance - ending	$ 4,245,308

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

ROCKY MOUNTAIN CLASSICAL ACADEMY
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Net Change in Fund Balance of Governmental Funds		$ 324,618
Certain expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Pension expenses	$ (5,535,458)	
OPEB expenses	(22,069)	(5,557,527)
Change in Net Position of Governmental Activities		$ (5,232,909)

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

ROCKY MOUNTAIN CLASSICAL ACADEMY
STATEMENT OF NET POSITION
ENTERPRISE FUND
JUNE 30, 2018

ASSETS	
Current Assets:	
Cash and cash equivalents	468,076
Total current assets	468,076
Noncurrent Assets:	
Land	1,693,591
Construction in process	5,268,635
Building and improvements	21,493,769
Furniture and equipment	439,349
Less: accumulated depreciation	(1,686,744)
Total noncurrent assets	27,208,600
Total Assets	27,676,676
DEFERRED OUTFLOW OF RESOURCES	
Deferred charge on refunding	8,871,471
LIABILITIES	
Current Liabilities:	
Accounts payable	448,559
Due to other funds	66,432
Loan payable, current portion	1,034,430
Total current liabilities	1,549,421
Noncurrent Liabilities:	
Loan payable	39,253,027
Total noncurrent liabilities	39,253,027
Total Liabilities	40,802,448
NET POSITION	
Net Investment in capital assets	(4,718,622)
Restricted for debt service	-
Unrestricted	464,321
Total Net Position	$ (4,254,301)

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

ROCKY MOUNTAIN CLASSICAL ACADEMY
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2018

OPERATING REVENUES	
Rental income	$ 2,264,255
Total operating revenues	2,264,255
OPERATING EXPENSES	
Interest expense	2,367,872
Other expense	49
Total operating expenses	2,367,921
Net operating income (loss)	(103,666)
NON-OPERATING REVENUES (EXPENSE)	
Interest and investment income	17,243
Bond issuance costs	(1,527,846)
Depreciation expense	(490,034)
Total non-operating revenues (expenses)	(2,000,637)
Income before transfers	(2,104,303)
Transfers in	205,184
Change in net position	(1,899,119)
Total net position - beginning	(2,355,182)
Net position - ending	$ (4,254,301)

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

ROCKY MOUNTAIN CLASSICAL ACADEMY
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2018

Cash flows from operating activities:	
Receipts from lessee	$ 2,064,855
Interest payments	(2,362,259)
Other payments	(49)
Net cash provided (used) by operating activities	(297,453)
Cash flows from noncapital financing activities:	
Payments (to) from others funds	284,337
Net cash provided (used) by noncapital financing activities	284,337
Cash flows from capital and related financing activities:	
Bond proceeds	40,929,877
Acquisition and construction of capital assets	(4,985,230)
Principal payments on loan	(867,420)
Payment of issuance costs	(1,527,846)
Payment to escrow agent	(36,640,837)
Net cash provided (used) by financing activities	(3,091,456)
Cash flows from investing activities:	
Interest and investment income	17,243
Proceeds from sale of investments	3,555,405
Net cash provided (used) by investing activities	3,572,648
Net increase (decrease) in cash and cash equivalents	468,076
Cash and cash equivalents, beginning	-
Cash and cash equivalents, ending	$ 468,076

Reconciliation of operating income (loss) in net cash provided (used) by operating activities:

Operating income (loss)	$ (103,666)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Amortization expense	732,361
(Decrease) in unearned revenue	(199,400)
(Decrease) in interest payable	(726,748)
Net cash provided (used) by operating activities	$ (297,453)

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Rocky Mountain Classical Academy (the School) is a federal 501(c)(3) tax-exempt, state nonprofit corporation, organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within El Paso County School District 49 (the District). The School began operations in the Fall of 2006.

The financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

A. REPORTING ENTITY

The accompanying financial statements present the School and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government.

Blended component unit. Rocky Mountain Classical Academy Building Corporation (the Corporation) was organized for the purpose of acquiring, leasing, constructing, improving, equipping and financing various facilities, land, equipment and other improvements in connection with property intended to be leased to the School. The Corporation has no financial balances or transactions outside of those reported by the School, and therefore, are not reported separately in the financial statements. The Corporation does not issue separate financial statements.

The School is considered a component unit of the District. The School is deemed to be fiscally dependent upon the District because the District provides the majority of the support to the School in the form of per pupil operating revenue. The School operates under a charter with the District. The current charter runs through June 30, 2018 at which time the School may seek renewal of its charter in accordance with procedures set forth in state law and school district policy and regulations.

B. BASIS OF PRESENTATION—GOVERNMENT-WIDE FINANCIAL STATEMENTS

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and enterprise funds.

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government. Governmental activities are normally supported by per pupil revenue and intergovernmental revenues. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BASIS OF PRESENTATION—FUND FINANCIAL STATEMENTS

The accounts of the School are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements.

The School reports the following major governmental fund:

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

The School reports the following major proprietary fund:

> An *Enterprise Fund* is used to account for those operations financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability. The Building Corporation is accounted for as an enterprise fund

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. MEASUREMENT FOCUS, BASIS OF ACCOUNTING (CONTINUED)

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 the related cash flow. Grants and similar items are recognized as revenue in the fiscal year in which all eligibility requirements imposed by the provider have been met.

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Charges for services, 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. Expenditure-driven grants recognize revenue when the qualifying expenditures have been incurred and all other grant requirements have been met, and the amount is received during the period or within the availability period of this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE

Cash and Investments

The School's cash and cash equivalents are considered to be: cash on hand; cash in the bank; and liquid investments which have a maturity of one month or less when purchased or which are subject to withdrawal.

The School's bond covenants require the creation and funding of individual reserve funds. These funds are maintained in investment accounts of the Building Corporation. Investments are reported at fair value.

Receivables

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

Deposits

The School has made deposits with certain vendors as required for leases or other services.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)

Prepaid items

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

Capital assets

Capital assets, which include buildings, and furniture and equipment, are reported in the government-wide financial statements. Capital assets are defined by the School as assets with a cost of $5,000 or more 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 fair market value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset lives are not capitalized.

Land and construction in progress are not depreciated. Buildings and furniture and equipment of the School are depreciated using the straight-line method over the following estimated useful lives.

Buildings	15 - 50 years
Furniture and Equipment	3 - 10 years

Accrued Salaries and Benefits

Salaries and retirement benefits of certain contractually employed personnel are paid over twelve month period from August to July, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, are reported as a liability of the General Fund.

Pensions

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

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)

Pensions (continued)

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

Health Care Trust Fund

Rocky Mountain Classical 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.

Deferred outflows/inflows of resources

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

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

Long-term debt

In the government-wide financial statements, long-term debt is reported as a liability in the statement of net position.

In the fund financial statements, the face amount of debt issued is reported as other financing sources. 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)

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)

Net position flow assumption

The School may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted—net position and unrestricted—net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School's policy to consider restricted—net position to have been depleted before unrestricted—net position is applied.

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 School is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications available to be used in the governmental fund financial statements are as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

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.

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 that was used when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the School's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to management through the budgetary process. This classification also includes the remaining positive fund balance for any governmental funds except for the General Fund.

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 School 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 first to defer the use of these other classified funds.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

F. REVENUES AND EXPENDITURES/EXPENSES

Program revenues

Amounts reported as *program revenues* include 1) fees and charges to customers 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. Revenues that are not classified as program revenues, including per pupil revenue, are reported as general revenues.

Compensated Absences

The School's policy allows employees to accumulate unused sick and personal leave. Five leave days may be carried over to the following year. Accrued sick and personal leave are not paid upon termination of employment. Therefore, no liability is reported in the financial statements.

Proprietary funds operating and non-operating revenues and expenses

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the School's enterprise funds are rental income. Operating expenses for enterprise funds include interest expense. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

G. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

H. ADOPTION OF NEW ACCOUNTING STANDARDS

The School implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension (OPEB),* effective July 1, 2017. This Statement establishes standards of accounting and financial reporting for defined benefit Health Care Trust funds provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements. As a result, net position at June 30, 2017, was restated to reflect the cumulative effect of adopting the standards.

	Governmental Activities
Net Position, June 30, 2017, as Originally Stated	$ (6,750,839)
Adjustment to fund balance	(446,142)
Net Position, June 30, 2017, as Restated (deficit)	$ (7,196,981)

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGET INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds. All annual appropriations lapse at fiscal year end. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding year.

Budgets are required by Colorado State Statutes for all funds. During April, management submits to the Board of Directors a proposed budget for all funds for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. Prior to June 30, the budget is adopted by formal resolution.

Formal budgetary integration is employed as a management control device during the year for the Governmental funds. The appropriated budget is prepared by fund. The legal level of control is the fund level.

Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Board of Directors.

Appropriations are based on total funds expected to be available in each budget year, including beginning fund balances and reserves as established by the Board of Directors. Variances between budget and actual balances result from the non-expenditure of reserves, nonoccurrence of anticipated events, and normal operating variances.

The Board of Directors may authorize supplemental appropriations during the year. For budgetary management purposes, funds are appropriated for capital outlays.

Excess of expenditures over appropriations

For the year ended June 30, 2018, expenditures exceeded appropriations in the General Fund by $43,046.

NOTE 3 – DEPOSITS AND INVESTMENTS

Cash deposits with financial institutions

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 local government entities deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The 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 uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

The carrying amount of the School's deposits at June 30, 2018 was $4,464,393 and the bank balances were $4,791,378. Of the bank balances, $250,000 was covered by federal deposit insurance and $4,541,378 was uninsured but collateralized in accordance with the provisions of the Colorado Public Deposit Protection Act (PDPA). The collateral is pooled and held in a trust for all uninsured deposits as a group.

Investments

Colorado statutes specify in which instruments local governments may invest, which include:

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

At June 30, 2018 the School's investment balances were as follows:

Investment Type	Maturities	Fair Value
Money Market Funds	Less than 60 days	$ 468,076

Credit Risk. Credit risk involves the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments to those described above. The School does not have a formal investment policy that would further limit its investment choices. As of June 30, 2018 all of the School's investments were rated AAAm by Standard & Poor's.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment or deposit. State law limits investment maturities to five years or less as a means of management exposure to fair value loss resulting from increasing interest rates. The School does not have a formal policy that would further limit investment maturities as a means of managing its exposure to interest risk.

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Restricted Investments

Reserve Fund. These funds are restricted for the payment of principal and interest on the loan in the event that moneys in the Principal Fund or Interest Fund are insufficient to make such payments when due. This fund was established by an initial $463,877 deposit of loan proceeds. The balance in this fund at June 30, 2018 was $464,322.

Project Fund. These funds are restricted to funding the costs of the new building project. Any remaining funds following project completion must be deposited into the Interest or Principal Fund. The balance in this fund at June 30, 2018 was $3,732.

Principal and Interest Funds. These funds were established for the payment of principal and interest on the loan and require monthly deposits sufficient to pay the next month's principal and interest payments. July 1, 2018 principal and interest payments are $71,380 and $122,559, respectively, plus interest on R-2 bonds. The balance in the Principal Fund and Interest Fund at June 30, 2018 were $9 and $13, respectively.

Summary of Restricted Investments at June 30, 2018:

Reserve Fund	$ 464,322
Project Fund	3,732
Principal and Interest Funds	22
Total restricted investments	$ 468,076

NOTE 4 – INTERFUND RECEIVABLES AND PAYABLES

All interfund receivables and payables are created in conjunction with the School's debt service and rental payments to the Building Corporation.

The composition of interfund balances at June 30, 2018 is as follows:

	Due From Other Funds	Due to Other Funds
General Fund	$ 66,432	$ -
Enterprise Fund	-	66,432
	$ 66,432	$ 66,432

NOTE 5 – CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets, being depreciated:				
Furniture and Equipment	$ 110,458	$ -	$ -	$ 110,458
Less accumulated depreciation	(110,458)	-	-	(110,458)
Governmental activities capital assets, net	$ -	$ -	$ -	$ -
Business-type activities				
Capital assets, not being depreciated:				
Land	$ 1,693,591	$ -	$ -	$ 1,693,591
Construction in Progress	-	5,268,635		5,268,635
Total capital assets, not being depreciated	1,693,591	5,268,635	-	6,962,226
Capital assets, being depreciated:				
Buildings	21,295,009	198,760	-	21,493,769
Furniture and Equipment	432,926	6,423	-	439,349
Less accumulated depreciation	(1,196,710)	(490,034)	-	(1,686,744)
Total capital assets, being depreciated, net	20,531,225	(284,851)	-	20,246,374
Business-type activities capital assets, net	$ 22,224,816	$ 4,983,784	$ -	$ 27,208,600

NOTE 6 – LONG-TERM DEBT

Rocky Mountain Classical Academy Project Loan	Principal Balance
On September 1, 2017, the Public Finance Authority issued $44,241,960 Charter School Refunding and Improvement Revenue Bonds, Series 2017. Bond proceeds were loaned to the Building Corporation under a loan and security agreement to advance refund the Charter School Revenue Bonds, Series 2013 with an outstanding amount of $27,645,000 and to finance building facility and improvements. Initial proceeds of $36,407,142 were received at closing with up to $7,834,818 of remaining proceeds to be received to pay subsequent construction draws. $4,687,917 of remaining proceeds were received as of June 30, 2018. $36,648,932 of proceeds were deposited in an irrevocable trust with an escrow agent to provide funds for the future debt service payments on the refunded bonds. As a result, the 2013 service bonds are considered defeased and the liability for those bonds has been removed from the statement of net position. The School is obligated under a lease agreement to make monthly lease payments to the Building Company for use of the facilities. The Building Company is required to make loan payments to the Trustee, for payment of the bonds. Principal and interest payments are due monthly through September 2027 at an interest rate of 3.99%.	$ 40,287,457

Annual debt service requirements to maturity for the loan are as follows:

	Business-type Activities	
Fiscal Year Ending June 30	Principal	Interest
2019	$ 1,034,430	$ 1,745,535
2020	1,123,870	1,705,921
2021	1,172,700	1,654,958
2022	1,222,100	1,606,594
2023	1,272,490	1,556,230
2024-2028	34,461,867	6,009,541
Total	$ 40,287,457	$ 14,278,779

Changes in long-term debt for the year ended June 30, 2018 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Business-type activities:					
Bonds payable:					
Revenue bonds	$ 27,645,000	$ -	$ (27,645,000)	$ -	$ -
Discount	(423,025)	-	423,025	-	-
Total bonds payable	$ 27,221,975	$ -	$ (27,221,975)	$ -	$ -
Loan payable	$ -	$ 40,929,877	$ (642,420)	$ 40,287,457	$ 1,034,430

NOTE 7 – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

Plan description. Eligible employees of the Rocky Mountain Classical 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 that can be obtained at www.copera.org/investments/pera-financial-reports.

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

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

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

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

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

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

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

	For the Year Ended December 31, 2017	For the Year Ended December 31, 2018
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]	5.00%	5.50%
Total employer contribution rate to the SCHDTF[1]	**18.63%**	**19.13%**

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the Rocky Mountain Classical Academy is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from Rocky Mountain Classical Academy were $695,009 for the year ended June 30, 2018.

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

At June 30, 2018, the Rocky Mountain Classical Academy reported a liability of $24,537,350 for its proportionate share of the net pension liability. The net pension liability for the SCHDTF was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total pension liability to December 31, 2017. The Rocky Mountain Classical Academy proportion of the net pension liability was based on Rocky Mountain Classical Academy contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2017, the Rocky Mountain Classical Academy's proportion was 0.0758814076 percent, which was an increase of 0.0129798958 from its proportion measured as of December 31, 2016.

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

For the year ended June 30, 2018, the Rocky Mountain Classical Academy recognized pension expense of $6,230,468. At June 30, 2018, the Rocky Mountain Classical 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	$ 451,138	$ -
Changes of assumptions or other inputs	6,265,298	39,758
Net difference between projected and actual earnings on pension plan investments	-	963,605
Changes in proportion and differences between contributions recognized and proportionate share of contributions	2,397,230	134,150
Contributions subsequent to the measurement date	354,212	N/A
Total	$ 9,467,878	$ 1,137,513

$354,212 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30, 2018:	
2019	$ 4,920,200
2020	$ 3,103,445
2021	$ 315,020
2022	$ (362,512)
2023	$ -
Thereafter	$ -

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

Actuarial cost method	Entry age
Price inflation	2.40 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	5.26 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)	2.00 percent
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

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

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

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

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

- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to 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.

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

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

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

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

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

- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

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

- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the SCHDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Bond Buyer, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.43 percent, resulting in a discount rate of 4.78 percent.

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

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Sensitivity of the Rocky Mountain Classical 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 4.78 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.78 percent) or 1-percentage-point higher (5.78 percent) than the current rate:

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate share of the net pension liability	$ 30,994,847	$ 24,537,350	$ 19,275,228

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

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

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

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

- Increases employer contribution rates by 0.25 percent on July 1, 2019.

- Increases employee contribution rates by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).

- Directs the state to allocate $225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution will be allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the other divisions eligible for the direct distribution.

- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.

- Member contributions, employer contributions, the direct distribution from the state, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

At June 30, 2018, the Rocky Mountain Classical Academy reported a liability of $24,537,350 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 4.78%. For comparative purposes, the following schedule presents an estimate of what the Rocky Mountain Classical Academy proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SCHDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SCHDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	$ 11,085,762

Recognizing that the changes in contribution and benefit provisions also affect the determination of the discount rate used to calculate proportionate share of the net pension liability, approximately $11,454,188 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

NOTE 8 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

Health Care Trust Fund

Plan description. Eligible employees of the Rocky Mountain Classical 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 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.

NOTE 8 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

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

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the Rocky Mountain Classical Academy is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from Rocky Mountain Classical Academy were $37,545 for the year ended June 30, 2018.

NOTE 8 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

At June 30, 2018, the Rocky Mountain Classical Academy reported a liability of $560,329 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The Rocky Mountain Classical Academy proportion of the net OPEB liability was based on Rocky Mountain Classical Academy contributions to the HCTF for calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the Rocky Mountain Classical Academy proportion was 0.0431155139 percent, which was an increase of 0.0073904114 from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the Rocky Mountain Classical Academy recognized OPEB expense of $59,615. At June 30, 2018, the Rocky Mountain Classical 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	$ 2,650	$ -
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	9,374
Changes in proportion and differences between contributions recognized and proportionate share of contributions	79,954	-
Contributions subsequent to the measurement date	18,886	N/A
Total	$ 101,490	$ 9,374

NOTE 8 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

$18,886 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, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30, 2018:	
2019	$ 13,885
2020	$ 13,885
2021	$ 13,885
2022	$ 13,886
2023	$ 16,229
Thereafter	$ 1,460

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

Actuarial cost method	Entry age
Price inflation	2.40 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	3.00 percent for 2017, gradually rising to 4.25 percent in 2023
DPS benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

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

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

NOTE 8 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

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

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

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

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

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.

NOTE 8 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

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

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

NOTE 8 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

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

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

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

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

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Net OPEB Liability	$ 544,912	$ 560,329	$ 578,898

NOTE 8 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

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

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

Sensitivity of the Rocky Mountain Classical 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	$ 629,986	$ 560,329	$ 500,875

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

NOTE 9 - RISK MANAGEMENT

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

The School carries commercial insurance for these risks of loss, including worker's compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the last three fiscal years.

NOTE 10 – CONCENTRATION OF RISK

The School is funded directly by El Paso County School District 49 based on the District's per pupil funding. For the fiscal year ended June 30, 2018, this funding accounted for approximately 88% of the School's revenues.

NOTE 11 – COMMITMENTS AND CONTINGENCIES

Coverage Ratio

Debt service expenditures for the year were $2,264,255. Based on pledged property of $2,588,874, the debt coverage ratio at June 30, 2018 was 1.14.

Operating Leases

The School leases classroom facilities under noncancelable operating leases. Total costs for such leases were $2,264,255 for the year ended June 30, 2018. The future minimum lease payments for operating leases are as follows:

Fiscal Year Ending June 30	
2019	$ 2,779,965
2020	2,829,791
2021	2,827,658
2022	2,828,694
2023	2,828,720
2024-2028	43,783,491
Total	$ 57,878,319

All of the above future minimum lease payments are to be paid to the Building Corporation and are designed to fully recover bond debt service payments over the life of the bonds.

NOTE 11 – COMMITMENTS AND CONTINGENCIES (CONTINUED)

Grants

The School has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursement to grantor agencies for expenditures disallowed under terms of the grant. However, in the opinion of the School, any such adjustments will not have a material adverse affect on the financial position of the School.

NOTE 12 - AMENDMENT TO COLORADO CONSTITUTION

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities and other specific requirements of state and local governments.

The amendment requires emergency reserves be established. These reserves must be at least 3% of fiscal year spending. The School is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary and benefit increases. At June 30, 2018 there was $320,000 reservation of fund balance in the General Fund for the amendment.

The Amendment is complex and subject to judicial interpretation. The School believes it is in compliance with the requirements of the amendment. However, the School has made certain interpretations of the amendment's language in order to determine its compliance.

NOTE 13 – COMPLIANCE

The School has complied with the requirements of the Financial Policies and Procedures Handbook for the 2018 audit period as required by Colorado Statute CRS 22-44-204(3).

REQUIRED SUPPLEMENTARY INFORMATION

ROCKY MOUNTAIN CLASSICAL ACADEMY
SCHEDULE OF EMPLOYER'S SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2018

	2017	2016	2015	2014	2013
School's proportion of the net pension liability (asset)	0.0758814076%	0.0629015118%	0.0528210977%	0.0557777177%	0.0531884513%
School's proportionate share of the net pension liability (asset)	$ 24,537,350	$ 18,728,212	$ 8,078,614	$ 7,559,754	$ 6,784,173
School's covered payroll	$ 3,500,320	$ 2,823,132	$ 2,301,931	$ 2,336,686	$ 2,144,196
School's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	701.00%	663.38%	350.95%	323.52%	316.40%
Plan fiduciary net position as a percentage of the total pension liability	44.0%	43.1%	59.2%	62.8%	64.1%

* The amounts presented for each fiscal year were determined as of 12/31.

* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

ROCKY MOUNTAIN CLASSICAL ACADEMY
SCHEDULE OF EMPLOYER'S PAYROLL CONTRIBUTIONS - PENSION
JUNE 30, 2018

	2017	2016	2015	2014	2013
Contractually required contribution	$ 652,110	$ 511,834	$ 398,925	$ 383,918	$ 332,994
Contributions in relation to the contractually required contribution	(652,110)	(511,834)	(398,925)	(383,918)	(332,994)
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
School's covered payroll	$ 3,500,320	$ 2,823,132	$ 2,301,931	$ 2,336,686	$ 2,144,196
Contributions as a percentage of covered payroll	18.63%	18.13%	17.33%	16.43%	15.53%

* The amounts presented for each fiscal year were determined as of 12/31.

* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

ROCKY MOUNTAIN CLASSICAL ACADEMY
SCHEDULE OF EMPLOYER'S SHARE OF THE NET OPEB LIABILITY
JUNE 30, 2018

	2017	2016
School's proportion of the net OPEB liability (asset)	0.0431155139%	0.0357251025%
School's proportionate share of the net OPEB liability (asset)	$ 560,329	$ 463,188
School's covered payroll	$ 3,500,319	$ 2,820,853
School's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	16.01%	16.42%
Plan fiduciary net position as a percentage of the total OPEB liability	17.5%	16.7%

* The amounts presented for each fiscal year were determined as of 12/31.

* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

ROCKY MOUNTAIN CLASSICAL ACADEMY
SCHEDULE OF EMPLOYER'S PAYROLL CONTRIBUTIONS - OPEB
JUNE 30, 2018

	2017	2016
Contractually required contribution	$ 35,703	$ 28,773
Contributions in relation to the contractually required contribution	(35,703)	(28,773)
Contribution deficiency (excess)	$ -	$ -
School's covered payroll	$ 3,500,319	$ 2,820,853
Contributions as a percentage of covered payroll	1.02%	1.02%

* The amounts presented for each fiscal year were determined as of 12/31.

* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

ROCKY MOUNTAIN CLASSICAL ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts			Variance with Final Budget Positive
	Original	Final	Amounts	(Negative)
REVENUES				
Local sources				
Pupil activities	$ 643,924	643,924	$ 283,590	$ (360,334)
Other	-	-	470,630	470,630
Total local sources	643,924	643,924	754,220	110,296
State sources				
Per pupil revenue	10,100,679	10,100,679	9,771,215	(329,464)
Other	391,960	391,960	420,754	28,794
Total state sources	10,492,639	10,492,639	10,191,969	(300,670)
Federal sources				
Federal E rate revenue	13,800	13,800	102,755	88,955
Federal impact aid	244,382	244,382	90,207	(154,175)
Total federal sources	258,182	258,182	192,962	(65,220)
Total revenues	11,394,745	11,394,745	11,139,151	(255,594)
EXPENDITURES				
Instruction	5,025,051	5,025,051	5,167,960	(142,909)
Students	20,864	20,864	7,009	13,855
Instructional staff	22,723	22,723	44,525	(21,802)
General administration	27,403	27,403	59,741	(32,338)
School administration	1,453,852	1,453,852	1,493,920	(40,068)
Business services	311,413	311,413	437,220	(125,807)
Maintenance and operations	3,383,973	3,383,973	2,932,752	451,221
Central services	281,994	281,994	187,425	94,569
Food Service	244,214	244,214	241,260	2,954
Other Services	-	-	37,537	(37,537)
Total expenditures	10,771,487	10,771,487	10,609,349	162,138
Excess (deficiency) of revenues over expenditures	623,258	623,258	529,802	93,456
OTHER FINANCING SOURCES (USES)				
Transfers out	-	-	(205,184)	(205,184)
Total other financing sources (uses)	-	-	(205,184)	(205,184)
NET CHANGE IN FUND BALANCE	623,258	623,258	324,618	(298,640)
FUND BALANCE - BEGINNING	3,473,495	3,473,495	3,920,690	447,195
FUND BALANCE - ENDING	$ 4,096,753	$ 4,096,753	$ 4,245,308	$ 148,555

See the accompanying independent auditors' report.