

**Aspen Ridge School, Inc.**  
*(A Component Unit of St. Vrain Valley School District RE-1J)*

**Financial Statements**

**June 30, 2018**



**Aspen Ridge School, Inc.**  
 (A Component Unit of St. Vrain Valley School District RE-1J)  
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 June 30, 2018

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**HINKLE &  
COMPANY**  
*Strategic* PC  
*Business Advisors*

## **Independent Auditors' Report**

Board of Directors  
Aspen Ridge School, Inc.  
Erie, Colorado

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Aspen Ridge School, Inc., component unit of St. Vrain Valley School District RE-1J, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Aspen Ridge School, Inc., as listed in the table of contents.

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

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

### **Auditors' Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 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, each major fund, and the aggregate remaining fund information of the Aspen Ridge School, Inc. as of June 30, 2018, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Emphasis of Matter**

As discussed in Note 8 to the financial statements, in the year ended June 30, 2018, the Aspen Ridge School, Inc. adopted new accounting guidance as required by Governmental Accounting Standards Board 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 the required supplementary information 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 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.

*Hick & Company, PC*

Greenwood Village, Colorado  
October 15, 2018



# Aspen Ridge Preparatory School

## Management's Discussion and Analysis Fiscal Year Ending June 30, 2018

As management of Aspen Ridge Preparatory School (hereafter "ARPS"), we offer readers of the ARPS's basic financial statements this narrative and analysis of the financial activities of ARPS for the year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information provided by auditors in the accompanying financial statements.

### **Financial Highlights**

The year ending June 30, 2018 was the 7<sup>th</sup> year of operations for ARPS. The net position of the school decreased to (\$3,826,841) based on the implementation of new regulations under the Governmental Accounting Standards Board Statement (GASB) Number 68 (pension) and GASB 75 (OPEB). Based on the timing of implementing GASB 75 in 2018, the Beginning Net Position of the Governmental Activities was restated for FY2018. Further information about GASB 68 and OPEB are provided in Notes 5 and 6 of the financial statements, respectively.

The operations of ARPS are funded primarily by tax revenue received under the State School Finance Act (the Act). Tax revenue for the year from Per Pupil Revenue was approximately \$7,491.69 per full-time equivalent student.

At the close of the fiscal year ARPS's governmental funds reported a combined ending fund balance of \$1,714,561.

### **Overview of Financial Statements**

This discussion and analysis are intended to serve as an introduction to ARPS's basic financial statements. The basic statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

#### ***Government-Wide Financial Statements***

The government-wide financial statements are designed to provide readers with a broad overview of ARPS's finances in a manner similar to a private-sector business.

The statement of net position presents information on ARPS's assets and liabilities, and deferred inflows and outflows, with the difference being reported as net position. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial position of ARPS is improving or deteriorating.

The statement of activities presents information showing how ARPS's net position changed during the 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 the related cash flows. Thus, revenues and expenses are reported in the statement for some items

that will only result in cash flows in future periods (for example, salaries and benefits earned but unpaid as of year-end).

### ***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. ARPS keeps track of these monies to ensure and demonstrate compliance with finance-related legal requirements. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on the near-term financing requirements.

ARPS adopts an annual budget for its general fund. A budgetary comparison has been provided for the general fund to demonstrate compliance with this budget.

### ***Notes to Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

### **Government-Wide Financial Analysis**

As noted previously, net position may serve over time as a useful indicator of ARPS's financial position. For the year ending June 30, 2018, ARPS's liabilities and deferred inflows exceeded assets and deferred outflows by \$3,826,841 based on the implementation of new regulations under the Governmental Accounting Standards Board Statement (GASB) Number 68 and 75.

Net Position as of June 30, 2018 and 2017 was as follows:

	<b>2018</b>	<b>2017</b>
<b>Assets</b>		
Cash and Investments	\$1,857,620	\$1,731,588
Restricted Cash and Investments	\$1,501,567	\$1,466,136
Accounts Receivable	\$62	\$59,883
Prepaid Expenses	\$45,080	\$43,561
Deposits	\$0	\$600
Capital Assets, Not Depreciated	\$3,796,882	\$765,310
Capital Assets, Depreciated Net of Accumulated Depreciation	\$8,184,842	\$8,450,465
<b>Total Assets</b>	<b>\$15,386,053</b>	<b>\$12,517,543</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Related to Pensions/OPEB	\$4,852,714	\$4,592,385
<b>Liabilities</b>		
Accounts Payable	\$64,428	\$69,585
Retainage Payable	\$0	\$0
Accrued Salaries and Benefits	\$120,915	\$103,079
Payable to District	\$708	\$59,572
Unearned Revenue	\$2,150	\$24,188
Accrued Interest Payable	\$275,025	\$279,300
Noncurrent Liabilities		
Due in One Year	\$190,000	\$180,000
Due in More than One Year	\$10,865,000	\$11,055,000
Net Pension Liability	\$12,060,710	\$8,798,164
<b>Total Liabilities</b>	<b>\$23,578,936</b>	<b>\$20,568,888</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Related to Pensions/OPEB	\$486,672	\$39,752
<b>Net Position</b>		
Invested in Capital Assets	\$926,724	\$(553,089)
Restricted	\$1,353,542	\$97,000
Unrestricted	\$(6,107,107)	\$(3,042,623)
<b>Total Net Position</b>	<b>\$(3,826,841)</b>	<b>\$(3,498,712)</b>

Changes in Net Position for the years ended June 30, 2018 and 2017 were as follows:

	2018	2017
Revenues		
Charges for Services	\$522,989	\$323,624
Grants and Contributions	\$3,188,785	\$266,657
Per Pupil Revenue	\$3,317,320	\$2,691,670
Mill Levy Override	\$141,763	\$131,087
Interest	\$13,728	\$3,912
Other	\$101,898	\$5,355
Total Revenues	<u>\$7,286,483</u>	<u>\$3,505,465</u>
Expenditures/Expenses		
Current		
Instruction	\$4,082,133	\$2,902,142
Support Services	<u>\$3,323,422</u>	<u>\$2,728,186</u>
Total Expenses	<u>\$7,405,555</u>	<u>\$5,630,328</u>
Net Change in Net Position	(119,072)	(2,124,863)
Net Position, Beginning, As Restated	<u>(3,707,769)</u>	<u>(1,373,849)</u>
Net Position, Ending	<u>\$ (3,826,841)</u>	<u>\$ (3,498,712)</u>

### Financial Analysis of ARPS's Funds

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

The general fund is the major operating fund of ARPS. At the end of the current fiscal year the general fund balance was \$1,714,561.

### General Fund Budgetary Highlights

ARPS budgeted for expenditures of \$4,155,606 for the year ended June 30, 2018. Actual expenditures were \$4,088,719. ARPS was \$66,887 under budget. There was one budget amendment made during the year.



## **Capital Asset and Debt Administration**

**Capital assets.** ARPS's net capital assets, as of June 30, 2018, amounts to \$11,981,724. There was an increase in capital assets of \$2,765,949 during the year, primarily because ARPS constructed a building addition using bond proceeds from St. Vrain Valley School District.

**Long-term debt.** The school has \$11,055,000 of long term debt as of June 30, 2018. This debt was issued to finance construction of the ARPS building.

Additional information on capital assets and long-term debt is provided in Notes 3 and 4 to the financial statements.

## **Economic Factors and Next Year's Budget**

The primary factor driving the budget for ARPS is student enrollment. Enrollment for the 2017-2018 school year was 533 students.

The enrollment projected for the 2018-2019 school year is expected to be 443 students. This factor was considered in preparing ARPS's budget for 2018-2019. The decrease in enrollment from the prior year is the result of several new schools built for the 2018-2019 school year in the proximity of ARPS in anticipation of the growing population in the area. We do not anticipate similar enrollment decreases in upcoming years.

## **Requests for Information**

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

Aspen Ridge Preparatory School  
705 Austin Avenue  
Erie, CO 80516

## **Basic Financial Statements**

**Aspen Ridge School, Inc.**  
(A Component Unit of St. Vrain Valley School District RE-1J)  
Statement of Net Position  
June 30, 2018

	Governmental Activities
<b>Assets</b>	
Cash	\$ 1,857,620
Restricted Cash and Investments	1,501,567
Accounts Receivable	62
Prepaid Expenses	45,080
Capital Assets, <i>Not Being Depreciated</i>	3,796,882
Capital Assets, <i>Net of Accumulated Depreciation</i>	8,184,842
Total Assets	15,386,053
<b>Deferred Outflows of Resources</b>	
Pensions, <i>Net of Accumulated Amortization</i>	4,798,033
OPEB, <i>Net of Accumulated Amortization</i>	54,681
Total Deferred Outflows of Resources	4,852,714
<b>Liabilities</b>	
Accounts Payable	65,136
Accrued Salaries and Benefits	120,915
Unearned Revenues	2,150
Accrued Interest Payable	275,025
Noncurrent Liabilities	
Due Within One Year	190,000
Due in More Than One Year	10,865,000
Net Pension Liability	11,791,443
Net OPEB Liability	269,267
Total Liabilities	23,578,936
<b>Deferred Inflows of Resources</b>	
Pensions, <i>Net of Accumulated Amortization</i>	482,167
OPEB, <i>Net of Accumulated Amortization</i>	4,505
Total Deferred Inflows of Resources	486,672
<b>Net Position</b>	
Net Investment in Capital Assets	926,724
Restricted for:	
Debt Service	1,186,343
Building Repair and Replacement	40,199
Emergencies	127,000
Unrestricted	(6,107,107)
Total Net Position	\$ (3,826,841)

**Aspen Ridge School, Inc.**  
(A Component Unit of St. Vrain Valley School District RE-1J)  
Statement of Activities  
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government</b>					
<i>Governmental Activities</i>					
Instruction	\$ 4,082,133	\$ 422,741	\$ 20,210	\$ -	\$ (3,639,182)
Supporting Services	2,773,372	100,248	20,211	3,148,364	495,451
Interest on Long-Term Debt	<u>550,050</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(550,050)</u>
Total Governmental Activities	<u>\$ 7,405,555</u>	<u>\$ 522,989</u>	<u>\$ 40,421</u>	<u>\$ 3,148,364</u>	<u>(3,693,781)</u>
<b>General Revenues</b>					
					3,317,320
					227
					141,763
					101,671
					<u>13,728</u>
					<u>3,574,709</u>
					(119,072)
					<u>(3,707,769)</u>
					<u>\$ (3,826,841)</u>

**Aspen Ridge School, Inc.**  
(A Component Unit of St. Vrain Valley School District RE-1J)  
Balance Sheet  
Governmental Funds  
June 30, 2018

	General	Grants	Total
<b>Assets</b>			
Cash	\$ 1,857,620	\$ -	\$ 1,857,620
Accounts Receivable	62	-	62
Prepaid Expenditures	45,080	-	45,080
 Total Assets	 \$ 1,902,762	 \$ -	 \$ 1,902,762
<b>Liabilities and Fund Balance</b>			
<i>Liabilities</i>			
Accounts Payable	\$ 65,136	\$ -	\$ 65,136
Unearned Revenues	2,150	-	2,150
Accrued Salaries and Benefits	120,915	-	120,915
Total Liabilities	188,201	-	188,201
 <i>Fund Balance</i>			
Nonspendable Prepaid Expenditures	45,080	-	45,080
Restricted for Emergencies	127,000	-	127,000
Unrestricted, Unassigned	1,542,481	-	1,542,481
Total Fund Balance	1,714,561	-	1,714,561
 Total Liabilities and Fund Balance	 \$ 1,902,762	 \$ -	 \$ 1,902,762

**Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:**

Total Fund Balance of the Governmental Funds	\$ 1,714,561
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the governmental funds.	34,900
The assets and liabilities of the internal service fund are included in governmental activities in the statement of net position.	2,118,366
Long-term liabilities and related items are not due and payable in the current year, and therefore, are not reported in governmental funds:	
Net pension liability	(11,791,443)
Pension-related deferred outflows of resources	4,798,033
Pension-related deferred inflows of resources	(482,167)
Net OPEB liability	(269,267)
OPEB-related deferred outflows of resources	54,681
OPEB-related deferred inflows of resources	(4,505)
Total Net Position of Governmental Activities	\$ (3,826,841)

**Aspen Ridge School, Inc.**  
 (A Component Unit of St. Vrain Valley School District RE-1J)  
 Statement of Revenues, Expenditures and Changes in Fund Balance  
 Governmental Funds  
 For the Year Ended June 30, 2018

	General	Grants	Total
<b>Revenues</b>			
Local Sources	\$ 4,086,843	\$ -	\$ 4,086,843
State Sources	137,229	-	137,229
Federal Sources	-	20,211	20,211
	4,224,072	20,211	4,244,283
Total Revenues	4,224,072	20,211	4,244,283
<b>Expenditures</b>			
Instruction	1,889,160	-	1,889,160
Supporting Services	2,199,559	20,211	2,219,770
	4,088,719	20,211	4,108,930
Total Expenditures	4,088,719	20,211	4,108,930
<b>Net Change in Fund Balance</b>	135,353	-	135,353
<b>Fund Balance, Beginning of year</b>	1,579,208	-	1,579,208
<b>Fund Balance, End of year</b>	\$ 1,714,561	\$ -	\$ 1,714,561

**Aspen Ridge School, Inc.**  
*(A Component Unit of St. Vrain Valley School District RE-1J)*  
 Reconciliation of the Statement of Revenues, Expenditures and Changes in  
 Fund Balance of the Governmental Funds 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 the Governmental Funds	\$ 135,353
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>	
Capital outlays	33,000
Depreciation	(2,100)
<p>The activities of the internal service fund are included in governmental activities in the statement of activities.</p>	
	2,954,755
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This includes changes in the following:</p>	
Net pension liability	(2,993,279)
Pension-related deferred outflows of resources	205,648
Pension-related deferred inflows of resources	(442,415)
Net OPEB liability	(51,495)
OPEB-related deferred outflows of resources	45,966
OPEB-related deferred inflows of resources	<u>(4,505)</u>
Change in Net Position of Governmental Activities	<u>\$ (119,072)</u>

**Aspen Ridge School, Inc.**  
 (A Component Unit of St. Vrain Valley School District RE-1J)  
 Statement of Net Position  
 Proprietary Fund  
 June 30, 2018

	Internal Service Building Corporation
<b>Assets</b>	
<i>Current Assets</i>	
Restricted Cash and Investments	\$ <u>1,501,567</u>
Total Current Assets	<u>1,501,567</u>
<i>Noncurrent Assets</i>	
Capital Assets, <i>Not Being Depreciated</i>	3,796,882
Capital Assets, <i>Net of Accumulated Depreciation</i>	<u>8,149,942</u>
Total Noncurrent Assets	<u>11,946,824</u>
Total Assets	<u>13,448,391</u>
<b>Liabilities</b>	
<i>Current Liabilities</i>	
Accrued Interest Payable	275,025
Loan Payable, <i>Current Portion</i>	<u>190,000</u>
Total Current Liabilities	465,025
<i>Noncurrent Liabilities</i>	
Loan Payable	<u>10,865,000</u>
Total Liabilities	<u>11,330,025</u>
<b>Net Position</b>	
Net Investment in Capital Assets	891,824
Restricted for:	
Debt Service	1,186,343
Building Repair and Replacement	<u>40,199</u>
Total Net Position	<u>\$ 2,118,366</u>



**Aspen Ridge School, Inc.**  
*(A Component Unit of St. Vrain Valley School District RE-1J)*  
**Statement of Revenues, Expenses and Changes in Net Position**  
**Proprietary Fund**  
**For the Year Ended June 30, 2018**

	Internal Service <u>Building Corporation</u>
<b>Operating Revenues</b>	
Lease Income	\$ <u>759,746</u>
<b>Operating Expenses</b>	
Purchased Services	618
Depreciation	296,523
Debt Service	
Interest	<u>550,050</u>
Total Operating Expenses	<u>847,191</u>
<b>Net Operating Loss</b>	(87,445)
<b>Nonoperating Revenues</b>	
Investment Income	<u>10,628</u>
<b>Net Loss Before Capital Contributions</b>	(76,817)
District Contributions	<u>3,031,572</u>
<b>Change in Net Position</b>	2,954,755
<b>Net Position, <i>Beginning of year</i></b>	<u>(836,389)</u>
<b>Net Position, <i>End of year</i></b>	\$ <u><u>2,118,366</u></u>

**Aspen Ridge School, Inc.**  
*(A Component Unit of St. Vrain Valley School District RE-1J)*  
 Statement of Cash Flows  
 Proprietary Fund  
 For the Year Ended June 30, 2018

	<u>Internal Service Building Corporation</u>
<b>Cash Flows From Operating Activities</b>	
Lease Payments Received	\$ 759,746
Loan Interest and Fees Paid	(554,943)
Loan Principal Paid	<u>(180,000)</u>
Net Cash Provided by Operating Activities	24,803
<b>Cash Flows From Investing Activities</b>	
Investment Income Received	<u>10,628</u>
<b>Net Change in Cash and Cash Equivalents</b>	35,431
<b>Cash and Cash Equivalents, <i>Beginning of year</i></b>	<u>1,466,136</u>
<b>Cash and Cash Equivalents, <i>End of year</i></b>	<u>\$ 1,501,567</u>
<b>Reconciliation of Net Operating Loss to Net Cash Provided by Operating Activities</b>	
Net Operating Loss	\$ (87,445)
Adjustments to Reconcile Net Operating Loss to Net Cash Provided by Operating Activities	
Depreciation Expense	296,523
Changes in Assets and Liabilities:	
Accrued Interest Payable	(4,275)
Loan Payable	<u>(180,000)</u>
Net Cash Provided by Operating Activities	<u>\$ 24,803</u>
<b>Non-Cash Transactions</b>	
Capital Assets Contributed by the District	<u>\$ 3,031,572</u>

**Aspen Ridge School, Inc.**  
*(A Component Unit of St. Vrain Valley School District RE-1J)*  
Notes to Financial Statements  
June 30, 2018

**Note 1: Summary of Significant Accounting Policies**

Aspen Ridge School, Inc., dba Aspen Ridge Preparatory School (the School) was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within St. Vrain Valley School District RE-1J (the District). The School began operations in the Fall of 2011.

The accounting policies of the School conform to generally accepted accounting principles 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. Following is a summary of the more significant policies.

**Reporting Entity**

The financial reporting entity consists of the School, organizations for which the School is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the School. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the School. Legally separate organizations for which the School is financially accountable are considered part of the reporting entity. Financial accountability exists if the School appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if the organization has the potential to provide benefits to, or impose financial burdens on, the School.

Based upon the application of this criteria, the School includes the Aspen Ridge Preparatory School, Inc. (the Building Corporation) in its reporting entity. The Building Corporation was organized to establish and operate a not-for-profit charter school, and has purchased and constructed educational facilities that are leased solely to the School. The Building Corporation is blended into the School's financial statements as an internal service fund and does not issue separate financial statements.

The School is a component unit of the District. The School's charter is authorized by the District and the majority of the School's funding is provided by the District.

**Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the School. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported in a single column.

**Aspen Ridge School, Inc.**  
*(A Component Unit of St. Vrain Valley School District RE-1J)*  
Notes to Financial Statements  
June 30, 2018

**Note 1: Summary of Significant Accounting Policies** (Continued)

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

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to students or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted revenues not properly included among program revenues are reported instead as general revenues.

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current year. Intergovernmental revenues, grants, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the School. 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.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with ongoing operations. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

**Aspen Ridge School, Inc.**  
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Notes to Financial Statements  
June 30, 2018

**Note 1: Summary of Significant Accounting Policies** (Continued)

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

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

In the fund financial statements, the School reports the following major governmental fund:

*General Fund* - This fund is the general operating fund of the School. It is currently used to account for all financial activities except those accounted for in another fund.

In addition, the School reports the following fund type:

*Internal Service Fund* - This fund is used to account for the financial activities of the Building Corporation, primarily related to capital assets and the related debt service.

**Assets, Liabilities and Net Position/Fund Balance**

*Cash Equivalents* - For purposes of the statement of cash flows, cash equivalents include investments with original maturities of three months or less.

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

*Prepaid Expenses* - Certain payments to vendors reflect costs applicable to future years and are reported as prepaid expenses.

*Capital Assets* - Capital assets are reported in the government-wide financial statements and the proprietary fund in the fund financial statements. Capital assets are defined as assets with an initial, individual 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 the acquisition value on the date of donation.

Capital assets are depreciated using the straight-line method over the estimated useful lives, as follows:

Buildings	30 years
Equipment	5 years

*Accrued Salaries and Benefits* - Salaries and benefits of certain contractually employed personnel are paid over a 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.

**Aspen Ridge School, Inc.**  
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**Note 1: Summary of Significant Accounting Policies** (Continued)

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

*Unearned Revenues* - Unearned revenues represent resources received by the School before it has a legal claim to them, including tuition and fees.

*Compensated Absences* - The School's policy allows employees to use ten days of paid time off during each school year. Employees are compensated at \$50 per day for any unused paid time off at the end of each year. Therefore, no liability is reported in the financial statements for these compensated absences.

*Long-Term Debt* - In the government-wide financial statements and the proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the debt proceeds, are reported as current expenses or expenditures.

*Pensions* - The School participates in the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position, and additions to and deductions from the SDTF's fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used by the SDTF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Employer contributions are recognized when the compensation is payable to the employees.

*Postemployment Benefits Other Than Pensions (OPEB)* - The School participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit postemployment healthcare plan 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 and deductions from the HCTF's fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used by the HCTF. For this purpose, the HCTF recognizes benefit payments when due and payable in accordance with the benefit terms. Employer contributions are recognized when the compensation is payable to the employees.

*Net Position/Fund Balance* - In the government-wide and fund financial statements, net position and fund balance are restricted when constraints placed on the use of resources are externally imposed. The Board of Directors is authorized to establish a fund balance commitment through passage of a resolution, and may assign fund balances to a specific purpose through an informal action.

**Aspen Ridge School, Inc.**  
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**Note 1: Summary of Significant Accounting Policies** (Continued)

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

The School has not established a formal policy for its use of restricted and unrestricted fund balances. However, if both restricted and unrestricted fund balances are available for a specific purpose, the School uses restricted fund balance first, followed by committed, assigned, and unassigned balances.

**Risk Management**

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School carries commercial insurance for these risks of loss.

**Note 2: Cash and Investments**

Cash and investments at June 30, 2018, consisted of the following:

Deposits	\$ 1,857,620
Investments	<u>1,501,567</u>
Total	<u>\$ 3,359,187</u>

**Deposits**

The Colorado Public Deposit Protection Act (PDPA) requires local government entities to 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. At June 30, 2018, the School had bank deposits of \$1,658,653 collateralized with securities held by the financial institution's agent but not in the School's name.

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**Note 2: Cash and Investments** (Continued)

**Investments**

The School is required to comply with State statutes which specify investment instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk.

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

*Interest Rate Risk* - State statutes generally limit investments to a maturity of five years from the date of purchase, unless the governing board authorizes the investment for a period in excess of five years.

*Credit Risk* - State statutes limit investments in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with the Securities and Exchange Commission's Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by one or more nationally recognized statistical rating organizations. At June 30, 2018, the Building Corporation's investment of \$1,501,567 in the Fidelity Government Portfolio Money Market Fund was rated AAAM by Standard and Poor's.

*Concentration of Credit Risk* - State statutes do not limit the amount the School may invest in a single issuer, except for corporate securities.

*Fair Value Measurements* - The money market fund is measured at the net asset value per share, with each share valued at \$1.



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**Note 3: Capital Assets**

Capital asset activity for the year ended June 30, 2018, is summarized below.

	<u>Balance 6/30/17</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/18</u>
<b>Governmental Activities</b>				
<i>Capital Assets, Not Being Depreciated</i>				
Land	\$ 682,150	\$ -	\$ -	\$ 682,150
Construction in Progress	<u>83,160</u>	<u>3,031,572</u>	<u>-</u>	<u>3,114,732</u>
Total Capital Assets, <i>Not Being Depreciated</i>	<u>765,310</u>	<u>3,031,572</u>	<u>-</u>	<u>3,796,882</u>
<i>Capital Assets, Being Depreciated</i>				
Buildings	8,895,702	-	-	8,895,702
Equipment	<u>13,050</u>	<u>33,000</u>	<u>-</u>	<u>46,050</u>
Total Capital Assets, <i>Being Depreciated</i>	<u>8,908,752</u>	<u>33,000</u>	<u>-</u>	<u>8,941,752</u>
Less Accumulated Depreciation				
Buildings	(449,237)	(296,523)	-	(745,760)
Equipment	<u>(9,050)</u>	<u>(2,100)</u>	<u>-</u>	<u>(11,150)</u>
Total Accumulated Depreciation	<u>(458,287)</u>	<u>(298,623)</u>	<u>-</u>	<u>(756,910)</u>
Total Capital Assets, <i>Being Depreciated, net</i>	<u>8,450,465</u>	<u>(265,623)</u>	<u>-</u>	<u>8,184,842</u>
Governmental Activities Capital Assets, <i>net</i>	<u>\$ 9,215,775</u>	<u>\$ 2,765,949</u>	<u>\$ -</u>	<u>\$ 11,981,724</u>

Depreciation expense was charged to the supporting services program of the School.

**Note 4: Long-Term Debt**

Following is a summary of long-term debt transactions for the year ended June 30, 2018:

	<u>Balance 6/30/17</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 6/30/18</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
2015 Loan	<u>\$ 11,235,000</u>	<u>\$ -</u>	<u>\$ (180,000)</u>	<u>\$ 11,055,000</u>	<u>\$ 190,000</u>

**Aspen Ridge School, Inc.**  
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**Note 4: Long-Term Debt** (Continued)

In June 2015, the Colorado Educational and Cultural Facilities Authority issued \$11,235,000 Charter School Revenue Bonds, Series 2015A and 2015B. Bond proceeds were loaned to the Building Corporation to purchase and construct the School's education facilities. The School is obligated under a lease agreement to make monthly lease payments to the Building Corporation for using the facilities. The Building Corporation is required to make equal loan payments to the Trustee, for payment of the bonds. Interest accrues on the bonds at rates ranging from 4.125% to 5.25% and is payable semi-annually on January 1 and July 1. Principal payments are due annually on July 1, through 2046.

Annual debt service requirements for the bonds are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 190,000	\$ 545,725	\$ 735,725
2020	195,000	537,378	732,378
2021	205,000	529,128	734,128
2022	215,000	520,466	735,466
2023	225,000	511,391	736,391
2024 - 2028	1,250,000	2,407,787	3,657,787
2029 - 2033	1,575,000	2,074,750	3,649,750
2034 - 2038	2,015,000	1,627,694	3,642,694
2039 - 2043	2,585,000	1,035,694	3,620,694
2044 - 2047	2,600,000	281,662	2,881,662
 Total	 <u>\$ 11,055,000</u>	 <u>\$ 10,071,675</u>	 <u>\$ 21,126,675</u>

**Aspen Ridge School, Inc.**  
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**Note 5: Defined Benefit Pension Plan**

**General Information**

*Plan Description* - The School contributes to the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). All employees of the School participate in the SDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS) assigns the authority to establish and amend plan provisions to the State Legislature. PERA issues a publicly available financial report that includes information on the SDTF. That report may be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Benefits Provided* - The SDTF provides retirement, disability, and survivor benefits to plan participants or their beneficiaries. Retirement benefits are determined by the amount of service credit earned or purchased, highest average salary, the benefit structure in place, the benefit option selected at retirement, and age at retirement. The retirement benefit is the greater of the a) highest average salary over three years multiplied by 2.5% and then multiplied by years of service credit, or b) the value of the participant's contribution account plus an equal match on the retirement date, annualized into a monthly amount based on life expectancy and other actuarial factors. In no case can the benefit amount exceed the highest average salary or the amount allowed by applicable federal regulations.

Retirees may elect to withdraw their contributions upon termination of employment, and may be eligible to receive a matching amount if five years of service credit is earned and certain other criteria is met. Retirees who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs) as established by State statutes. Retirees who began employment before January 1, 2007, receive an annual increase of 2%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% or the average consumer price index for the prior calendar year. Retirees that began employment after January 1, 2007, receive an annual increase of the lesser of 2% or the average consumer price index for the prior calendar year, with certain limitations.

Disability benefits are available for plan participants once they reach five years of earned service credit and meet the definition of a disability. The disability benefit amount is based on the retirement benefit formula described previously, considering a minimum of twenty years of service credit.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure in place, and the qualified survivor receiving the benefits.

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**Note 5: Defined Benefit Pension Plan** (Continued)

**General Information** (Continued)

*Contributions* - The School and eligible employees are required to contribute to the SDTF at rates established by Title 24, Article 51, Part 4 of the CRS. These contribution requirements are established and may be amended by the State Legislature. The contribution rate for employees is 8% of covered salaries. The School's contribution rate for calendar years 2018 and 2017 was 20.15% and 19.65% of covered salaries, respectively. However, a portion of the School's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 6). The School's contributions to the SDTF for the year ended June 30, 2018, were \$374,457, equal to the required contributions.

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

At June 30, 2018, the School reported a net pension liability of \$11,791,443, representing its proportionate share of the net pension liability of the SDTF. The net pension liability was measured at December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017.

The School's proportion of the net pension liability was based on the School's contributions to the SDTF for the calendar year ended December 31, 2017, relative to the contributions of all participating employers. At December 31, 2017, the School's proportion was 0.0364648693%, which was an increase of 0.0069149748% from its proportion measured at December 31, 2016.

During the 2018 legislative session, the State Legislature passed Senate Bill (SB) 18-200 with the goal of eliminating the unfunded pension liability of the SDTF within the next 30 years. The significant provisions of the legislation include increased age and service requirements to receive full retirement benefits, highest average salary calculated over five years rather than three years, changes to includable employee salaries, increased contributions from employees and employers, and an annual direct distribution from the State of Colorado. The School's estimated net pension liability at June 30, 2018, had the provisions of SB 18-200 been effective was \$5,327,272.

For the year ended June 30, 2018, the School recognized pension expense of \$3,584,998. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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**Note 5: Defined Benefit Pension Plan (Continued)**

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 216,794	\$ -
Changes of assumptions and other inputs	3,010,793	19,106
Net difference between projected and actual earnings on plan investments	-	463,061
Changes in proportion	1,379,803	-
Contributions subsequent to the measurement date	190,643	-
Total	\$ 4,798,033	\$ 482,167

School contributions subsequent to the measurement date of \$190,643 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<b><u>Year Ended June 30,</u></b>	
2019	\$ 2,596,261
2020	1,536,523
2021	166,645
2022	(174,206)
Total	\$ 4,125,223

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**Note 5: Defined Benefit Pension Plan** (Continued)

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

Actuarial Assumptions - The actuarial valuation as of December 31, 2016, determined the total pension liability using the following actuarial assumptions and other inputs.

Price inflation	2.4%
Real wage growth	1.1%
Wage inflation	3.5%
Salary increases, including wage inflation	3.5% - 9.7%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate	5.26%
Post retirement benefit increases:	
Hired prior to 1/1/2007	2.0%
Hired after 12/31/2006	ad hoc

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

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table. 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 were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, with certain adjustments. For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

On November 18, 2016, PERA's governing board adopted revised economic and demographic assumptions based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, which were effective on December 31, 2016. The significant changes affecting the plan included decreasing the investment rate of return assumption from 7.5% per year, compounded annually, net of investment expenses, to 7.25%, and updating mortality assumptions based on RP-2014 mortality tables.

The long-term expected rate of return on plan investments was determined using 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.

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**Note 5: Defined Benefit Pension Plan (Continued)**

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

The most recent analysis of the long-term expected rate of return was adopted by PERA's governing board on November 18, 2016, and included the target allocation and best estimates of geometric real rates of return for each major asset class, as follows:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
U.S. Equity - Large Cap	21.20%	4.30%
U.S. Equity - Small Cap	7.42%	4.80%
Non U.S. Equity - Developed	18.55%	5.20%
Non U.S. Equity - Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income - Developed	1.84%	0.60%
Emerging Market 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	<u>100.00%</u>	

*Discount Rate* - The discount rate used to measure the total pension liability was 4.78%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and the employer contributions will be made at the rates specified in State statutes, which currently require annual increases, to a total of 20.15% of covered salaries for the year ended December 31, 2018. When the actuarially determined funding ratio reaches 103%, the employer contribution rate will decrease 0.5% each year, to a minimum of 10.15%.

Based on the assumptions described previously, the SDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate, defined as the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index, was used in the determination of the discount rate. The long-term expected rate of return of 7.25% on plan investments was applied to all periods through 2041, and the municipal bond index rate was applied to periods after 2041 to develop the discount rate. On the measurement date of December 31, 2017, the municipal bond index rate was 3.43%, resulting in a discount rate of 4.78%. The discount rate at the prior measurement date was 5.26%.

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**Note 5: Defined Benefit Pension Plan** (Continued)

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

*Sensitivity of the Net Pension Liability to Changes in the Discount Rate* - The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 4.78%, as well as the School's proportionate share of the net pension liability if it were calculated using a discount rate that is one percentage point lower (3.78%) or one percentage point higher (5.78%) than the current rate, as follows:

	<b>1% Decrease (3.78%)</b>	<b>Current Discount Rate (4.78%)</b>	<b>1% Increase (5.78%)</b>
Proportionate share of the net pension liability	\$ 14,894,598	\$ 11,791,443	\$ 9,262,726

*Pension Plan Fiduciary Net Position* - Detailed information about the SDTF's fiduciary net position is available in PERA's separately issued financial report, which may be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**Note 6: Postemployment Healthcare Benefits**

**General Information**

*Plan Description* - All employees of the School are eligible to receive postemployment benefits other than pensions (OPEB) through the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Public Employees' Retirement Association of Colorado (PERA). Title 24, Article 51, Part 12 of the Colorado Revised Statutes (CRS) assigns the authority to establish and amend plan provisions to the State Legislature. PERA issues a publicly available financial report that includes information on the HCTF. That report may be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

*Benefits Provided* - The HCTF provides a healthcare premium subsidy to eligible benefit recipients and retirees who choose to enroll. Eligibility to enroll is voluntary and includes benefit recipients, their eligible dependents and surviving spouses, among others. Eligible benefit recipients may enroll in the HCTF upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period. The health care premium subsidy is based on the benefit structure under which the member retires and the member's years of service credit.



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**Note 6: Postemployment Healthcare Benefits** (Continued)

**General Information** (Continued)

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, and \$115 per month for benefit recipients who are over 65 years of age or who are under 65 years of age and entitled to Medicare. An additional subsidy is provided if the benefit recipient has not participated in Social Security and is not otherwise eligible for Medicare Part A. The maximum subsidy is based on 20 or more years of service. The subsidy is reduced for each year of service less than 20 years. The benefit recipient pays the remaining portion of the premium not covered by the subsidy.

*Contributions* - As established by Title 24, Article 51, Section 208 of the CRS, 1.02% of the School's contributions to the School Division Trust Fund (SDTF) (See Note 5) is apportioned to the HCTF. No employee contributions are required. These contribution requirements are established and may be amended by the State Legislature. The School's apportionment to the HCTF for the year ended June 30, 2018, was \$19,189, equal to the required amount.

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

At June 30, 2018, the School reported a net OPEB liability of \$269,267, representing its proportionate share of the net OPEB liability of the HCTF. The net OPEB liability was measured at December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2017.

The School's proportion of the net OPEB liability was based on the School's contributions to the HCTF for the calendar year ended December 31, 2017, relative to the contributions of all participating employers. At December 31, 2017, the School's proportion was 0.0207192003%, which was an increase of 0.0039226894% from its proportion measured at December 31, 2016.

For the year ended June 30, 2018, the School recognized OPEB expense of \$29,375. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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**Note 6: Postemployment Healthcare Benefits (Continued)**

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 1,273	\$ -
Net difference between projected and actual earnings on plan investments	-	4,505
Changes in proportion	42,508	-
Contributions subsequent to the measurement date	10,900	-
Total	\$ 54,681	\$ 4,505

School contributions subsequent to the measurement date of \$10,900 will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

<b><u>Year Ended June 30,</u></b>			
2019		\$	7,475
2020			7,475
2021			7,475
2022			7,475
2023			8,601
2024			775
Total		\$	39,276

*Actuarial Assumptions* - The actuarial valuation as of December 31, 2016, determined the total OPEB liability using the following actuarial assumptions and other inputs, applied to all periods included in the measurement.

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 June 30, 2018

**Note 6: Postemployment Healthcare Benefits** (Continued)

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

Price inflation	2.4%
Real wage growth	1.1%
Wage inflation	3.5%
Salary increases, including wage inflation	3.5%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates:	
Service-based premium subsidy	0.0%
Medicare plans	5.0%
Medicare Part A premiums:	
3% for 2017, gradually rising to 4.25% in 2023	

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table. 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 were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, with certain adjustments. For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

Health care cost trend rates are based on published annual health care inflation surveys in conjunction with actual plan experience, building block models and heuristics developed by actuaries and administrators, and other projected trends.

The actuarial assumptions used in the December 31, 2016, valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, and were adopted by PERA's governing board on November 18, 2016. In addition, certain actuarial assumptions pertaining to per capita health care costs and the related trends are analyzed by PERA's actuary as needed.

The long-term expected rate of return on the HCTF investments was determined using 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.

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**Note 6: Postemployment Healthcare Benefits (Continued)**

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

The most recent analysis of the long-term expected rate of return was adopted by PERA's governing board on November 18, 2016, and included the target allocation and best estimates of geometric real rates of return for each major asset class, as presented previously in Note 5.

*Discount Rate* - The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at the current contribution rate. Based on this assumption, the HCTF's fiduciary net position was projected to be available to make all projected future OPEB payments to current active and inactive employees. Therefore, the long-term expected rate of return on HCTF investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

*Sensitivity of the Net OPEB Liability to Changes in the Discount Rate* - The following presents the School's proportionate share of the net OPEB liability calculated using the discount rate of 7.25%, as well as the School's proportionate share of the net OPEB liability if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate, as follows:

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Proportionate share of the net OPEB liability	\$ 302,740	\$ 269,267	\$ 240,696

*Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates* - The following presents the School's proportionate share of the net OPEB liability calculated using the current healthcare cost trend rates, ranging from 3% to 5%, as well as the School's proportionate share of the net OPEB liability if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates, as follows:

	<b>1% Decrease</b>	<b>Current Healthcare Cost Trend Rate</b>	<b>1% Increase</b>
Proportionate share of the net OPEB liability	\$ 261,858	\$ 269,267	\$ 278,190

*OPEB Plan Fiduciary Net Position* - Detailed information about the HCTF's fiduciary net position is available in PERA's separately issued financial report, which may be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

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**Note 7: Commitments and Contingencies**

**Claims and Judgments**

The School participates in a number of federal and state programs that are fully or partially funded by revenues received from other governmental entities. Expenditures financed by these revenues are subject to audit by the appropriate government. If expenditures are disallowed due to noncompliance with program regulations, the School may be required to reimburse the other government. At June 30, 2018, significant amounts of related expenditures have not been audited but the School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

**Tabor Amendment**

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The Amendment is subject to many interpretations, but the School believes it is in substantial compliance with the Amendment. In accordance with the Amendment, the School has established an emergency reserve representing 3% of qualifying expenditures. At June 30, 2018, the reserve was reported as restricted fund balance in the General Fund, in the amount of \$127,000.

**Note 8: Change in Accounting Principle**

For the year ended June 30, 2018, the School adopted the standards of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result, net position of the governmental activities at June 30, 2017, was restated to reflect the cumulative effect of adopting the standards.

Certain balances of deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2017, were not available and have not been reported in the financial statements.

	<b>Governmental Activities</b>
Net Position, June 30, 2017, as <i>Originally Stated</i>	\$ (3,498,712)
Deferred Outflows of Resources	8,715
Net OPEB Liability	(217,772)
Net Position, June 30, 2017, as <i>Restated</i>	\$ (3,707,769)

## **Required Supplementary Information**

**Aspen Ridge School, Inc.**  
 (A Component Unit of St. Vrain Valley School District RE-1J)  
 Required Supplementary Information  
 Schedule of Proportionate Share of the Net Pension Liability and Contributions  
 Public Employees' Retirement Association of Colorado School Division Trust Fund  
 June 30, 2018

	<u>12/31/17</u>	<u>12/31/16</u>	<u>12/31/15</u>	<u>12/31/14</u>	<u>12/31/13</u>
<b>Proportionate Share of the Net Pension Liability</b>					
School's Proportion of the Net Pension Liability	0.0364648693%	0.0295498945%	0.0242852847%	0.0180704381%	0.0141738138%
School's Proportionate Share of the Net Pension Liability	\$ 11,791,443	\$ 8,798,164	\$ 3,714,272	\$ 2,449,151	\$ 1,807,866
School's Covered Payroll	\$ 1,682,081	\$ 1,453,520	\$ 1,058,347	\$ 835,087	\$ 565,234
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	701%	605%	351%	293%	320%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	44%	43%	59%	63%	64%
	<u>6/30/18</u>	<u>6/30/17</u>	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/14</u>
<b>School Contributions</b>					
Statutorily Required Contribution	\$ 355,268	\$ 282,142	\$ 227,709	\$ 162,147	\$ 118,577
Contributions in Relation to the Statutorily Required Contribution	<u>(355,268)</u>	<u>(282,142)</u>	<u>(227,709)</u>	<u>(162,147)</u>	<u>(118,577)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered Payroll	\$ 1,881,255	\$ 1,453,520	\$ 1,213,398	\$ 953,806	\$ 718,649
Contributions as a Percentage of Covered Payroll	18.88%	19.41%	18.77%	17.00%	16.50%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

# Aspen Ridge School, Inc.

(A Component Unit St. Vrain Valley School District RE-1J)

## Required Supplementary Information

### Schedule of Proportionate Share of the Net OPEB Liability and Contributions Public Employees' Retirement Association of Colorado Health Care Trust Fund June 30, 2018

	<u>12/31/17</u>
<b>Proportionate Share of the Net OPEB Liability</b>	
School's Proportion of the Net OPEB Liability	0.0207192003%
School's Proportionate Share of the Net OPEB Liability	\$ 269,267
School's Covered-Employee Payroll	\$ 1,736,361
School's Proportionate Share of the Net OPEB Liability as a Percentage of Covered-Employee Payroll	16%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	18%
	<u>6/30/18</u>
<b>School Contributions</b>	
Statutorily Required Contribution	\$ 19,189
Contributions in Relation to the Statutorily Required Contribution	<u>(19,189)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>
School's Covered-Employee Payroll	\$ 1,970,313
Contributions as a Percentage of Covered-Employee Payroll	0.97%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.



**Aspen Ridge School, Inc.**  
(A Component Unit of St. Vrain Valley School District RE-1J)  
Budgetary Comparison Schedule  
General Fund  
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>				
<i>Local Sources</i>				
Per Pupil Revenue	\$ 3,260,751	\$ 3,317,170	\$ 3,317,320	\$ 150
District Mill Levy	114,884	141,763	141,763	-
Tuition and Fees	458,867	509,135	508,250	(885)
Student Activities	10,000	7,790	14,739	6,949
Contributions	54,000	101,669	101,671	2
Investment Earnings	1,000	2,100	3,100	1,000
Other	8,000	8,110	-	(8,110)
<i>State Sources</i>				
Additional At-Risk Funding	-	-	227	227
Capital Construction	120,781	116,792	116,792	-
Grants	13,838	20,210	20,210	-
<b>Total Revenues</b>	<u>4,042,121</u>	<u>4,224,739</u>	<u>4,224,072</u>	<u>(667)</u>
<b>Expenditures</b>				
Salaries	2,024,058	1,997,449	1,990,736	6,713
Benefits	568,788	580,731	546,730	34,001
Purchased Services	1,256,942	1,257,543	1,188,549	68,994
Supplies and Materials	154,833	196,052	235,749	(39,697)
Property	-	73,435	86,552	(13,117)
Other	37,500	40,396	40,403	(7)
Contingency	200,000	10,000	-	10,000
<b>Total Expenditures</b>	<u>4,242,121</u>	<u>4,155,606</u>	<u>4,088,719</u>	<u>66,887</u>
<b>Net Change in Fund Balance</b>	(200,000)	69,133	135,353	66,220
<b>Fund Balance, Beginning of year</b>	<u>1,501,332</u>	<u>1,579,208</u>	<u>1,579,208</u>	<u>-</u>
<b>Fund Balance, End of year</b>	<u>\$ 1,301,332</u>	<u>\$ 1,648,341</u>	<u>\$ 1,714,561</u>	<u>\$ 66,220</u>

**Aspen Ridge School, Inc.**  
*(A Component Unit of St. Vrain Valley School District RE-1J)*  
Notes to Required Supplementary Information  
June 30, 2018

**Note 1: Schedule of Proportionate Share of the Net Pension Liability and Contributions**

The Public Employees' Retirement Association of Colorado School Division Trust Fund's net pension liability and associated amounts are measured annually at December 31, based on an actuarial valuation as of the previous December 31. The School's contributions and related ratios represent cash contributions and any related accruals that coincide with the School's fiscal year ending on June 30.

**Changes in Assumptions and Other Inputs**

For the year ended June 30, 2018, the total pension liability was determined by an actuarial valuation as of December 31, 2016. The following revised economic and demographic assumptions were effective as of December 31, 2016.

- Investment rate of return assumption decreased from 7.5% per year, compounded annually, net of investment expenses, to 7.25%.
- Price inflation assumption decreased from 2.8% per year to 2.4%.
- Real rate of investment return assumption increased from 4.7% per year, net of investment expenses, to 4.85%.
- Wage inflation assumption decreased from 3.9% per year to 3.5%.
- Healthy and disabled mortality assumptions are based on the RP-2014 Mortality Tables, updated from the RP-2000 Mortality Tables.

**Note 2: Stewardship, Compliance and Accountability**

**Budgets and Budgetary Accounting**

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

Management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1, for their approval. The budget includes proposed expenditures and the means of financing them.

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.

All appropriations lapse at fiscal year-end.

The Board of Directors does not adopt a budget for the Grants Fund, which may be a violation of State statutes.