High Point Academy

Financial Statements

June 30, 2018

High Point Academy
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June 30, 2018

HINKLE & COMPANY PC
Strategic Business Advisors

Independent Auditors' Report

Governing Board
High Point Academy
Aurora, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of High Point Academy 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 High Point Academy, 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.

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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 High Point Academy 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 9 to the financial statements, in the year ended June 30, 2018, High Point Academy 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.

Hinkle & Company, PC

Greenwood Village, Colorado
September 26, 2018

HIGH POINT ACADEMY
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2018

Introduction

As management of High Point Academy (the "School"), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information provided in the accompanying financials.

Financial Highlights

Fiscal year ended June 30, 2018 is the fourth year reporting net pension liability and deferred inflows and outflows following Governmental Accounting Standards Board Statement (GASB) No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. As such, the School included the Net Pension Liability per GASB Statement No. 68 in the amount of $20,801,261 for FY 2018 and $19,206,277 for FY 2017 as noncurrent liability on the Statement of Net Position. The School also participates in a Postemployment Healthcare Benefit Plan and as a result of GASB statement No. 75 has recorded a Net OPEB Liability as of June 30, 2018 of $475,013. For FY 2018 and FY 2017, the liabilities and deferred inflows of resources of the School exceeded its assets and deferred outflows by $15,024,188 and $10,657,636 (net position), respectively.

The general fund ending fund balance decreased from $2,180,182 to $2,104,003; a planned decrease of $76,179. This decrease was planned as the school invested some of its reserve funds in researching and connecting with the community in regards to adding a High School in future years.

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to the School's basic financial statements. The School's basic financial 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 the School's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all of the School's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference reported as net position.

The statement of activities presents information showing 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 only result in cash flows in future fiscal periods (e.g. uncollected grant expenses and earned but unpaid salary and benefits).

The government-wide statement of activities distinguishes functions/programs of the School supported primarily by per pupil revenue (PPR) passed through the Charter School Institute. The governmental activities of the School include instruction and supporting services expense. The government-wide financial statements can be found on pages 3-4 of this report.

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. The School, like other governmental units or charter schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The funds of the School are categorized as governmental funds or proprietary funds.

Governmental Funds. 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 near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School's near-term financing requirements.

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. By doing so, readers may better understand the differences in reporting. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains one governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the general fund because it is considered to be a major fund.

The School adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

Proprietary Fund. The High Point Academy Building Corporation (the "Corporation"), considered a component unit of the charter school, is reported as business-type activities in the proprietary fund. It is presented with statements of net position, statement of revenues, expenses and changes in net position and cash flows.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This information is provided in pages 11-27.

Government-wide Financial Analysis

The School's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $15,024,188 at the close of the most recent fiscal year. The negative balance is due primarily to the adoption of GASB Statements No. 68 and No. 75, resulting in a net pension liability of $20,801,261 and a Net OPEB Liability of $475,013, representing the School's proportionate share of the PERA's net pension and OPEB liability.

High Point Academy's Net Position
Governmental and Business-Type Activities

	June 30, 2018	June 30, 2017
Cash and Investments	$ 2,097,515	$ 2,199,785
Restricted Cash and Investments	1,302,330	1,297,016
Receivables, Prepaids and Deposits	109,767	130,311
Capital Assets	8,481,685	8,767,713
Total Assets	11,991,297	12,394,825
Deferred Outflows of Resources		
Pensions, Net of Accumulated Amortization	6,051,336	7,486,720
OPEB, Net of Accumulated Amortization	19,011	Not reported
Current liabilities	744,290	781,747
Long-Term Debt	10,149,776	10,392,372
Net Pension Liability	20,801,261	19,206,277
Net OPEB Liability	475,013	Not Reported
Total Liabilities	32,170,340	30,380,396

Deferred Inflows of Resources		
Pensions, Net of Accumulated Amortization	906,288	158,785
OPEB, Net of Accumulated Amortization	9,204	Not Reported
Net Position		
Net Investment in Capital Assets	(1,918,091)	(1,864,659)
Restricted for:		
Debt Service	911,319	905,183
Building Repairs	204,265	201,487
Emergencies	185,000	183,000
Unrestricted	(14,406,681)	(10,082,647)
Total Net Position	$(15,024,188)	$(10,657,636)

A portion of the School's Governmental and Business-Type assets (28.4%) is in cash and investments and (70.7%) are net capital assets. As outlined in Notes 6 and 7 to the financial statements, the School participates in a Defined Benefit Pension Plan and has recorded a Net Pension Liability as of June 30, 2018 of $20,801,261 and also participates in a Defined Benefit Postemployment Benefit Plan with a Net OPEB Liability of $475,013. This and the operating loss in the enterprise fund resulted in a negative government-wide Net Position of $15,024,188.

High Point Academy's Change in Net Position
For the Years Ended June 30, 2018 and 2017
Governmental and Business-Type Activities

	June 30, 2018	June 30, 2017
Program Revenue:		
Charges for Services	$ 334,388	$ 323,674
Operating Grants and Contributions	497,419	463,734
Total Program Revenue	831,807	787,408
General Revenue:		
Per Pupil Revenue	5,212,721	5,241,172
Other	272,298	267,800
Total General Revenue	5,485,019	5,508,972
Total Revenue	6,316,826	6,296,380
Expenses:		
Current:		
Instruction	5,934,002	5,499,299
Supporting Services	3,424,627	2,999,145
Business-type activities	278,315	278,315
Interest on Long-term Debt	587,593	597,946
Total Expenses	10,224,537	9,374,705

Increase (Decrease) in Net Position	(3,907,711)	(3,078,325)
Beginning Net Position, June 30	$(11,116,477)	(7,579,311)
Ending Net Position, June 30	$(15,024,188)	$(10,657,636)

The largest portion of the School's revenues come from per pupil funding – 82.5% in FY2018 and 83.2% in FY2017. In FY2018 and FY2017, 13.2% and 12.5%, respectively, of revenues came from program revenues. The School's revenue increased by $20,446 and expenses increased by $849,832 in FY2018.

Financial Analysis of the Government's Funds

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

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

Overall revenue increased in FY2018 by $13,476. The PPR rate per student from the state increased 4.3%; however, due to decreased enrollment, total PPR revenue received decreased by $28,451. The reduction in PPR revenue was more than offset by increases in local and government grant revenue of $40,874.

Fiscal Year	PK – 8 Enrollment
2006 / 2007	186
2007 / 2008	327
2008 / 2009	395
2009 / 2010	458
2010 / 2011	543
2011 / 2012	751
2012 / 2013	814
2013 / 2014	818
2014 / 2015	760
2015 / 2016	751
2016 / 2017	766
2017 / 2018	751

Expenditures increased $157,317. Salary and benefit expenditures increased by 2.5% or $101,591.

As of the end of the current fiscal year, the School's governmental fund reported an ending fund balance of $2,104,003, a decrease of $76,179.

Proprietary Fund. The High Point Academy Building Corporation net position is a deficit balance of $1,026,057, a decrease of $39,583. The decrease is largely attributed to the recording of non-cash transactions such as building depreciation. The Corporation will continue to incur an operating deficit in future years due to the annual recording of non-cash depreciation. The Building Fund has $1,098,065 in restricted cash and investments required to be held for future debt service.

General Fund Budgetary Highlights

The School approves a budget in June based on enrollment projections for the following school year. In October after enrollment stabilizes, adjustments are made to the budget. The School typically includes all reserve funds in its annual appropriations (the approved budget) for emergencies, but manages operations to a budget excluding these funds. Actual expenditures in the general fund (excluding appropriated reserves) were under budget by $45,438.

Capital Asset and Debt Administration

Capital assets. Capital assets include the land and building owned by the Corporation reported as business type activities of $8,462,400 and other capital assets in the governmental activities of $19,285. Depreciation expense of $7,713 and $278,315 was reported in the governmental activities and business type activities, respectively.

Long-term debt. The School participates in a long-term lease agreement with the Corporation. The Corporation is required to make monthly principal and interest payments due under the loan agreement with CECFA, with interest accruing at rates ranging from 2.375% to 6.25%. The loan ends in March 2042.

Economic Factors and Next Year's Budget

The School continues to maintain a healthy fund balance for operations and future facility planning. The FY2019 budget projects the School will increase by $103K.

The funded pupil count in the adopted budget for the 2018-19 school year is constant at 700. The economic outlook for FY2019 is a stable increase of about $462 per funded FTE or 6.2% in PPR funding. Charter Capital Construction funding from the State is budgeted to remain at the same per student level as FY2018.

Requests for Information

This financial report is designed to provide a general overview of the School's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Chief Financial Officer, High Point Academy 6750 N. Dunkirk Street, Aurora, CO 80019.

Basic Financial Statements

High Point Academy

Statement of Net Position

June 30, 2018

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Investments	$ 2,097,515	$ -	$ 2,097,515
Restricted Cash and Investments	204,265	1,098,065	1,302,330
Accounts Receivable	60,241	-	60,241
Grants Receivable	21,894	-	21,894
Prepaid Expenses	26,532	-	26,532
Deposits	1,100	-	1,100
Capital Assets, *Not Being Depreciated*	-	1,535,000	1,535,000
Capital Assets, *Net of Accumulated Depreciation*	19,285	6,927,400	6,946,685
Total Assets	2,430,832	9,560,465	11,991,297
Deferred Outflows of Resources			
Pensions, *Net of Accumulated Amortization*	6,051,336	-	6,051,336
OPEB, *Net of Accumulated Amortization*	19,011	-	19,011
Total Deferred Outflows of Resources	6,070,347	-	6,070,347
Liabilities			
Accounts Payable	17,586	-	17,586
Accrued Liabilities	80,179	-	80,179
Accrued Salaries and Benefits	195,214	-	195,214
Unearned Revenues	14,565	-	14,565
Accrued Interest Payable	-	186,746	186,746
Noncurrent Liabilities			
Due Within One Year	-	250,000	250,000
Due in More Than One Year	-	10,149,776	10,149,776
Net Pension Liability	20,801,261	-	20,801,261
Net OPEB Liability	475,013	-	475,013
Total Liabilities	21,583,818	10,586,522	32,170,340
Deferred Inflows of Resources			
Pensions, *Net of Accumulated Amortization*	906,288	-	906,288
OPEB, *Net of Accumulated Amortization*	9,204	-	9,204
Total Deferred Inflows of Resources	915,492	-	915,492
Net Position			
Net Investment in Capital Assets	19,285	(1,937,376)	(1,918,091)
Restricted for:			
Debt Service	-	911,319	911,319
Repair and Replacement	204,265	-	204,265
Emergencies	185,000	-	185,000
Unrestricted	(14,406,681)	-	(14,406,681)
Total Net Position	$ (13,998,131)	$ (1,026,057)	$ (15,024,188)

See Notes to Financial Statements.

High Point Academy
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Change in Net Position: Governmental Activities	Net (Expense) Revenue and Change in Net Position: Business-Type Activities	Total
Primary Government						
Governmental Activities						
Instruction	$ 5,934,002	$ 200,573	$ 388,643	$ (5,344,786)	$ -	$ (5,344,786)
Supporting Services	3,424,627	133,815	108,776	(3,182,036)	-	(3,182,036)
Total Governmental Activities	9,358,629	334,388	497,419	(8,526,822)	-	(8,526,822)
Business-Type Activities						
Building Corporation	865,908	-	-	-	(865,908)	(865,908)
Total Primary Government	$ 10,224,537	$ 334,388	$ 497,419	(8,526,822)	(865,908)	(9,392,730)
General Revenues						
Per Pupil Revenue				5,212,721	-	5,212,721
Additional At-Risk Funding				4,013	-	4,013
Capital Construction				184,512	-	184,512
Contributions not Restricted to Specific Programs				19,155	-	19,155
Investment Income				32,257	16,190	48,447
Other				16,171	-	16,171
Transfers				(810,135)	810,135	-
Total General Revenues and Transfers				4,658,694	826,325	5,485,019
Change in Net Position				(3,868,128)	(39,583)	(3,907,711)
Net Position, *Beginning of year*				(10,130,003)	(986,474)	(11,116,477)
Net Position, *End of year*				$ (13,998,131)	$ (1,026,057)	$ (15,024,188)

See Notes to Financial Statements.

High Point Academy

Balance Sheet
Governmental Fund
June 30, 2018

	General
Assets	
Cash and Investments	$ 2,097,515
Restricted Cash and Investments	204,265
Accounts Receivable	60,241
Grants Receivable	21,894
Prepaid Expenditures	26,532
Deposits	1,100
Total Assets	$ 2,411,547
Liabilities and Fund Balance	
Liabilities	
Accounts Payable	$ 17,586
Accrued Liabilities	80,179
Accrued Salaries and Benefits	195,214
Unearned Revenues	14,565
Total Liabilities	307,544
Fund Balance	
Nonspendable:	
Prepaid Expenditures	26,532
Deposits	1,100
Restricted for:	
Repair and Replacement	204,265
Emergencies	185,000
Unrestricted, Unassigned	1,687,106
Total Fund Balance	2,104,003
Total Liabilities and Fund Balance	$ 2,411,547

See Notes to Financial Statements.

High Point Academy

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

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

Total Fund Balance of the Governmental Fund	$	2,104,003
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.		19,285
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		(20,801,261)
Pension-related deferred outflows of resources		6,051,336
Pension-related deferred inflows of resources		(906,288)
Net OPEB liability		(475,013)
OPEB-related deferred outflows of resources		19,011
OPEB-related deferred inflows of resources		(9,204)
Total Net Position of Governmental Activities	$	(13,998,131)

See Notes to Financial Statements.

High Point Academy

Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2018

		General
Revenues		
Local Sources	$	5,697,480
State Sources		381,311
Federal Sources		221,845
Total Revenues		6,300,636
Expenditures		
Instruction		3,269,870
Supporting Services		3,106,945
Total Expenditures		6,376,815
Net Change in Fund Balance		(76,179)
Fund Balance, *Beginning of year*		2,180,182
Fund Balance, *End of year*	$	2,104,003

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

Net Change in Fund Balance of the Governmental Fund	$	(76,179)
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.		(7,713)
Depreciation expense		
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:		
Net pension liability		(1,594,985)
Pension-related deferred outflows of resources		(1,435,383)
Pension-related deferred inflows of resources		(747,504)
Net OPEB liability		383
OPEB-related deferred outflows of resources		2,456
OPEB-related deferred inflows of resources		(9,203)
Change in Net Position of Governmental Activities	$	(3,868,128)

High Point Academy

Statement of Net Position
Proprietary Fund
June 30, 2018

	Building Corporation
Assets	
Current Assets	
Restricted Cash and Investments	$ 1,098,065
Noncurrent Assets	
Capital Assets, *Not Being Depreciated*	1,535,000
Capital Assets, *Net of Accumulated Depreciation*	6,927,400
Total Noncurrent Assets	8,462,400
Total Assets	9,560,465
Liabilities	
Current Liabilities	
Accrued Interest Payable	186,746
Loan Payable, *Current Portion*	250,000
Total Current Liabilities	436,746
Noncurrent Liabilities	
Loan Payable	10,149,776
Total Liabilities	10,586,522
Net Position	
Net Investment in Capital Assets	(1,937,376)
Restricted for Debt Service	911,319
Total Net Position	$ (1,026,057)

See Notes to Financial Statements.

High Point Academy

Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2018

	Building Corporation
Operating Revenues	
Lease Revenue	$ 810,135
Operating Expenses	
Depreciation	278,315
Debt Service	
Interest and Fiscal Charges	587,593
Total Operating Expenses	865,908
Net Operating Income (Loss)	(55,773)
Nonoperating Revenues	
Investment Income	16,190
Change in Net Position	(39,583)
Net Position, *Beginning of year*	(986,474)
Net Position, *End of year*	$ (1,026,057)

See Notes to Financial Statements.

High Point Academy

Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2018

	Building Corporation
Cash Flows From Operating Activities	
Lease Payments Received	$ 810,135
Loan Interest and Fees Paid	(583,789)
Loan Principal Paid	(240,000)
Net Cash Provided (Used) by Operating Activities	(13,654)
Cash Flows From Investing Activities	
Investment Income Received	16,190
Net Change in Cash and Cash Equivalents	2,536
Cash and Cash Equivalents, *Beginning of year*	1,095,529
Cash and Cash Equivalents, *End of year*	$ 1,098,065
Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Net Operating Income (Loss)	$ (55,773)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	278,315
Amortization of Discount	7,404
Changes in Assets and Liabilities	
Accrued Interest Payable	(3,600)
Loan Payable	(240,000)
Net Cash Provided (Used) in Operating Activities	$ (13,654)

High Point Academy
Notes to Financial Statements
June 30, 2018

Note 1: Summary of Significant Accounting Policies

Nature of Operations

High Point Academy (the School) was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school. On April 11, 2006, the School entered into a contract with the Colorado Charter School Institute (the Institute) to authorize the School for an initial term of five years. The current contract expires on June 30, 2021.

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 reporting principles. Following is a summary of the School's 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 there is a potential for the organization to provide benefits to, or impose financial burdens on, the School.

The School includes the High Point Academy Building Corp. (the Corporation) within its reporting entity. The Corporation is a non-profit entity organized to hold title to property and otherwise act to facilitate the operations of the School. The Corporation is blended into the School's financial statements as an enterprise fund, and does not issue separate financial statements.

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 separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

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

Note 1: Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements (Continued)

Separate financial statements are provided for the governmental and proprietary funds. Major individual 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 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.

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.

The School reports the following major funds:

General Fund - This fund is the general operating fund of the School. It is currently used to account for all financial activities of the School.

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

Note 1: Summary of Significant Accounting Policies (Continued)

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, which include land, buildings and equipment, 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. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the useful lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives.

Buildings and Improvements	5 - 35 years
Equipment	5 - 10 years

Accrued Salaries and Benefits - Salaries and retirement 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.

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

Compensated Absences - Employees are allowed to accumulate paid time off (PTO) up to 12 days. Upon termination of employment from the School, an employee will be compensated for all accrued PTO at a reimbursement rate specified in their offer letter. A liability for compensated absences is not reported in the financial statements because the amount is insignificant.

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. Debt premiums, discounts and accounting losses resulting from debt refundings are deferred and amortized over the life of the debt using the straight-line method. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as current expenses or expenditures.

Note 1: Summary of Significant Accounting Policies (Continued)

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

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 Governing Board 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.

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: Stewardship, Compliance and Accountability

Accountability

At June 30, 2018, the Corporation had a negative net position of $1,026,057. Management expects this negative balance to be eliminated as the Corporation's debt is paid.

Note 3: Deposits and Investments

A summary of cash and investments at June 30, 2018, follows:

Deposits	$ 163,116
Investments	3,236,729
Total	$ 3,399,845

Cash and investments are reported in the financial statements as follows:

Cash and Investments	$ 2,097,515
Restricted Cash and Investments	1,302,330
Total	$ 3,399,845

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all 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.

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 an original 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 certain investments to those with specified ratings from nationally recognized statistical rating organizations, depending on the type of investment.

Note 3: Deposits and Investments (Continued)

Investments (Continued)

Concentration of Credit Risk - State statutes do no limit the amount the School may invest in a single issuer of investment securities, except for corporate securities.

Local Government Investment Pools – At June 30, 2018, the School had $1,934,399 invested in the Colorado Surplus Asset Fund Trust (CSAFE). The School and the Corporation had $204,265 and $1,098,065, respectively, invested in the Colorado Local Government Liquid Asset Trust (Colotrust). The Trusts are investment vehicles established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating the Trusts. The Trusts operate in conformity with the Securities and Exchange Commission’s Rule 2a-7. The Trusts are reported at the net asset value per share, with each share valued at $1. The Trusts are rated AAAm by Standard and Poor’s. Investments of the Trusts are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services to the Trusts in connection with the direct investment and withdrawal functions. The custodian’s internal records identify the investments owned by the participating governments.

Restricted Cash and Investments

At June 30, 2018, the School and the Corporation held cash and investments of $204,265 and $1,098,065, respectively, restricted for building repair and replacement and future debt service.

Note 4: Capital Assets

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

	Balance 6/30/17	Additions	Deletions	Balance 6/30/18
Governmental Activities				
Capital Assets, *Being Depreciated*				
Equipment	$ 77,134	$ -	$ -	$ 77,134
Accumulated Depreciation	(50,136)	(7,713)	-	(57,849)
Governmental Activities Capital Assets, *Net*	$ 26,998	$ (7,713)	$ -	$ 19,285
Business-Type Activities				
Capital Assets, *Not Being Depreciated*				
Land	$ 1,535,000	$ -	$ -	$ 1,535,000
Capital Assets, *Being Depreciated*				
Buildings and Improvements	8,970,182	-	-	8,970,182
Accumulated Depreciation	(1,764,467)	(278,315)	-	(2,042,782)
Total Capital Assets, *Being Depreciated, Net*	7,205,715	(278,315)	-	6,927,400
Business-Type Activities Capital Assets, *Net*	$ 8,740,715	$ (278,315)	$ -	$ 8,462,400

Note 4: Capital Assets (Continued)

Depreciation expense of the governmental activities was charged to the supporting services program.

Note 5: Long-Term Debt

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

	Balance 6/30/17	Additions	Payments	Balance 6/30/18	Due Within One Year
Business-Type Activities					
Building Loan	$ 10,815,000	$ -	$ (240,000)	$ 10,575,000	$ 250,000
Discount	(182,628)	-	7,404	(175,224)	-
Total	$ 10,632,372	$ -	$ (232,596)	$ 10,399,776	$ 250,000

In February 2010, the Colorado Educational and Cultural Facilities Authority (CECFA) issued $11,930,000 Charter School Revenue Bonds, Series 2010. Bond proceeds were loaned to the Corporation to acquire land and construct and equip an educational facility. The School is obligated under a lease agreement to make monthly payments to the Corporation for using the facilities. The Corporation is required to make equal loan payments to the Trustee for payment of the bonds. Interest accrues at rates ranging from 2.375% to 6.25% per annum and is due semi-annually on March 1, and September 1. Principal payments are due annually on March 1, through 2042.

Future debt service requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	$ 250,000	$ 560,238	$ 810,238
2020	260,000	548,987	808,987
2021	275,000	537,288	812,288
2022	290,000	523,537	813,537
2023	305,000	509,038	814,038
2024 - 2028	1,765,000	2,301,187	4,066,187
2029 - 2034	2,265,000	1,810,718	4,075,718
2035 - 2039	2,930,000	1,163,781	4,093,781
2040 - 2042	2,235,000	289,214	2,524,214
Total	$ 10,575,000	$ 8,243,988	$ 18,818,988

Note 6: 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.

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.

Note 6: 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 7). The School's contributions to the SDTF for the year ended June 30, 2018, were $593,009, 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 $20,801,261, 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 0.0643276056%, which was a decrease of 0.0001795569% 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 $9,397,830.

For the year ended June 30, 2018, the School recognized pension expense of $4,326,320. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Note 6: Defined Benefit Pension Plan (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 382,447	$ -
Changes of assumptions and other inputs	5,311,334	33,705
Net difference between projected and actual earnings on plan investments	-	816,885
Changes in proportion	45,476	55,698
Contributions subsequent to the measurement date	312,079	-
Total	$ 6,051,336	$ 906,288

School contributions subsequent to the measurement date of $312,079 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:

Year Ended June 30,	
2019	$ 3,271,807
2020	1,857,835
2021	10,641
2022	(307,314)
Total	$ 4,832,969

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 (1)	5.26%
Future post-employment benefit increases:	
Hired prior to 1/1/2007	2.0%
Hired after 12/31/2006	ad hoc

(1) The discount rate reflected in the roll-forward calculation of the total pension liability to the measurement date was 4.78%.

Note 6: Defined Benefit Pension Plan (Continued)

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

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.

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:

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%	

Note 6: Defined Benefit Pension Plan (Continued)

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

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%.

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:

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate share of the net pension liability	$ 26,275,531	$ 20,801,261	$ 16,340,357

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.

Note 7: 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.

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.

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 6) 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 $30,397, 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 $475,013, 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 0.0365506937%, which was a decrease of 0.0001159631% from its proportion measured at December 31, 2016.

Note 7: Postemployment Healthcare Benefits (Continued)

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

For the year ended June 30, 2018, the School recognized OPEB expense of $36,841. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 2,247	$ -
Net difference between projected and actual earnings on plan investments	-	7,947
Changes in proportion	-	1,257
Contributions subsequent to the measurement date	16,764	-
Total	$ 19,011	$ 9,204

School contributions subsequent to the measurement date of $16,764 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:

Year Ended June 30,	
2019	$ (1,792)
2020	(1,792)
2021	(1,792)
2022	(1,792)
2023	194
2024	17
Total	$ (6,957)

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.

Note 7: 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.

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 6.

Note 7: Postemployment Healthcare Benefits (Continued)

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

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:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	$ 534,064	$ 475,013	$ 424,611

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:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Proportionate share of the net OPEB liability	$ 461,943	$ 475,013	$ 490,754

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.

Note 8: 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 management 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 interpretation, but the School believes it is in substantial compliance with the requirements of the Amendment. In accordance with the Amendment, the School has established a reserve for emergencies, representing 3% of qualifying expenditures. At June 30, 2018, the emergency reserve was reported as restricted fund balance in the General Fund, in the amount of $185,000.

Note 9: 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.

	Governmental Activities
Net Position, June 30, 2017, *as Originally Stated*	$ (9,671,162)
Deferred Outflows of Resources	16,555
Net OPEB Liability	(475,396)
Net Position, June 30, 2017, *as Restated*	$ (10,130,003)

Required Supplementary Information

High Point Academy

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

	12/31/17	12/31/16	12/31/15	12/31/14	12/31/13
Proportionate Share of the Net Pension Liability					
School's Proportion of the Net Pension Liability	0.0643276056%	0.0645071625%	0.0638052752%	0.0645570347%	0.0656776196%
School's Proportionate Share of the Net Pension Liability	$ 20,801,261	$ 19,206,277	$ 9,758,566	$ 8,749,647	$ 8,377,163
School's Covered Payroll	$ 2,967,356	$ 2,895,198	$ 2,780,620	$ 2,704,490	$ 2,647,676
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	701%	663%	351%	324%	316%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	44%	43%	59%	63%	64%

	6/30/18	6/30/17	6/30/16	6/30/15	6/30/14
School Contributions					
Statutorily Required Contribution	$ 562,612	$ 539,952	$ 503,870	$ 465,113	$ 421,797
Contributions in Relation to the Statutorily Required Contribution	(562,612)	(539,952)	(503,870)	(465,113)	(421,797)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
School's Covered Payroll	$ 2,980,099	$ 2,937,459	$ 2,841,217	$ 2,755,547	$ 2,639,276
Contributions as a Percentage of Covered Payroll	18.88%	18.38%	17.73%	16.88%	15.98%

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.

High Point Academy

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

	12/31/17
Proportionate Share of the Net OPEB Liability	
School's Proportion of the Net OPEB Liability	0.0365506937%
School's Proportionate Share of the Net OPEB Liability	$ 475,013
School's Covered-Employee Payroll	$ 3,230,878
School's Proportionate Share of the Net OPEB Liability as a Percentage of Covered-Employee Payroll	15%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	18%

	6/30/18
School Contributions	
Statutorily Required Contribution	$ 30,397
Contributions in Relation to the Statutorily Required Contribution	(30,397)
Contribution Deficiency (Excess)	$ -
School's Covered-Employee Payroll	$ 3,247,055
Contributions as a Percentage of Covered-Employee Payroll	0.94%

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.

High Point Academy
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance *Positive (Negative)*
Revenues				
Local Sources				
Per Pupil Revenue	$ 5,352,812	$ 5,166,990	$ 5,212,721	$ 45,731
Tuition	97,560	169,187	163,647	(5,540)
Student Fees and Activities	41,111	41,726	36,926	(4,800)
After School Program Fees	161,400	161,400	128,983	(32,417)
Grants and Contributions	295,787	92,683	101,943	9,260
Rental Income	500	500	4,832	4,332
Investment Income	11,000	25,900	32,257	6,357
Other	24,860	24,860	16,171	(8,689)
Total Local Sources	5,985,030	5,683,246	5,697,480	14,234
State Sources				
Additional At-Risk Funding	15,000	15,000	4,013	(10,987)
Capital Construction	186,176	179,777	184,512	4,735
Grants	131,203	193,063	192,786	(277)
Total State Sources	332,379	387,840	381,311	(6,529)
Federal Sources				
Grants	189,762	220,231	221,845	1,614
Total Revenues	6,507,171	6,291,317	6,300,636	9,319
Expenditures				
Salaries	3,201,637	3,181,342	3,172,264	9,078
Employee Benefits	1,012,547	987,079	1,023,030	(35,951)
Purchased Services	1,829,505	1,899,648	1,850,850	48,798
Supplies	289,248	281,476	268,098	13,378
Property	560,790	66,208	55,954	10,254
Other	8,448	6,500	6,619	(119)
Reserves	1,662,658	2,049,248	-	2,049,248
Total Expenditures	8,564,833	8,471,501	6,376,815	2,094,686
Net Change in Fund Balance	(2,057,662)	(2,180,184)	(76,179)	2,104,005
Fund Balance, *Beginning of year*	2,057,662	2,180,184	2,180,182	(2)
Fund Balance, *End of year*	$ -	$ -	$ 2,104,003	$ 2,104,003

See accompanying Independent Auditors' Report.

High Point Academy
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 (PERA) 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

Budgetary Information

Budgets are required by State statutes for all funds and are adopted on a basis consistent with generally accepted accounting principles.

The School adheres to the following procedures to establish the budgetary information reflected in the financial statements.

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