LITTLETON ACADEMY

FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

LITTLETON ACADEMY
ROSTER OF ACADEMY OFFICIALS
YEAR ENDED JUNE 30, 2018

GOVERNING BOARD

Chris Sabell, President

Angela Bissett, Vice President

Wendi Jensen, Vice President (2)

Doug Eisenbrandt, Treasurer

Scott Gunshore, Secretary

Drew Testerman

Dee Anderson

ADMINISTRATION

Shelly Russell, Principal

Jama Rice, Business Manager

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INDEPENDENT AUDITORS' REPORT

Governing Board
Littleton Academy
Littleton, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Littleton Academy, a component unit of Arapahoe County School District Number Six, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Governing Board
Littleton Academy

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Littleton Academy as of June 30, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

During the year ended June 30, 2018, Littleton Academy adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result of the implementation of GASB Statement No. 75, Littleton Academy reported a restatement for the change in accounting principle. See Notes 8 and 12 for further information. Our opinions were not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, required pension information, and required OPEB information, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 12, 2018, on our consideration of Littleton Academy's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Littleton Academy's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Littleton Academy's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenwood Village, Colorado
October 12, 2018

As management of Littleton 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.

Financial Highlights

At the close of the fiscal year, the School's governmental funds are reported a combined ending fund balance of $2,618,691.

The School's liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources (net position) at the close of the most recent fiscal year by $5,257,651. Seventy three percent (73%) of the School's liabilities is the net pension liability ($12,392,738) reported as required by the Governmental Accounting Standards Board (GASB) Statement No. 68.

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. This report also contains other required supplementary information in addition to the basic financial statements themselves.

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. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Academy is improving or deteriorating.

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 occurs that gives rise to the change, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows during future fiscal periods (e.g., earned but unpaid salaries and benefits).

The government-wide statement of activities distinguishes functions/programs of the School supported primarily by per pupil revenue (PPR) or property taxes passed through from Littleton Public Schools (the District). The governmental activities of the School include instruction and supporting services expenses.

The government-wide financial statements can be found on pages 8 and 9 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. All of the funds of the School are included as one category: governmental 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 long-term impact of the School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains two individual governmental funds, the General Fund and Special Revenue Fund. They are presented separately in the fund financial statements as they are classified as major funds.

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.

The Littleton Academy Building Foundation (the Foundation) is a nonprofit finance organization whose sole purpose is to acquire and lease facilities to the School for governmental use. The Foundation provides services entirely to the School. Due to this relationship, the Foundation is reported as if it were part of, or blended with the School's operations as a Special Revenue Fund.

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 13 through 39.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. In the case of the School, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $5,257,651 at the close of the most recent fiscal year.

Condensed Statement of Net Position

	June 30, 2018	June 30, 2017*
ASSETS		
Current and Other Assets	$ 2,804,877	$ 2,488,027
Capital Assets	5,595,391	5,684,140
Total Assets	8,400,268	8,172,167
DEFERRED OUTFLOW OF RESOURCES		
Deferred Loss on Refunding	307,006	330,774
Related to OPEB	11,404	-
Related to Pension	3,580,968	4,458,889
Total Deferred Outflow of Resources	3,899,378	4,789,663
LIABILITIES		
Current Liabilities	419,679	399,768
Noncurrent Liabilities	16,549,309	15,617,482
Total Liabilities	16,968,988	16,017,250
DEFERRED INFLOW OF RESOURCES		
Related to OPEB	7,191	-
Related to Pension	581,118	108,794
Total Deferred Inflow of Resources	588,309	108,794
NET POSITION		
Net Investment in Capital Assets	2,209,138	2,173,748
Restricted	311,216	302,475
Unrestricted	(7,778,005)	(5,640,437)
Total Net Position	$ (5,257,651)	$ (3,164,214)

* The School was unable to reflect the other post-employment benefit liability back to the beginning of fiscal year 2017 based on that information not being available.

Seventy three percent (73%) of the School's liabilities is the net pension liability ($12,392,738) reported as required by the Governmental Accounting Standards Board (GASB) Statement No. 68. Additional information on the pension liability can be found in Note 7 to the School's financial statements.

Condensed Statement of Activities

	Years Ended June 30, 2018	Years Ended June 30, 2017*
Program Revenue:		
Charges for Services	$ 239,882	$ 204,952
Operating Grants and Contributions	48,975	49,794
Capital Grants and Contributions	117,156	123,058
Total Program Revenue	406,013	377,804
General Revenue:		
Per Pupil Revenue	3,273,239	3,166,750
District Mill Levy	361,440	361,440
Investment Income	40,445	22,106
Other	55,348	57,028
Total General Revenue	3,730,472	3,607,324
Total Revenue	4,136,485	3,985,128
Expenses:		
Current:		
Instructional	4,445,961	4,180,322
Supporting Services	1,301,183	1,241,940
Interest on Long-Term Debt	204,932	211,021
Total Expenses	5,952,076	5,633,283
Change in Net Position	(1,815,591)	(1,648,155)
Net Position - Beginning of Year (as Restated)	(3,442,060)	(1,516,059)
Net Position - End of Year	$ (5,257,651)	$ (3,164,214)

* The School was unable to reflect the other post-employment benefit liability back to the beginning of fiscal year 2017 based on that information not being available.

The School had an increase of $265,639 in instructional expenses from fiscal year 2017 to 2018 primarily due to an increase in salary expenditures of approximately 8% and in increase in pension expense of approximately $244,000. Supporting services had an increase of $59,243 which was primarily a result of an increase in pension expense from fiscal year 2017 to 2018 of approximately $21,000.

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

Total revenues during fiscal year 2018 were $4,136,485 with $3,273,239 (79%) related to Per Pupil Revenue (PPR). During the current year of operations, the School reported a student count of 466. District mill levy was received through the District as a component of local revenue. Intergovernmental revenue represents money received from the State to assist with the School's capital needs. Other revenue includes fees paid by individual students for fieldtrips and instructional supplies. Contribution revenue represents monies given to the School from other sources, the majority of which were received from the Littleton Academy School's Association (LASA), the parent fundraising organization for the School. Investment earnings improved over the previous year.

General Fund Budgetary Highlights

The School approves a budget no later than June, based on enrollment projections for the following school year, and submits it to the District for approval. Actual revenues were greater than budgeted revenues by $73,883. Actual expenditures, including transfers out, were less than budgeted expenditures by $223,813.

Capital Asset and Debt Administration

Capital assets: At June 30, 2018, the School's capital assets, net of accumulated depreciation are $5,595,391, which represents a decrease of $88,749 compared to June 30, 2017. The decrease was a result of current year additions of $102,193 offset by depreciation expense of $189,034.

Long-term debt: At June 30, 2018, the School's long-term debt is $16,702,217. $4,026,481 of this debt represents a building loan, net of loan discount. The balance decreased $147,908 from June 30, 2017 due to scheduled principal payments offset by amortization of the loan discount. $12,392,738 represents the net pension liability and $282,998 represents the net OPEB liability. Additional information on the net pension liability and net OPEB liability can be found in Note 7 and 8 to the School's financial statements.

Additional information on capital assets and long-term debt can be found in Notes 3 and 5, respectively, to the School's financial statements.

Economic Factors and Next Year's Budget:

During 2018, Littleton Academy implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* This implementation resulted in a net OPEB liability of $282,998 reported as of June 30, 2018 on the Statement of Net Position. See Note 8 for additional information.

The primary aspect driving the budget for the School is the future of the Colorado state budget and related Per Pupil Revenue for K-12 education. The School has been conservative when preparing its three-year budget. The School continues to monitor the state legislature and economic news, and is confident in its preparation for ongoing funding challenges in the years to come.

Requests for Information

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

Littleton Academy Charter School
1200 West Mineral Avenue
Littleton, CO 80120

LITTLETON ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
ASSETS	
Cash and Investments	$ 2,202,252
Restricted Cash and Investments	602,625
Capital Assets, Not Depreciated	1,019,806
Capital Assets, Depreciated, Net of Accumulated Depreciation	4,575,585
Total Assets	8,400,268
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Loss on Refunding	307,006
Related to OPEB	11,404
Related to Pension	3,580,968
Total Deferred Outflows of Resources	3,899,378
LIABILITIES	
Accounts and Contracts Payable	9,938
Accrued Salaries and Benefits	167,795
Unearned Revenue	8,453
Accrued Interest	80,585
Noncurrent Liabilities:	
Due Within One Year	152,908
Due in More Than One Year	3,873,573
Net OPEB Liability	282,998
Net Pension Liability	12,392,738
Total Liabilities	16,968,988
DEFERRED INFLOWS OF RESOURCES	
Related to OPEB	7,191
Related to Pension	581,118
	588,309
NET POSITION	
Net Investment in Capital Assets	2,209,138
Restricted:	
Emergencies	122,400
Debt Service	88,816
Repair and Replacement	100,000
Unrestricted	(7,778,005)
Total Net Position	$ (5,257,651)

See accompanying Notes to Financial Statements.

LITTLETON ACADEMY
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities					
Instructional	$ 4,445,961	$ -	$ 48,975	$ -	$ (4,396,986)
Supporting Services	1,301,183	239,882	-	117,156	(944,145)
Interest on Long-Term Debt	204,932	-	-	-	(204,932)
Total Government Activities	$ 5,952,076	$ 239,882	$ 48,975	$ 117,156	(5,546,063)
		General Revenues:			
		Per Pupil Revenue			3,273,239
		District Mill Levy			361,440
		Investment Income			40,445
		Other			55,348
		Total General Revenues			3,730,472
		CHANGE IN NET POSITION			(1,815,591)
		Net Position - Beginning of Year (as Restated)			(3,442,060)
		NET POSITION - END OF YEAR			$ (5,257,651)

See accompanying Notes to Financial Statements.

LITTLETON ACADEMY
BALANCE SHEET — GOVERNMENTAL FUNDS
JUNE 30, 2018

	General	Special Revenue	Total Governmental Funds
ASSETS			
Cash and Investments	$ 2,202,252	$ -	$ 2,202,252
Restricted Cash and Investments	-	602,625	602,625
Total Assets	$ 2,202,252	$ 602,625	$ 2,804,877
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts and Contracts Payable	$ 9,938	$ -	$ 9,938
Accrued Salaries and Benefits	167,795	-	167,795
Unearned Revenue	8,453	-	8,453
Total Liabilities	186,186	-	186,186
FUND BALANCES			
Restricted:			
Emergencies	122,400	-	122,400
Debt Service	-	502,625	502,625
Repair and Replacement	-	100,000	100,000
Assigned:			
Working Capital	174,669	-	174,669
Capital Projects	360,000	-	360,000
Unassigned	1,358,997	-	1,358,997
Total Fund Balances	2,016,066	602,625	2,618,691
Total Liabilities and Fund Balances	$ 2,202,252	$ 602,625	$ 2,804,877

Amounts reported to governmental activities in the statement of net position are different because:

Total Fund Balances of Governmental Funds	$ 2,618,691
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	5,595,391
Long-term liabilities, including loans payable, are not due and payable in the current period, and therefore, are not reported in the governmental funds.	
Building Loan Payable	(4,065,000)
Discount on Building Loan	38,519
Deferred Loss on Refunding	307,006
Accrued Interest Payable	(80,585)
Net OPEB Liability	(282,998)
Net Pension Liability	(12,392,738)
Deferred pension outflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	
Related to OPEB	11,404
Related to Pension	3,580,968
Deferred pension inflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	
Related to OPEB	(7,191)
Related to Pension	(581,118)
Net Position of Governmental Activities	$ (5,257,651)

See accompanying Notes to Financial Statements.

LITTLETON ACADEMY
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES — GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

	General	Special Revenue	Total Governmental Funds
REVENUES			
Per Pupil Revenue	$ 3,273,239	$ -	$ 3,273,239
District Mill Levy	361,440	-	361,440
Charges for Services	239,882	-	239,882
Contributions	48,975	-	48,975
Intergovernmental Revenue	117,156	-	117,156
Other Revenue	55,348	-	55,348
Investment Income	31,896	8,549	40,445
Total Revenues	4,127,936	8,549	4,136,485
EXPENDITURES			
Current:			
Instruction	2,455,299	-	2,455,299
Supporting Services	1,019,294	6,473	1,025,767
Capital Outlay	24,408	-	24,408
Debt Service:			
Principal	-	150,000	150,000
Interest	-	181,823	181,823
Total Expenditures	3,499,001	338,296	3,837,297
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	628,935	(329,747)	299,188
OTHER FINANCING SOURCES (USES)			
Transfers In	-	331,239	331,239
Transfers Out	(331,239)	-	(331,239)
Total Other Financing Sources (Uses)	(331,239)	331,239	-
NET CHANGE IN FUND BALANCES	297,696	1,492	299,188
Fund Balances - Beginning of Year	1,718,370	601,133	2,319,503
FUND BALANCES - END OF YEAR	$ 2,016,066	$ 602,625	$ 2,618,691

See accompanying Notes to Financial Statements.

LITTLETON ACADEMY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

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

Net Change in Fund Balances of Governmental Funds	$ 299,188
Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and are allocated over their estimated useful lives as annual depreciation expense in the statement of activities:	
Capital Outlay	24,408
Contributed Capital Assets	77,785
Depreciation Expense	(189,034)
Loss on Disposal of Capital Assets	(1,908)
The issuance of long-term debt provides current financial resources to funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.	
Principal Payments	150,000
Governmental funds report the effect of premiums, discounts, and deferred losses on refunding when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:	
Amortization of Discount	(2,092)
Amortization of Deferred Loss on Refunding	(23,768)
Interest payable on debt is not recorded on the fund statements because it is not a current use of cash. Interest is accrued on the government-wide statements since the liability is to be paid in the near term.	2,751
Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. The (increases) decreases in these activities consist of:	
OPEB Expense	(939)
Pension Expense	(2,151,982)
Change in Net Position of Governmental Activities	$ (1,815,591)

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Littleton Academy (the School) was organized pursuant to the Colorado Charter Schools Act, to form and operate a charter school within the Arapahoe County School District Number Six (the District). The School began operations in the fall of 1996.

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 more significant policies.

Financial Reporting Entity

The Governmental Accounting Standards Board (GASB) has specified the criteria to be used in defining a governmental entity for financial reporting purposes:

> The basic, but not the only, criterion for including a governmental department, agency, institution, commission, public authority or other governmental organization in a governmental unit's reporting entity for general purpose financial reports is the exercise of financial accountability over such agencies by the governmental unit's elected officials. Financial accountability is derived from the governmental unit's power and includes, but is not limited to, financial interdependency, selection of governing authority, designation of management, ability to significantly influence operations and accountability for fiscal matters. Financial accountability implies that a governmental unit is dependent on another and the dependent unit should be reported as part of the other.

The School's charter was granted by the District and the majority of the School's funding is provided by the District. The School has been determined to be a component unit of the District.

Blended Component Unit

The Littleton Academy Building Foundation (the Foundation) is a nonprofit finance organization whose sole purpose is to acquire and lease facilities to the School for governmental use. The Foundation provides services entirely to the School. Due to the above relationships, the Foundation is reported as if it were part of or blended with the School's operations as a special revenue fund. No separate financial statements for the Foundation have been issued.

Government-Wide and Fund Financial Statements

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

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 is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Other items not properly included as program revenues are reported instead as general revenues.

Fund Financial Statements

The accounts of the School are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The major funds presented in the accompanying basic financial statements are as follows:

Major Governmental Funds

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

Special Revenue Fund – This fund is used to account for the activity of the Foundation.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, operating statements present increases and decreases in net current assets and fund balance as a measure of available spendable resources. This means that only current liabilities are generally included on their balance sheets.

All governmental funds use the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. “Measureable” means the amount of the transaction can be determined and “available” means collectible within the current period, or soon thereafter, to pay liabilities of the current period. Revenues are considered to be available if collected within 30 days after year-end; 90 days for state and federal grants. Grants and entitlement revenues are recognized when compliance with matching requirements is met.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

A receivable is established when the related expenditures exceed revenue receipts and an unearned revenue or deferred inflow account is established when receipts exceed the related expenditures.

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

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

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position

Investments – Investments are reported at net asset value.

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

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net position in the government-wide financial statements.

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

Land Improvements	20 Years
Buildings and Improvements	20-50 Years
Equipment	5-20 Years

Deferred Outflows of Resources – Littleton Academy's governmental activities report a separate section for deferred outflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period. Littleton Academy has deferred outflows of resources related to: 1) deferred loss on refunding; 2) GASB No. 68 pension related items; and 3) GASB No. 75 OPEB related items.

Long-Term Debt – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method and issuance costs are expensed. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

Net Pension Liability – The School's governmental activities report a net pension liability as of June 30, 2018. The School is required to report their proportionate share of PERA's unfunded Liability. See Note 7 for additional information.

Deferred Inflows of Resources – The School's governmental activities report a separate section for deferred inflows of resources. This separate financial statement element reflects a decrease in net position that applies to a future period. The School reports deferred inflows of resources due to GASB No. 68 pension related items and GASB No. 75 OPEB related items. See Notes 7 and 8 for additional information.

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

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

- <u>Nonspendable</u> – This classification includes amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact.

  The School did not have any nonspendable resources as of June 30, 2018.

- <u>Restricted</u> – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The School has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies. Restricted balances relate to Emergency Reserves in the General Fund and required debt restrictions in the Special Revenue Fund.

- <u>Committed</u> – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Governing Board.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

  The School did not have any committed resources as of June 30, 2018.

- Assigned – This classification includes amounts that are subject to a purpose constraint that represents an intended use, but does not meet the criteria to be classified as restricted or committed. The purpose of this assignment must be narrower than the purpose of the General Fund. The School had $534,669 assigned resources as of June 30, 2018.

- Unassigned – This classification includes the residual fund balance for the General Fund.

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

Current Year GASB Statement Implementation

For the year ended June 30, 2018, the School adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* (GASB No. 75), which is effective for fiscal years beginning after June 15, 2017. GASB No. 75 establishes new financial reporting requirements for most governments that provide their employees with OPEB benefits. GASB No. 75 requires cost-sharing employers participating in the PERA (Healthcare Trust Fund) program, to record their proportionate share of PERA's unfunded OPEB liability.

For the School, the effect of implementing this standard was to change how it accounts and reports the net OPEB liability. As described above, this statement required that the School record its proportionate share of PERA's unfunded OPEB liability. See Note 8 and 12 to the financial statements for the effect of the implementation related to the School for the year ended June 30, 2018.

The following is a summary of cash and investments at June 30, 2018 as follows:

Cash Held by the District	$ 2,202,252
Investment	602,625
Total	$ 2,804,877

NOTE 2 CASH AND INVESTMENTS

Cash and investments are reported in the financial statements at June 30, 2018 as follows:

Cash and Investments	$ 2,202,252
Restricted Cash and Investments	602,625
Total	$ 2,804,877

Deposits

The School's deposits are governed by Colorado statute. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all uninsured public deposits as a group is to be maintained by another institution or held in trust. The fair value of the collateral must be at least equal to the aggregate uninsured deposits.

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

At June 30, 2018, the School's cash held by the District includes equity in pooled cash maintained by the District, all of which was covered by federal depository insurance or collateralized under PDPA.

Investments

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

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

Investments at June 30, 2018 consist of the following:

	Maturity	Fair Value
COLOTRUST (Government Investment Pool)	Less Than One Year	$ 602,625

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk is the extent to which changes in interest rates will adversely affect the fair value of an investment. The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. State statutes generally limit the maturity of investment securities to five years from the date of purchase, unless the governing board authorizes the investment for a period in excess of five years.

Credit Risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law limits investments for school districts to U.S. Treasury issues, other federally backed notes and credits, and other agency offerings without limitation. Other investment instruments including bank obligation, general obligation bonds, and commercial paper are limited to at least one of the highest rating categories of at least one nationally recognized rating agency. State law further limits investments in money market funds that are organized according to the Federal Investment Company Act of 1940, as specified in rule 2a-7, as amended, as long as such rule does not increase remaining maturities beyond a maximum of three years. Investments in these funds require that the institutions have assets in excess of $1 billion or the highest credit rating from one or more of a nationally recognized rating agency.

Concentration of Credit Risk – state statutes do not generally limit the amount the School may invest in one issuer.

ColoTrust – The School invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to $1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust’s portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust’s investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian’s internal records segregate investments owned by the Trust. COLOTRUST is rated AAAm by Standard & Poor’s. The Trust records its investments at fair value and the School records its investment in the Trust using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

Restricted Cash and Investments

Cash and investments of $602,625 have been restricted by the Foundation for debt service and building repairs.

NOTE 3 CAPITAL ASSETS

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

	Balance June 30, 2017	Additions	Disposals	Balance June 30, 2018
Governmental Activities				
Capital Assets, Not Depreciated:				
Land	$ 1,019,806	$ -	$ -	$ 1,019,806
Construction in Process	134,871	77,785	(212,656)	-
Total Capital Assets, Not Depreciated	1,154,677	77,785	(212,656)	1,019,806
Capital Assets, Being Depreciated:				
Land Improvements	286,101	-	-	286,101
Building and Improvements	5,911,846	212,656	-	6,124,502
Equipment	27,874	24,408	(19,180)	33,102
Total Capital Assets, Being Depreciated	6,225,821	237,064	(19,180)	6,443,705
Accumulated Depreciation:				
Land Improvements	(143,204)	(14,305)	-	(157,509)
Building and Improvements	(1,532,549)	(172,278)	-	(1,704,827)
Equipment	(20,605)	(2,451)	17,272	(5,784)
Total Accumulated Depreciation	(1,696,358)	(189,034)	17,272	(1,868,120)
Total Capital Assets, Being Depreciated, Net	4,529,463	48,030	(1,908)	4,575,585
Total Capital Assets	$ 5,684,140	$ 125,815	$ (214,564)	$ 5,595,391

Depreciation expense of $189,034 was charged to instruction ($160,679) and to supporting services ($28,355) for the year ended June 30, 2018.

NOTE 4 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 nine months. The salaries and benefits earned, but unpaid, as of June 30, 2018 were $167,795 in the General Fund.

NOTE 5 LONG-TERM DEBT

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

	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018	Current	Long-Term
Building Loan	$ 4,215,000	$ -	$ (150,000)	$ 4,065,000	$ 155,000	$ 3,910,000
Less: Building Loan Discount	(40,611)	-	2,092	(38,519)	(2,092)	(36,427)
Total	$ 4,174,389	$ -	$ (147,908)	$ 4,026,481	$ 152,908	$ 3,873,573

NOTE 5 LONG-TERM DEBT (CONTINUED)

On December 19, 2006, the Colorado Educational and Cultural Facilities Authority (CECFA) issued $5,235,000 Charter School Revenue Refunding Bonds, Series 2006, to refund CECFA's outstanding Series 2001 Bonds. Proceeds of the Series 2001 Bonds were used by the Foundation to acquire and remodel the School's building. The School is obligated under a lease agreement to make monthly lease payments to the Foundation for using the building. The Foundation is required to make semi-annual loan payments to the Trustee for payment of the bonds. Bond interest payments are due semi-annually on January 15 and July 15, with interest accruing at rates ranging from 3.75% to 4.38%. Principal payments are due annually on January 15, through 2036.

Annual debt service requirements to maturity for the long-term debt transactions are as follows:

Year Ending June 30	Principal	Interest	Total
2019	$ 155,000	$ 175,823	$ 330,823
2020	160,000	169,623	329,623
2021	170,000	163,223	333,223
2022	175,000	155,913	330,913
2023	180,000	148,388	328,388
2024-2028	1,035,000	617,721	1,652,721
2029-2033	1,280,000	371,872	1,651,872
2034-2036	910,000	80,719	990,719
Total	$ 4,065,000	$ 1,883,282	$ 5,948,282

NOTE 6 INTERFUND TRANSFERS

During the year ended June 30, 2018, the General Fund transferred $331,239 to the Special Revenue Fund for facility use charges, which are eliminated in the statement of activities.

NOTE 7 DEFINED BENEFIT PENSION PLAN

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

During the 2018 legislative session, he Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications to the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary To Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years.*

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Governmental accounting standards require the net pension liability and related amounts of the SCHDTF for financial reporting purposes be measured using the plan provisions in effect as of the SCHDTF's measurement date of December 31, 2017. As such, the following disclosures do not include the changes to plan provisions required by SB 18-200 with the exception of the section titled Changes between the measurement date of the net pension liability and June 30, 2018.

General Information about the Pension Plan

Plan Description

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

Benefits Provided

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

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

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

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

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

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

Contributions

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

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

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF for the School for the year ended June 30, 2018 were $352,964.

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

At June 30, 2018, the School reported a liability of $12,392,738 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017. The School's proportion of the net pension liability was based on the School's contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2017, the School's proportion was 0.038368%, which was a decrease of 0.000562% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the School recognized pension expense of $2,175,406. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Outflows of Resources	Inflows of Resources
Difference Between Expected and Actual Experience	$ 227,850	$ -
Changes of Assumptions or Other Inputs	3,164,326	20,080
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	486,675
Changes in Proportion and Differences Between Contributions Recognized and Proportionate Share of Contributions	-	74,363
Contributions Subsequent to the Measurement Date	188,792	-
Total	$ 3,580,968	$ 581,118

$188,792 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending June 30,	Amount
2019	$ 1,910,638
2020	1,082,069
2021	1,440
2022	(183,089)
Total	$ 2,811,058

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions

The December 31, 2016 actuarial valuation used the following actuarial cost method, actuarial assumptions, and other inputs:

	Entry Age
Actuarial Cost Method	2.40%
Price Inflation	1.10%
Real Wage Growth	3.50%
Wage Inflation	3.50 - 9.70%
Salary Increases, Including Wage Inflation	
Long-Term Investment Rate of Return, Net of Pension Plan Investment Expenses, Including Price Inflation	7.25%
Discount rate[1]	5.26%
Future Post Retirement Benefit Increases:	
PERA Benefit Structure Hired Prior to January 1, 2007; and DPS Benefit Structure (Automatic)	2.00%
PERA Benefit Structure hired after December 31, 2006 (Ad Hoc, Substantively Automatic)	Financed by the Annual Increase Reserve

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

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

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

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

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

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

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

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

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

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

Discount Rate

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

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

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

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

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

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

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

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate Share of the Net Pension Liability	$ 15,654,135	$ 12,392,738	$ 9,735,071

Pension Plan Fiduciary Net Position

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

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

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

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

- Increases employer contribution rates by 0.25% on July 1, 2019.
- Increases employee contribution rates by a total of 2% (to be phased in over a period of 3 years starting on July 1, 2019).
- Directs the state to allocate $225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution will be allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the other divisions eligible for the direct distribution.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.
- Member contributions, employer contributions, the direct distribution from the state, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

At June 30, 2018, the School reported a liability of $12,392,738 for its proportionate share of the net pension liability, which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 4.78%. For comparative purposes, the following schedule presents an estimate of what the School's proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SCHDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SCHDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	$ 5,598,931

Recognizing that the changes in contribution and benefit provisions also affect the determination of the discount rate used to calculate the collective net pension liability, approximately $5,785,007 of the estimated reduction is attributable to the use of a 7.25% discount rate.

NOTE 8 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

Summary of Significant Accounting Policies

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

General Information about the OPEB Plan

Plan Description

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

Benefits Provided

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

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

NOTE 8 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

PERA Benefit Structure

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

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

Contributions

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the School were $19,064 for the year ended June 30, 2018.

NOTE 8 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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 liability of $282,998 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017. The School's proportion of the net OPEB liability was based on the School's contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF. At December 31, 2017, the School's proportion was 0.021800%, which was a decrease of 0.000286% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the School recognized OPEB expense of $1,951. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 1,338	$ -
Changes of Assumptions or Other Inputs	-	-
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	-	4,734
Changes in Proportion and Differences Between Contributions Recognized and Proportionate Share of Contributions	-	2,457
Contributions Subsequent to the Measurement Date	10,066	-
Total	$ 11,404	$ 7,191

$10,066 reported as deferred outflows of resources related to OPEB resulting from the School's contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	
2019	$ (1,403)
2020	(1,403)
2021	(1,403)
2022	(1,403)
2023	(220)
Thereafter	(21)
Total	$ (5,853)

NOTE 8 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Actuarial Assumptions

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

Actuarial Cost Method	Entry Age
Price Inflation	2.40%
Real Wage Growth	1.10%
Wage Inflation	3.50%
Salary Increases, Including Wage Inflation	3.50 % in the Aggregate
Long-Term Investment Rate of Return, Net of OPEB Plan	
Investment Expenses, Including Price Inflation	7.25%
Discount rate	7.25%
Health Care Cost Trend Rates	
Service-based Premium Subsidy	0.00%
PERACare Medicare Plans	5.00%
Medicare Part A Premiums	3.00% for 2017, Gradually Rising to 4.25% in 2023

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

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

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

NOTE 8 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

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

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

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

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

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

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

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

NOTE 8 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

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

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

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

NOTE 8 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

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

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

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

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

NOTE 8 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

The following presents the School's proportionate share of the net OPEB liability, as well as what the School's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare Trend Rate	4.00%	5.00%	6.00%
Initial Medicare Part A Trend Rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A Trend Rate	3.25%	4.25%	5.25%
Proportionate Share of the Net OPEB Liability	$ 275,211	$ 282,998	$ 292,376

Discount Rate

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2017, measurement date.

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

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.

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

- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.

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

NOTE 8 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

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

The following presents the School's proportionate share of the net OPEB liability, as well as what the School's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.25%) or 1-percentage-point higher (8.25%) than the current discount rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate Share of the Net OPEB Liability	$ 318,178	$ 282,998	$ 252,970

OPEB Plan Fiduciary Net Position

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

NOTE 9 COMMITMENTS AND CONTINGENCIES

Claims and Judgments

The School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the School may be required to reimburse the grantor government.

NOTE 10 TAX, SPENDING AND DEBT LIMITATIONS

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

Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increases based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

NOTE 10 TAX, SPENDING AND DEBT LIMITATIONS (CONTINUED)

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation. The School believes it has complied with the Amendment. As required by the Amendment, the School has established a reserve for emergencies. At June 30, 2018, the reserve of $122,400 was recorded as a restriction of fund balance in the General Fund.

NOTE 11 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 participates in the District's risk management programs for workers' compensation claims, liability and property coverage. Settled claims have not exceeded coverage for the past three years.

NOTE 12 PRIOR PERIOD ADJUSTMENT

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

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

Net Position, June 30, 2017, as Previously Reported	$ (3,164,214)
Cumulative Effect of Application of GASB No. 75, Net OPEB Liability	(277,846)
Net Position, June 30, 2017, as Restated	$ (3,442,060)

LITTLETON ACADEMY
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES — BUDGET AND ACTUAL — GENERAL FUND
YEAR ENDED JUNE 30, 2018

	Original and Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES			
Per Pupil Revenue	$ 3,265,376	$ 3,273,239	$ 7,863
District Mill Levy	361,440	361,440	-
Charges for Services	240,454	239,882	(572)
Contributions	63,585	48,975	(14,610)
Intergovernmental Revenue	106,358	117,156	10,798
Other Revenue	11,840	55,348	43,508
Investment Income	5,000	31,896	26,896
Total Revenues	4,054,053	4,127,936	73,883
EXPENDITURES			
Salaries and Benefits	2,734,001	2,725,049	8,952
Purchased Services and Other	1,309,002	749,544	559,458
Capital Outlay	11,050	24,408	(13,358)
Total Expenditures	4,054,053	3,499,001	555,052
OTHER FINANCING USES			
Transfers Out	-	(331,239)	(331,239)
NET CHANGE IN FUND BALANCES	-	297,696	297,696
Fund Balances - Beginning of Year	1,547,777	1,718,370	170,593
FUND BALANCES - END OF YEAR	$ 1,547,777	$ 2,016,066	$ 468,289

NOTE 1 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

A budget was adopted for the General Fund for fiscal year 2018, on a basis consistent with generally accepted accounting principles. A budget was not adopted for the Special Revenue Fund for fiscal year 2018.

The School's management submits to the Governing Board (the Board) a proposed budget for the fiscal year commencing the following July 1. The budget is adopted by the Board prior to June 30.

Expenditures may not legally exceed appropriations at the fund level. Revisions must be approved by the Board. The budget includes proposed expenditures and the means of financing them. All appropriations lapse at fiscal year-end.

LITTLETON ACADEMY
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST 10 FISCAL YEARS

	2017	2016	2015	2014	2013
School's Proportion (Percentage) of the Collective Net Pension Liability (Asset)	0.0383684842%	0.0389301161%	0.0384831956%	0.0393594867%	0.0397120415%
School's Proportionate Share of the Collective Pension Liability (Asset)	$ 12,392,738	$ 11,591,001	$ 5,885,733	$ 5,334,533	$ 5,065,260
Covered Payroll	$ 1,769,791	$ 1,743,924	$ 1,680,028	$ 1,645,123	$ 1,602,530
School's Proportionate Share of the Net Pension Liability (Asset) as a Percentage of its Covered Payroll	700.237%	664.651%	350.335%	324.263%	316.079%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	43.96%	43.10%	59.20%	62.80%	64.06%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of December 31.

This schedule is presented to illustrate the requirement to show information for 10 years. Since years prior to 2013 were not reported in accordance with the current GASB standards, the information is not available.

LITTLETON ACADEMY
SCHEDULE OF PENSION CONTRIBUTIONS AND RELATED RATIOS
LAST 10 FISCAL YEARS

	2018	2017	2016	2015	2014	2013	2012
Statutorily Required Contributions	$ 352,964	$ 322,583	$ 303,083	$ 282,872	$ 258,669	$ 239,433	$ 221,036
Contributions in Relation to the Statutorily Required Contribution	352,964	322,583	303,083	282,872	258,669	239,433	221,036
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	1,869,045	1,754,796	1,708,419	1,675,207	1,618,188	1,587,219	1,558,886
Contribution as a Percentage of Covered Payroll	18.88%	18.38%	17.74%	16.89%	15.99%	15.09%	14.18%

Notes to Schedule:

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

This schedule is presented to illustrate the requirement to show information for 10 years. Information for years prior to the year ended June 30, 2012 is not readily available.

LITTLETON ACADEMY
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
LAST 10 FISCAL YEARS

	2017	2016
School's Proportion (Percentage) of the Collective Net OPEB Liability (Asset)	0.021799571%	0.022086184%
School's Proportionate Share of the Collective OPEB Liability (Asset)	$ 282,998	$ 286,900
Covered Payroll	$ 1,769,791	$ 1,743,924
School's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll	15.990%	16.451%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	17.53%	16.72%

Notes to Schedule:

The amounts presented for each fiscal year were determined as of December 31.

This schedule is presented to illustrate the requirement to show information for 10 years. Since years prior to 2016 were not reported in accordance with the current GASB standards, the information is not available.

LITTLETON ACADEMY
SCHEDULE OF OPEB CONTRIBUTIONS AND RELATD RATIOS
LAST 10 FISCAL YEARS

	2018	2017	2016	2015	2014	2013	2012
Statutorily Required Contributions	$ 19,064	$ 17,899	$ 17,426	$ 17,087	$ 16,506	$ 16,190	$ 15,901
Contributions in Relation to the Statutorily Required Contribution	19,064	17,899	17,426	17,087	16,506	16,190	15,901
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	1,869,045	1,754,796	1,708,419	1,675,207	1,618,188	1,587,219	1,558,886
Contribution as a Percentage of Covered Payroll	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%

Notes to Schedule:

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

This schedule is presented to illustrate the requirement to show information for 10 years. Information for years prior to the year ended June 30, 2012 is not readily available.

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INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Governing Board
Littleton Academy
Littleton, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Littleton Academy, a component unit of Arapahoe County School District Number Six, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise Littleton Academy's basic financial statements, and have issued our report thereon dated October 12, 2018.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Littleton Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Littleton Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of Littleton Academy's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Littleton Academy's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Greenwood Village, Colorado
October 12, 2018