

RIDGEVIEW CLASSICAL SCHOOLS

FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2018

**RIDGEVIEW CLASSICAL SCHOOLS
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JUNE 30, 2018**

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Ridgeview Classical Schools
Fort Collins, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Ridgeview Classical Schools, 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. 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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of Ridgeview Classical Schools 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 Matters

As described in Note 9 to the financial statements, a prior period adjustment was made to reclassify RCS Building Corporation as a special revenue fund which was previously reported as enterprise fund and to reclassify the Student Activities Fund as an agency fund which was previously reported as a special revenue fund. Our opinions are not modified with respect to this matter.

In addition, Ridgeview Classical Schools adopted the provisions of 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 as described in Note 9 to the financial statements, Ridgeview Classical Schools reported a restatement for the change in accounting principle. Our opinions are 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, schedule of proportionate share of the net pension liability, schedule of pension contributions and related ratios, schedule of proportionate share of the net OPEB liability, schedule of OPEB contributions and related ratios, budgetary comparison schedule – General Fund, and budgetary comparison schedule – RCS Building Corporation 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.



CliftonLarsonAllen LLP

Broomfield, Colorado
September 19, 2018

**RIDGEVIEW CLASSICAL SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

This section of the financial report is a required component of the annual audit for governmental organizations and is intended to help explain the financial activity for the fiscal year ended June 30, 2018, through a brief narrative overview and analysis of financial statements. All interested persons are encouraged to read this report and to review the financial statements in conjunction with the descriptions of activity as highlighted below.

Financial Highlights

- Total revenues received were approximately \$6.7 million. The per-pupil revenue was approximately \$5.5 million, which is approximately a 6.03% (\$352,923) decrease from the prior year.
- The per pupil revenue reflected in these statements include the approximate 2% (\$98,566) or \$155.47/pupil that is withheld by Poudre School District for general administration services as well as \$109,541 (\$107/pupil) for special education services purchased from Poudre School District by Ridgeview Classical Schools (the School).
- The Schools' overall expenses decreased in fiscal year 2018 as compared to fiscal year 2017, an overall decrease of approximately 1.02%. The total cost, including instructional, operational, and general administration was approximately \$10.2 million, which is approximately \$3.5 million more than revenues received.

Overview of Financial Statements

This report generally follows the guidelines as set forth by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. This rule was intended to help make reports easier to understand for oversight bodies, in particular Ridgeview Classical Schools' (the "School") Board of Directors, and for the general public. The report consists of two parts: Management's Discussion and Analysis (this section) and the Basic Financial Statements. The Basic Financial Statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements which provide additional and more detailed information. The School also includes in this report required supplementary information.

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 between being reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The *statement of activities* demonstrates the School's change in net position during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

**RIDGEVIEW CLASSICAL SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

The government-wide financial statements include not only Ridgeview Classical Schools itself (known as the *primary government*), but also a blended component unit of the School. Financial information for RCS Building Corporation (RCSBC), a legally separate organization, is for all practical purposes, a part of the Schools and is blended with the primary government.

The government-wide financial statements can be found on pages 9 – 10 of this report.

Fund Financial Statements

Governmental Funds

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 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The School reports two funds, the general fund and RCSBC which are 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 the 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 government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The School adopts an annual appropriated budget for its general fund and building corporation. A budgetary comparison statements have been provided for the general fund and the building corporation on pages 49 and 50, respectively.

The basic governmental fund financial statements can be found on pages 11 – 14 of this report.

Fiduciary Fund

Fiduciary funds are used to account for resources held for the benefit of parties outside the District. Fiduciary funds are not reported in the government-wide financial statements because the resources of those funds are not available for the support of the School's own programs. The accounting used for fiduciary funds is on the full accrual basis.

The basic fiduciary fund financial statements can be found on page 15 of this report.

Notes to Financial Statements

The notes provide additional information essential to a full understanding of the data provided in the basic financial statements. The notes to the basic financial statements can be found starting on page 16 of this report.

**RIDGEVIEW CLASSICAL SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Government-wide Financial Analysis

| | Table A-1 Condensed Statement of Net Position | |
|---|---|----------------|
| | Governmental Activities | |
| | 2018 | 2017 |
| Current Assets | \$ 2,221,369 | \$ 2,464,652 |
| Capital Assets | 7,747,669 | 7,842,978 |
| Total Assets | 9,969,038 | 10,307,630 |
| Deferred Outflows of Resources | | |
| Pension Plan | 6,142,237 | 7,848,910 |
| OPEB | 17,862 | - |
| Total Assets and Deferred Outflows of Resources | 16,129,137 | 18,156,540 |
| Current Liabilities | 710,301 | 635,939 |
| Long-Term Liabilities | 27,523,879 | 26,223,608 |
| Total Liabilities | 28,234,180 | 26,859,547 |
| Deferred Inflows of Resources | | |
| Pension Plan | 1,167,883 | 107,840 |
| OPEB | 21,687 | - |
| Gain on Bond Refunding | 59,284 | 62,737 |
| Total Liabilities and Deferred Inflows of Resources | 29,483,034 | 27,030,124 |
| Net Investment in Capital Assets | 1,846,365 | 1,849,175 |
| Restricted | 363,339 | 575,376 |
| Unrestricted | (15,567,526) | (11,298,135) |
| Total Net Position | \$ (13,357,822) | \$ (8,873,584) |

Total liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$13,353,897 at the close of the most recent fiscal year.

The School has investments in capital assets (site improvements, instructional equipment, school and office equipment and computers) in excess debt of \$1,846,365. The School uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending. \$200,288 of net position is restricted to comply with the TABOR amendment, \$5,000 is donor restricted and \$158,051 is restricted cash for the Building Corporation. The remaining net position is unrestricted and may be used to meet the School's ongoing obligations.

**RIDGEVIEW CLASSICAL SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Governmental activities decreased net position by \$3,522,946. Key elements of this decrease are as follows:

| Table A-2 Condensed Statement of Activities | | |
|---|------------------------|-----------------------|
| Governmental Activities | | |
| | 2018 | 2017 |
| REVENUES | | |
| Program Revenues | | |
| Charges for Services | \$ 835,455 | \$ 872,214 |
| Operating Grants and Contributions | 27,250 | |
| Capital Grants and Contributions | 175,396 | 250,010 |
| General Revenues | | |
| Unrestricted Earnings on Investments | 14,119 | 10,756 |
| Per Pupil Operating Revenue | 5,498,316 | 5,851,239 |
| Other Revenues | 134,386 | 59,105 |
| Total Revenues | 6,684,922 | 7,043,324 |
| EXPENSES | | |
| Instructional | 7,004,726 | 7,052,082 |
| Support Services | 2,964,735 | 3,035,327 |
| Interest on Debt | 242,332 | 225,920 |
| Total Expenses | 10,211,793 | 10,313,329 |
| CHANGE IN NET POSITION | (3,526,871) | (3,270,005) |
| Net Position - Beginning of Year (as Restated)* | (9,830,951) | (5,603,579) |
| NET POSITION - END OF YEAR | \$ (13,357,822) | \$ (8,873,584) |

* Only the 2018 beginning balance represented restated amounts

- Per pupil operating revenue decreased slightly as a result of fewer students.
- Expenses decreased by \$104,461 due to reclassification of the Student Activities Fund from a Special Revenue Fund to an Agency Fund.

General Fund

The general fund revenue is based primarily on per pupil revenue. The sources of this revenue are state equalization, property taxes, and specific ownership taxes. The per-pupil revenue and capital construction revenue combined were \$5,673,712. The capital construction revenue was approximately 2.82% of total general fund revenue. Rental income was \$45,830, while tuition amounted to \$40,027. There was local grant revenue of \$27,250. Other income was \$411,790 and the general fund earned interest revenue of \$13,389.

**RIDGEVIEW CLASSICAL SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Total expenditures of the general fund were \$6,055,141. The expenditures are categorized into instructional, administrative, operations and maintenance and capital outlay. The instructional expenditures account for 66% of the total, administrative amount to 24%, maintenance and operational and capital outlay represent 5%.

The fund balance of the general fund at the end of fiscal 2018 was \$1,679,323. The restricted fund balance of \$205,288 is for TABOR and donor restrictions. The increase in fund balance of \$156,857 is due to revenue received from the Student Activities Fund.

General Fund Budgetary Highlights

The original budget planned for the 2017/2018 school year was amended after the October student count date. The final student count of 692 students, 664.88 funded, was less than the original funded count of 755.38. For the year ended June 30, 2018, the School's budgeted expenditures exceeded actual by \$212,672. Actual revenues exceeded budget by \$414,161.

Capital Assets and Debt Administration

Capital assets. The School's investment in capital assets as of June 30, 2018, amounts to \$7,747,669. This investment in capital assets includes instructional buildings, land, equipment, school and office equipment, and computers. The total decrease in School capital assets was \$95,309 (1.22%).

The majority of capital assets used by the Schools are owned by RCSBC, a blended component unit. RCSBC holds the land and buildings used as the School facility and lease these facilities to the School under an operating lease with terms, which approximate RCSBC's required debt service obligations.

| | <u>2018</u> | <u>2017</u> |
|--------------------------|---------------------|---------------------|
| Governmental Activities | | |
| Land | \$ 785,000 | \$ 785,000 |
| Construction in Progress | 77,475 | 47,382 |
| Building | 5,032,922 | 5,285,745 |
| Site Improvements | 1,594,293 | 1,544,495 |
| Other Equipment | 257,979 | 180,356 |
| Net Capital Assets | <u>\$ 7,747,669</u> | <u>\$ 7,842,978</u> |

Additional information on the School's capital assets can be found in Note 3 on page 23 of this report.

Long-Term debt. The School currently has no debt. RCSBC, however, carries total bonded debt outstanding of \$5,901,304. The purpose of RCSBC is to own and finance the building used by the School. The \$5,901,304 represents \$4,571,470 Series 2014 A Charter School Revenue Bonds and \$1,329,834 2014 Series 2014 B Charter School Revenue Bonds.

Additional information on long-term debt and the related facility lease can be found in Note 4 on pages 23 – 25 of this report.

**RIDGEVIEW CLASSICAL SCHOOLS
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2018**

Economic Factors and Next Year's Budgets

Ridgeview Classical Schools' current school year (2018 – 2019) projection has not changed and will continue to follow in its conservative budgeting practice. We did include the capital construction revenue to the operating budget for this year. The funds are utilized for facility improvement.

Legislation has removed the student instructional spending requirement. The School has consistently and significantly exceeded this requirement in the past and will continue this practice in the future. The same is true for Capital Reserve funds. Even though this requirement was eliminated by the legislature, the School considers this a sound financial practice and will continue to report this funding in the future.

Possible changes to the nation's healthcare system may negatively impact the School and its employees. The Schools may be forced to make significant changes to its healthcare plan. This could adversely affect the School and its employees.

The Schools also face rapidly rising employee benefit costs due to mandatory participation in the Colorado Public Employees Retirement Association (PERA). Required employer contributions to PERA are scheduled to rise by approximately 5% annually for each of the next two years.

The school is monitoring and anticipating an increase in enrollments for the fiscal year of 2018-19.

Requests for Information

This financial report is designed to provide the reader with a general overview of the Schools' finances and to demonstrate the School's accountability for the money it receives. Questions about this report or requests for additional information should be directed to the Business Office, Ridgeview Classical Schools, 1800 South Lemay, Fort Collins, Colorado 80525.

**RIDGEVIEW CLASSICAL SCHOOLS
STATEMENT OF NET POSITION
JUNE 30, 2018**

| ASSETS | <u>Governmental Activities</u> |
|---|------------------------------------|
| Cash and Investments | \$ 1,997,317 |
| Restricted Cash | 197,379 |
| Prepaid Expense | 26,673 |
| Capital Assets, Not Being Depreciated | |
| Land | 785,000 |
| Construction in Progress | 77,475 |
| Capital Assets, Net of Accumulated Depreciation | |
| Buildings | 5,032,922 |
| Site Improvements | 1,594,293 |
| Other Equipment | 257,979 |
| Total Assets | <u>9,969,038</u> |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Related to Pension Plan | 6,142,237 |
| Related to OPEB | 17,862 |
| Total Deferred Outflows of Resources | <u>6,160,099</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION | |
| LIABILITIES | |
| Current Liabilities | |
| Accounts Payable | 49,596 |
| Other Liabilities | 5,000 |
| Accrued Salaries and Benefits | 290,071 |
| Unearned Rental Income | 39,328 |
| Accrued Interest Payable | 87,986 |
| Noncurrent Liabilities | |
| Due Within One Year | 238,320 |
| Due in More than One Year | 5,662,984 |
| Net OPEB Liability | 488,065 |
| Net Pension Liability | 21,372,830 |
| Total Liabilities | <u>28,234,180</u> |
| DEFERRED INFLOWS OF NET POSITION | |
| Related to Pension Plan | 1,167,883 |
| Related to OPEB | 21,687 |
| Gain Deferred on Bond Refunding | 59,284 |
| Total Deferred Inflows of Resources | <u>1,248,854</u> |
| NET POSITION | |
| Net Investment in Capital Assets | 1,846,365 |
| Restricted | 363,339 |
| Unrestricted | <u>(15,567,526)</u> |
| Total Net Position | <u>\$ (13,357,822)</u> |

See accompanying Notes to Financial Statements.

**RIDGEVIEW CLASSICAL SCHOOLS
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

| | Program Revenues | | | Net Revenue (Expenses) Changes in Net Position | |
|--|------------------|-------------------------|--|---|---------------------------|
| FUNCTIONS/PROGRAMS | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activites |
| Governmental Activities | | | | | |
| Instructional | \$ 7,004,726 | \$ 40,027 | \$ 27,250 | \$ - | \$ (6,937,449) |
| Interest on Debt | 242,332 | - | - | - | (242,332) |
| Support Services | | | | | |
| Operations and Maintenance | 646,190 | 795,428 | - | 175,396 | 324,634 |
| General Administration | 2,318,544 | - | - | - | (2,318,544) |
| Total Governmental Activities | \$ 10,211,793 | \$ 835,455 | \$ 27,250 | \$ 175,396 | (9,173,692) |
| GENERAL REVENUES | | | | | |
| Earnings on Investments | | | | | 14,119 |
| Per Pupil Revenue | | | | | 5,498,316 |
| Other Income | | | | | 134,386 |
| Total General Revenues | | | | | 5,646,821 |
| CHANGE IN NET POSITION | | | | | (3,526,871) |
| Net Position - Beginning of Year (as Restated) | | | | | (9,830,951) |
| NET POSITION - END OF YEAR | | | | | \$ (13,357,822) |

See accompanying Notes to Financial Statements.

**RIDGEVIEW CLASSICAL SCHOOLS
BALANCE SHEET – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018**

| | General Fund | RCS Building Corporation | Total Governmental Funds |
|-------------------------------------|---------------------|-----------------------------|--------------------------------|
| ASSETS | | | |
| Cash and Investments | \$ 1,997,317 | \$ - | \$ 1,997,317 |
| Restricted Cash | - | 197,379 | 197,379 |
| Prepaid Items | 26,673 | - | 26,673 |
| | <u>2,023,990</u> | <u>197,379</u> | <u>2,221,369</u> |
| Total Assets | <u>\$ 2,023,990</u> | <u>\$ 197,379</u> | <u>\$ 2,221,369</u> |
| LIABILITIES AND FUND BALANCE | | | |
| LIABILITIES | | | |
| Accounts Payable | \$ 49,596 | \$ - | \$ 49,596 |
| Other Liabilities | 5,000 | - | 5,000 |
| Unearned Revenue | - | 39,328 | 39,328 |
| Accrued Salaries and Benefits | 290,071 | - | 290,071 |
| Total Liabilities | <u>344,667</u> | <u>39,328</u> | <u>383,995</u> |
| FUND BALANCE | | | |
| Nonspendable Fund Balance | 26,673 | - | 26,673 |
| Restricted Fund Balance | 205,288 | 158,051 | 363,339 |
| Unassigned Fund Balance | 1,447,362 | - | 1,447,362 |
| Total Fund Balance | <u>1,679,323</u> | <u>158,051</u> | <u>1,837,374</u> |
| Total Liabilities and Fund Balance | <u>\$ 2,023,990</u> | <u>\$ 197,379</u> | <u>\$ 2,221,369</u> |

See accompanying Notes to Financial Statements.

**RIDGEVIEW CLASSICAL SCHOOLS
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2018**

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

| | |
|--|-----------------|
| Net Fund Balance - Governmental Funds | \$ 1,837,374 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund. The cost of the assets is \$12,201,969 and the accumulated depreciation is \$4,449,263. | 7,747,669 |
| Long-term liabilities, including loans payable are not due and payable in the Current Period, and therefore, are not reported in the governmental funds | |
| Bonds and note payable | (5,901,304) |
| Accrued interest payable | (87,986) |
| Deferred Bond Gain | (59,284) |
| Deferred outflows and inflows of resources related to pension are applicable to future periods and, therefore, are not reported in the fund. | |
| Deferred Outflows - Pension | 6,142,237 |
| Deferred Outflows - OPEB | 17,862 |
| Deferred Inflows - Pension | (1,167,883) |
| Deferred Inflows - OPEB | (21,687) |
| | 4,970,529 |
| Net OPEB Liability | (488,065) |
| Net Pension Liability | (21,372,830) |
| Total Net Position (Deficit) of Governmental Activities | \$ (13,353,897) |

See accompanying Notes to Financial Statements.

RIDGEVIEW CLASSICAL SCHOOLS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

| | <u>General Fund</u> | <u>RCS Building Corporation</u> | <u>Total Governmental Funds</u> |
|--|----------------------------|-------------------------------------|---|
| REVENUES | | | |
| Per Pupil Funding | \$ 5,498,316 | \$ - | \$ 5,498,316 |
| Capital Construction Funding | 175,396 | - | 175,396 |
| Student Activities | - | - | - |
| Rental Income | 45,830 | 472,194 | 518,024 |
| Tuition | 40,027 | - | 40,027 |
| Local Grant Revenue | 27,250 | - | 27,250 |
| Other Income | 411,790 | - | 411,790 |
| Interest Income | 13,389 | 730 | 14,119 |
| Total Revenues | <u>6,211,998</u> | <u>472,924</u> | <u>6,684,922</u> |
| EXPENDITURES | | | |
| Current | | | |
| Instruction | 4,000,598 | - | 4,000,598 |
| Operations and Maintenance | 294,457 | - | 294,457 |
| General Administration | 1,431,817 | - | 1,431,817 |
| Capital Outlay | 328,269 | - | 328,269 |
| Debt Service | | | |
| Principal | - | 226,109 | 226,109 |
| Interest and Fiscal Charges | - | 245,785 | 245,785 |
| Total Expenditures | <u>6,055,141</u> | <u>471,894</u> | <u>6,527,035</u> |
| NET CHANGE IN FUND BALANCE | 156,857 | 1,030 | 157,887 |
| Fund Balances - Beginning of Year, as Restated | <u>1,522,466</u> | <u>157,021</u> | <u>1,679,487</u> |
| FUND BALANCES - END OF YEAR | <u><u>\$ 1,679,323</u></u> | <u><u>\$ 158,051</u></u> | <u><u>\$ 1,837,374</u></u> |

See accompanying Notes to Financial Statements.

**RIDGEVIEW CLASSICAL SCHOOLS
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 net position are different because

| | | |
|--|----|-------------|
| Net Change in Fund Balance - Governmental Funds | \$ | 157,887 |
| <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense and loss on disposal of capital assets exceed capital outlay in the current period.</p> | | |
| Capital Outlay | | 328,269 |
| Depreciation Expense | | (423,578) |
| | | (95,309) |
| <p>The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal on long-term debt consumes the current financial resources of the governmental funds. However, neither transaction has any effect on net position.</p> | | |
| Principal payments | | 226,109 |
| <p>Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:</p> | | |
| Amortization of Gain on Refunding | | 3,453 |
| <p>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.</p> | | |
| | | 3,925 |
| <p>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:</p> | | |
| OPEB Expense | | (4,726) |
| Pension Expense | | (3,814,285) |
| | | (3,819,011) |
| Changes in Net Position of Governmental Activities | \$ | (3,526,871) |

See accompanying Notes to Financial Statements.

**RIDGEVIEW CLASSICAL SCHOOLS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUND
JUNE 30, 2018**

| | <u>Student Activities Fund</u> |
|------------------------------|------------------------------------|
| ASSETS | |
| Cash and Investments | \$ 219,574 |
| Total Assets | <u>219,574</u> |
| LIABILITIES | |
| Due to Student Organizations | <u>219,574</u> |
| Total Liabilities | <u>\$ 219,574</u> |

See accompanying Notes to Financial Statements.

**RIDGEVIEW CLASSICAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Ridgeview Classical Schools (the "School") conform to accounting principles generally accepted in the United States of America. The following is a summary of the School's significant accounting policies:

Reporting Entity

The School is a charter school organized under the Colorado Charter Schools Act (Colorado Revised Statutes §22-30.5-101). This Act permits school districts to contract with individuals and organizations for the operation of schools within the district. The statutes define these contracted schools as "charter schools." Charter schools are financed from a portion of the school district's School Finance Act revenues and from revenues generated by the charter schools within limits established by the Charter School Act. Charter schools have separate governing boards; however, the school district's board of education must approve all charter school applications and budgets.

The School began operations in Fall 2001 and is governed by a five member Board of Directors elected by the school community. The School operates under a charter granted by the Poudre School District (the District) Board of Education. The School's current charter is effective until June 30, 2022. The School is funded based on the level of per pupil revenue (PPR) as defined by the State of Colorado Legislature and the number of full time equivalent (FTE) students. As of the designated count day (October 1, 2017), there were 664.88 students enrolled. The PPR rate for the fiscal year ended June 30, 2018, was \$7,277.

The accompanying financial statements present the School and its component unit, an entity for which the School is considered to be financially accountable. Blended component units, although legally separate entities, are, in substance, part of the School's operations.

RCS Building Corporation (RCSBC) is a nonprofit corporation organized in 2005 primarily to own and finance the building used by Ridgeview Classical Schools. The School is financially accountable for RCSBC. RCSBC is considered a blended component unit of the School. Separate financials statements are not issued by RCSBC.

The School is a component unit of the District and is included in the District's Comprehensive Annual Financial Report.

Government-wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the primary government and its blended component unit.

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

**RIDGEVIEW CLASSICAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements and the proprietary fund statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Revenue from per pupil operating revenue is recognized in the fiscal year for which the funding is provided. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both *measurable* and *available*. *Measurable* means that the amount of the transaction can be determined. *Available* means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School consider revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting.

Charges for services are considered revenue once the service is rendered, and as such are considered susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the government.

Fund Accounting

The accounts of the School are organized on the basis of funds, each of which is considered to be 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 equity, revenues and expenditures, or expenses as appropriate. 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:

The School reports the following major governmental funds:

General Fund: The General Fund is the School's primary operating fund. It accounts for all financial resources of the School, except those required legally or by sound financial management to be accounted for in another fund.

Special Revenue Fund: The RCS Building Corporation is a Special Revenue Fund that accounts for all financial activities associated with the School's ownership and rental of the elementary, middle-school and high-school facilities.

Additionally, the School reports the following fund types:

Agency Fund: The Student Activities Fund is used to record financial transactions related to school-sponsored organizations, co-curricular and extra-curricular activities and special student programs. Student activities are funded primarily through donations, fees, and fundraising activities. The District holds all resources in a purely custodial capacity.

**RIDGEVIEW CLASSICAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Budgetary Information

The School adopts a legal budget for its General Fund and building corporation. Budgets for governmental funds are adopted on a basis consistent with accounting principles generally accepted in the United State of America (US GAAP). The level on which expenditures may not legally exceed appropriations is the fund level. For the year ended June 30, 2018 the School's budgeted expenditures exceeded actual by \$212,672. As of June 30, 2018, the School's building corporation's budget exceeded actual expenditures by \$2,606.

Cash and Investments

Cash and investments include cash on hand, certificates of deposit funds, and treasury bills. Investments are comprised of certificates of deposits and treasury bills, which are carried at fair value.

Restricted Cash

Certain resources set aside for the repayment of debt, are classified as restricted cash and cash equivalents on the balance sheet because their use is limited by bond covenants. These assets are generally not available to pay current obligations.

Capital Assets

Capital assets purchased by the School, which include leasehold improvements, computer equipment, playground equipment, furniture and fixtures and office equipment with a cost greater than \$5,000, are reported in the government - wide financial statements. All capital assets are valued at historical cost or estimated historical cost if actual historical cost is not available. Donated capital assets are recorded at acquisition value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. An annual capital asset inventory is performed in accordance with state law (Colorado Revised Statute 29-1-506).

All reported capital assets, except for land and construction in progress, are depreciated. Depreciation on all assets is provided using the straight-line method over estimated useful lives of three to forty years.

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School has two items that qualify for reporting in this category. The School reports changes in net OPEB liability and changes in net pension liability not included in pension expense reported in the government- wide statement of net position.

**RIDGEVIEW CLASSICAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until the time. The School has three items that qualify for reporting in this category. They are charges on bond refundings, changes in net OPEB liability, and changes in net position liability not included in pension expense reported in the government-wide statement of net position.

Accrued Salaries and Benefits

Salaries of teachers are paid over a 12-month period ending July 31. However, most salaries are earned over the traditional school year of September through May. The difference between salary and related benefit amounts earned from August 1 through June 30 and the corresponding amounts paid during this period is shown as a liability for accrued salaries and benefits in the amount of \$290,071.

Net Position/Fund Balance

In the government-wide financial statements, net position is restricted when constraints placed on the net position are externally imposed. Net investment in capital assets consist of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvements of those assets. When both restricted and unrestricted resources are available for use, it is the School's policy to use restricted resources first, then unrestricted resources as they are needed.

In the fund financial statements, fund equity of the School's governmental funds is classified as nonspendable, restricted, committed, assigned or unassigned.

Nonspendable fund balances indicate amounts that cannot be spent either a) due to form; for example, inventories and prepaid amounts or b) due to legal or contractual requirements to be maintained intact.

Restricted fund balances indicate amounts constrained for a specific purpose by external parties, constitutional provision or enabling legislation.

Committed fund balances indicate amounts constrained for a specific purpose by a government using its highest level of decision-making authority. It would require an ordinance by the School's board to remove or change the constraints placed on the resources. This action must occur prior to year-end; however, the amount can be determined in the subsequent period. The School has no committed fund balance.

Assigned fund balances indicate amounts for governmental funds, other than the general fund, any remaining positive amounts not classified in the above categories. Amounts constrained for the intent to be used for a specific purpose has been delegated to the Business Manager.

**RIDGEVIEW CLASSICAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position/Fund Balance (Continued)

Unassigned fund balances indicate amounts in the general fund that are not classified as nonspendable, restricted, committed or assigned. The general fund is the only fund that would report a positive amount in unassigned fund balance. It is the School's policy to use fund balance in the following order: restricted resources, followed by committed, assigned and then unassigned resources.

Long-Term Debt

Long-term debt is reported as liabilities in the statement of net position. Bond premiums and discounts are amortized over the life of the debt using the effective interest method. Bonds payable are reported net of the applicable premium or discount.

Bond issuance costs are recognized as an expense/expenditure in the reporting period in which they are incurred.

Prepaid Expenses

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

Postemployment Benefits Other Than Pensions (OPEB)

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.

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. The estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from these estimates.

NOTE 2 CASH AND INVESTMENTS

Custodial credit risk is the risk that in the event of failure of the custodian, the value of the School's deposits or investments may not be returned. Colorado State statutes govern the School's deposit of cash. The Colorado Public Deposit Protection Act (PDPA) requires the School to make deposits only in eligible public depositories as defined by the regulators. Amounts on deposits in excess of federal insurance levels must be collateralized. The PDPA requires the eligible depository with public deposits in excess of the federal insurance levels to create single institution collateral pools for all public funds.

**RIDGEVIEW CLASSICAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. Up to \$250,000 of daily deposit balances on hand at banking institutions is covered by federal depository insurance. The fair value of the collateral must be at least equal to 102% of the aggregate uninsured deposits.

Cash and investments as of June 30, 2018 consist of the following:

| | |
|---------------------------------|---------------------|
| Investments | \$ 1,242,834 |
| Cash Deposits | 723,691 |
| Restricted Cash and Investments | 197,379 |
| Certificate of Deposits | 250,366 |
| Total Cash and Investments | <u>\$ 2,414,270</u> |

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

| | |
|---|---------------------|
| Primary Government - Cash and investments | \$ 1,997,317 |
| Primary Government - Restricted Cash | 197,379 |
| Fiduciary Funds | 26,673 |
| | <u>\$ 2,221,369</u> |

As a requirement of the Charter School Bond agreement, the Special Revenue Fund of the School must maintain bond escrow accounts. These accounts are held by a trustee. Monthly rent payments (Note 5) from the School are made from the accounts. The accounts consist of cash totaling \$197,379 at June 30, 2018.

The School is authorized by Colorado statutes to invest in the following:

- Obligations of the United States and certain U.S. government agency securities and World Bank.
- General obligation and revenue bonds of local government entities.
- Local government investment pools.
- Obligations of the School.
- Written repurchase agreements collateralized by certain authorized securities.
- Certain money market funds.
- Guaranteed investment contracts.
- Banker's acceptance of certain banks.
- Commercial paper.
- Certain securities lending agreements.

Interest Rate Risk

State statutes limit the maturity date of U.S. Agency securities to five years from the date of purchase, unless the governing board authorized the investment for a period in excess of five years.

**RIDGEVIEW CLASSICAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)

Investments as of June 30, 2018 consist of the following:

| <u>Investments</u> | <u>Less Than 1 Year</u> | <u>Fair Value</u> |
|--------------------|-----------------------------|---------------------|
| Treasury Bills | \$ 1,242,834 | \$ 1,242,834 |
| MSILF | 197,379 | 197,379 |
| | <u>\$ 1,440,213</u> | <u>\$ 1,440,213</u> |

Credit Risk

State law limits investments for school districts to U.S. Treasury issues, other federally backed notes and credits, and other agency offerings without limitation. State law further limits investments in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by a nationally recognized statistical rating organization (NRSRO). State statutes limit investments in U.S. Agency securities to the highest rating issued by two or more NRSROs.

| <u>Investments</u> | <u>Aaa/AA+*</u> | <u>Aaa-mf/AAAm*</u> | <u>Fair Value</u> |
|--------------------|---------------------|---------------------|---------------------|
| Treasury Bills | \$ 1,242,834 | \$ - | \$ 1,242,834 |
| MSILF | - | 197,379 | 197,379 |
| | <u>\$ 1,242,834</u> | <u>\$ 197,379</u> | <u>\$ 1,440,213</u> |

*Moody's/Standard and Poor's Rating

Restricted Cash and Investments

Cash and investments of \$197,379 have been restricted in the Building Corporation for debt services in accordance with the bond agreements.

Fair Value Measurement

The School categorized its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; and Level 3 inputs are significant unobservable inputs. The School has the following recurring fair value measurements as of June 30, 2018:

| <u>Investments</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Fair Value</u> |
|--|---------------------|---------------------|----------------|---------------------|
| Treasury Bills | \$ - | \$ 1,242,834 | \$ - | \$ 1,242,834 |
| | <u>\$ -</u> | <u>\$ 1,242,834</u> | <u>\$ -</u> | <u>\$ 1,242,834</u> |
| Investments Measured at Amortized Cost | | | | |
| MSILF | \$ 197,379 | | | |
| Total Investments Measured Amortized Cost | <u>197,379</u> | | | |
| Total Investments | <u>\$ 1,440,213</u> | | | |

**RIDGEVIEW CLASSICAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 CAPITAL ASSETS

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

| | <u>Beginning Balance</u> | <u>Increases</u> | <u>Decreases</u> | <u>Ending Balance</u> |
|---|------------------------------|------------------|---------------------|---------------------------|
| Governmental Activities | | | | |
| Capital Assets, Not Being Depreciated | | | | |
| Land | \$ 785,000 | \$ - | \$ - | \$ 785,000 |
| Construction in Progress | 47,382 | 132,223 | (102,130) | 77,475 |
| Total Capital Assets, Not Being Depreciated | 832,382 | 132,223 | (102,130) | 862,475 |
| Capital Assets, Being Depreciated | | | | |
| Building | 8,015,969 | - | - | 8,015,969 |
| Site Improvements | 2,649,489 | 160,007 | - | 2,809,496 |
| Other Equipment | 370,823 | 138,169 | - | 508,992 |
| Total Capital Assets, Being Depreciated | 11,036,281 | 298,176 | - | 11,334,457 |
| Less Accumulated Depreciation | | | | |
| Building | (2,730,224) | (252,823) | - | (2,983,047) |
| Site Improvements | (1,104,994) | (110,209) | - | (1,215,203) |
| Other Equipment | (190,467) | (60,546) | - | (251,013) |
| Total Accumulated Depreciation | (4,025,685) | (423,578) | - | (4,449,263) |
| Total Capital Assets, Being Depreciated, Net | 7,010,596 | (125,402) | - | 6,885,194 |
| Total Capital Assets | <u>\$ 7,842,978</u> | <u>\$ 6,821</u> | <u>\$ (102,130)</u> | <u>\$ 7,747,669</u> |

Depreciation

Depreciation expense of \$406,634 was charged to instructional expense, and \$16,944 was charged to general and administrative expense of the School.

NOTE 4 LONG-TERM DEBT

Long-term debt activity for the fiscal year was as follows:

| | <u>June 30, 2017</u> | <u>Additions</u> | <u>Reductions</u> | <u>June 30, 2018</u> | <u>Amounts Due Within One Year</u> |
|---------------------|----------------------|------------------|---------------------|----------------------|--|
| Bonds Payable | \$ 6,127,413 | \$ - | \$ (226,109) | \$ 5,901,304 | \$ 238,320 |
| Total Bonds Payable | <u>\$ 6,127,413</u> | <u>\$ -</u> | <u>\$ (226,109)</u> | <u>\$ 5,901,304</u> | <u>\$ 238,320</u> |

The Colorado Educational and Cultural Facilities Authority (the Authority) has issued its Charter School Revenue Bonds. The bonds were issued for refunding the previously issued 2005A bonds of RCSBC. The Authority and RCSBC have entered into a loan agreement wherein the proceeds of the Authority bonds have been loaned to RCSBC.

**RIDGEVIEW CLASSICAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 LONG-TERM DEBT (CONTINUED)

The bonds are payable solely from the loan rights pledged to the Authority under the loan agreement, pledges of funds and revenue by the Trustee to the Authority, and the assignment of the Authority's mortgage on the facility and the security interest in the pledged revenues of RCSBC. The bonds do not constitute a debt of the Authority and are considered the obligation of RCSBC.

RCSBC has granted the Authority a mortgage lien on the real estate and a security interest in the lease revenues from the School. The Authority's rights under the agreement have been assigned to the Trustee.

The lease revenue, which is the basis of the pledged revenues, is described in Note 5. The lease revenue over the term of the agreement is equal to the expected principal and interest payments to be made over the life of the bonds, approximately \$9,500,000. 100% of the lease revenues have been pledged under the agreement. Lease revenue attributable to the revised lease was approximately \$472,000 for the year ended June 30, 2018.

Following is a summary of long-term debt at June 30, 2018:

Charter school revenue refunding bonds, Series 2014A, due in semiannual installments ranging from \$88,000 to \$114,000 through August 2024. Interest at 4% and is payable semi-annually on February 15 and August 15. On August 15, 2024, the interest rate will be reset and principal and interest payments adjusted. The bonds are subject to mandatory sinking fund requirements. Revenue from the rental of the building (Note 5) has been pledged to pay bond principal and interest.

Charter school revenue refunding bonds, Series 2014B, due in semiannual installments ranging from \$26,000 to \$33,000 through August 2024. Interest at 4% and is payable semi-annually on February 15 and August 15. On August 15, 2024, the interest rate will be reset and principal and interest payments adjusted. The bonds are subject to mandatory sinking fund requirements. Revenue from the rental of the building (Note 5) has been pledged to pay bond principal and interest.

The annual debt service requirements to amortize all outstanding bonds as of June 30, 2018, are as follows:

| Year Ending | Principal | Interest | Total |
|-------------|---------------------|---------------------|---------------------|
| 2019 | \$ 238,320 | \$ 233,574 | \$ 471,894 |
| 2020 | 247,947 | 223,947 | 471,894 |
| 2021 | 257,965 | 213,929 | 471,894 |
| 2022 | 268,387 | 203,507 | 471,894 |
| 2023 | 279,230 | 192,664 | 471,894 |
| 2024 - 2028 | 1,574,756 | 784,715 | 2,359,471 |
| 2029 - 2033 | 1,919,620 | 439,851 | 2,359,471 |
| 2034 - 2036 | 1,115,079 | 67,608 | 1,182,687 |
| Total | <u>\$ 5,901,304</u> | <u>\$ 2,359,795</u> | <u>\$ 8,261,099</u> |

**RIDGEVIEW CLASSICAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 LONG-TERM DEBT (CONTINUED)

Lease

The School has entered into a 60-month lease obligation for copier rentals. Future projected lease payments for the years ending as of June 30 are as follows:

| | |
|-------|-------------------|
| 2019 | \$ 51,312 |
| 2020 | 51,312 |
| 2021 | 51,312 |
| Total | <u>\$ 153,936</u> |

Additionally, the School leases its buildings and certain equipment from the Building Corporation. The building lease agreement requires monthly payments to the Building Corporation, which approximate the required debt service payments and may be terminated in any year by non-appropriation of funds. The Building Corporation has pledged the lease payments to pay bond principal and interest.

Rent expense recognized by the School and rental income recognized by the Building Corporation was approximately \$472,000 for the year ended June 30, 2018.

Future projected lease payments for the years ending as of June 30 are as follows:

| | |
|-------------|---------------------|
| 2019 | \$ 471,894 |
| 2020 | 471,894 |
| 2021 | 471,894 |
| 2022 | 471,894 |
| 2023 | 471,894 |
| 2024 - 2028 | 2,359,471 |
| 2029 - 2033 | 2,359,471 |
| 2034 - 2036 | 1,182,687 |
| Total | <u>\$ 8,261,099</u> |

The lease includes certain restrictive covenants, which apply to the School related to maintaining specific minimum amounts of unrestricted cash, working capital and fund balance. The School believes it was in compliance with the covenants at June 30, 2018.

NOTE 5 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.

**RIDGEVIEW CLASSICAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 DEFINED BENEFIT PENSION PLAN (CONTINUED)

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications to the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary To Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. As these changes to plan provisions were not in effect at the end of 2017, which was the measurement date of the net pension liability, a detailed summary of the changes required by SB 18-200 is listed in a subsequent event section at the end of this footnote.

General Information about the Pension Plan

Plan Description

Eligible employees of the (Entity) are provided with pensions through the (Entity) 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.

**RIDGEVIEW CLASSICAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 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 and Ridgeview Classical Schools 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 | 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% |

¹Rates 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 from the School were \$568,672 for the year ended June 30, 2018.

**RIDGEVIEW CLASSICAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

At June 30, 2018, the School reported a liability of \$21,372,830 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 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 proportion was 0.0660951743%, which was a decrease of 0.0021702618% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the School recognized pension expense of \$3,815,664. At June 30, 2018, the school reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|--------------------------------------|-------------------------------------|
| Difference between Expected and Actual Experience | \$ 392,956 | \$ - |
| Changes of Assumptions or Other Inputs | 5,457,278 | 34,631 |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | - | 839,331 |
| Changes in Proportion and Differences Between Contributions Recognized and Proportionate Share of Contributions | 298 | 293,921 |
| Contributions Subsequent to the Measurement Date | 291,705 | - |
| Total | \$ 6,142,237 | \$ 1,167,883 |

\$291,705 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:

| <u>Year Ended June 30,</u> | |
|----------------------------|--------------|
| 2019 | \$ 3,241,625 |
| 2020 | 1,788,510 |
| 2021 | (31,727) |
| 2022 | (315,759) |
| | \$ 4,682,649 |

**RIDGEVIEW CLASSICAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions

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% - 9.70% |
| 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.

**RIDGEVIEW CLASSICAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
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NOTE 5 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:

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

**RIDGEVIEW CLASSICAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
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NOTE 5 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.

**RIDGEVIEW CLASSICAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 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 Ridgeview Classical 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 | \$ 26,997,520 | \$ 21,372,830 | \$ 16,789,351 |

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.

**RIDGEVIEW CLASSICAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 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 \$21,372,830 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) |
|---------------------|--|--|
| PERA Total | 7.25% | \$ 14,609,326,000 |
| Proportionate Share | 7.25% | 9,656,059 |

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 \$15,094,855,000 of the estimated reduction is attributable to the use of a 7.25% discount rate.

**RIDGEVIEW CLASSICAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 6 POSTEMPLOYMENT HEALTHCARE BENEFITS

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.

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.

**RIDGEVIEW CLASSICAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 6 POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

PERA Benefit Structure

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5% 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% 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 School were \$31,718 for the year ended June 30, 2018.

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 \$488,065 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 0.0375550246%, which was a decrease of 0.0012478599% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the School recognized OPEB expense of \$4,351. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**RIDGEVIEW CLASSICAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 6 POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Difference between Expected and Actual Experience | \$ 2,308 | \$ - |
| Changes of Assumptions or Other Inputs | | |
| Net Difference Between Projected and Actual | | |
| Earnings on OPEB Plan Investments | - | 8,165 |
| Changes in Proportion and Differences Between | | |
| Contributions Recognized and Proportionate | | |
| Share of Contributions | - | 13,522 |
| Contributions Subsequent to the Measurement Date | <u>15,554</u> | <u>-</u> |
| Total | <u>\$ 17,862</u> | <u>\$ 21,687</u> |

\$15,554 reported as deferred outflows of resources related to OPEB resulting from the School 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:

| <u>Year Ended June 30,</u> | <u>Amount</u> |
|----------------------------|--------------------|
| 2019 | \$ (4,245) |
| 2020 | (4,245) |
| 2021 | (4,245) |
| 2022 | (4,244) |
| 2023 | (2,203) |
| Thereafter | <u>(197)</u> |
| Total | <u>\$ (19,379)</u> |

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 |

**RIDGEVIEW CLASSICAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 6 POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

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

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.

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

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

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

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

**RIDGEVIEW CLASSICAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 6 POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

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.

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.

**RIDGEVIEW CLASSICAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 6 POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

- 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.

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:

**RIDGEVIEW CLASSICAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 6 POSTEMPLOYMENT HEALTHCARE BENEFITS (CONTINUED)

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

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

Sensitivity of Ridgeview Classical 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:

| | <u>1% Decrease in Trend Rates</u> | <u>Current Trend Rates</u> | <u>1% Increase in Trend Rates</u> |
|---|---------------------------------------|--------------------------------|---------------------------------------|
| 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 | \$ 474,637 | \$ 488,065 | \$ 504,239 |

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.

**RIDGEVIEW CLASSICAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 6 POSTEMPLOYMENT HEALTHCARE BENEFITS (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%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the 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 Ridgeview Classical 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 | \$ 548,739 | \$ 488,065 | \$ 436,279 |

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.

**RIDGEVIEW CLASSICAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 COMMITMENTS AND CONTINGENCIES

The State of Colorado enacted a constitutional amendment effective December 31, 1992, to limit increases in government revenues. The limitation generally restricts growth in revenue of a governmental entity (excluding enterprise operations) to a base amount plus increases for growth and inflation. In addition, the amendment requires government entities to create an emergency “reserve” of 3% of annual spending, excluding bonded debt service. On November 3, 1998, voter approval was given to Poudre School District to remove the restriction on growth in revenue effective beginning the fiscal year ended June 30, 1998.

The 3% emergency reserve is, however, still required both at the District and the School’s level. At June 30, 2018, the School has complied with the requirements to include emergency reserves in its budgetary basis fund balance. The reserve at June 30, 2018 was \$200,288. Also, \$5,000 of donations are restricted. The general fund reported nonspendable fund balance of \$26,673 related to prepaid items.

NOTE 8 RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School carries commercial insurance for these and other risks of loss including workers compensation and employee health and accident insurance.

Liability for Unsubmitted Claims

Liabilities are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. Liabilities include an amount for claims that have been incurred but not reported (IBNR). Claim liabilities are calculated considering the effects of inflation, recent claim settlement trends including frequency and amount of pay-outs and other economic and social factors. The carrying amount of claim liabilities are stated at anticipated cost for claims expected to be paid during the next year. The estimated claim liability of \$4,808 as of June 30, 2018, and \$3,990 as of June 30, 2017, represents an estimate of IBNR claims. The following presents the changes in claims liability balances during the current fiscal year ended June 30, 2018 and prior fiscal year ended June 30, 2017:

| | | | |
|--------------------------|------------------------|--------------------|--------------------------|
| Balance June 30, 2017 | <u>Claims Incurred</u> | <u>Claims Paid</u> | Balance June 30, 2018 |
| <u>\$ 6,591</u> | <u>\$ 318,664</u> | <u>\$ 323,115</u> | <u>\$ 2,140</u> |
| | | | |
| Balance June 30, 2016 | <u>Claims Incurred</u> | <u>Claims Paid</u> | Balance June 30, 2017 |
| <u>\$ -</u> | <u>\$ 23,101</u> | <u>\$ 16,510</u> | <u>\$ 6,591</u> |

**RIDGEVIEW CLASSICAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 PRIOR PERIOD ADJUSTMENTS

Restatement Due to Error

For the year ended June 30, 2018, prior period adjustments were made to reclassify the Building Corporation from an Enterprise Fund to a Special Revenue Fund and the Student Activities Fund previously reported as a Special Revenue Fund was reclassified as an Agency Fund. The adjustments are summarized as follows:

| | Special Revenue Fund Student Activities | Agency Fund | Business-Type Activities | Special Revenue Fund Building Corporation | Net Effect on Governmental Activities |
|--|---|----------------|-----------------------------|---|---|
| Fund Balance/Net Position - July 1, 2017 | \$ 470,202 | \$ - | \$ (917,441) | \$ - | \$ (7,956,143) |
| Reversal of Liabilities Previously Reported | | | | | |
| Bonds Payable | - | - | 6,127,413 | - | (6,127,413) |
| Interest Payable | - | - | 91,911 | - | (91,911) |
| Unearned Rental Income | - | - | 39,326 | (39,326) | (39,326) |
| Gain on Bond Refunding | - | - | 62,737 | - | (62,737) |
| Amounts Due to Student Organizations | - | (470,202) | - | - | - |
| Reversal of Assets Previously Reported | | | | | |
| Cash and Investments Restricted Cash and Investments | (470,202) | 470,202 | - | - | (470,202) |
| Capital Assets, Net | - | - | (196,347) | 196,347 | 196,347 |
| Capital Assets, Net | - | - | (5,207,599) | - | 5,207,599 |
| Fund Balance/Net Position - July 1, 2017, as Restated | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 157,021</u> | <u>\$ (9,343,786)</u> |

As mentioned, the Special Revenue Fund of the School had an ending fund balance as of June 30, 2017 of \$470,202 that was used to account for Student Activity. Through further analysis, it was determined that treatment of this activity should not be accounted for as a Special Revenue Fund, but rather as an Agency Fund. As a result, a restatement to close the Special Revenue Fund related to Student Activities as of July 1, 2017 occurred. The ending balance of this closed fund was established in a new Agency Fund as of July 1, 2017. The net effect to establish the Agency Fund as of July 1, 2017 is noted above to show the Special Revenue Fund's balance at July 1, 2017 and to remove the cash and investments to reach a restated beginning cash and investment and due to student organizations balance for the Agency Fund as of July 1, 2017 of \$470,202.

In addition, the Enterprise Fund of the School had an ending fund balance as of June 30, 2017 of (\$917,441) that was used to account for the activity of the Building Corporation. Through further analysis, it was determined that treatment of this activity should not be accounted for as an Enterprise Fund, but rather as a Special Revenue Fund. As a result, a restatement to close the Enterprise Fund as of July 1, 2017 occurred. The ending balance of this closed fund was established in the new Special Revenue Fund as of July 1, 2017.

**RIDGEVIEW CLASSICAL SCHOOLS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 PRIOR PERIOD ADJUSTMENTS (CONTINUED)

Restatement Due to Error

The net effect to establish the Special Revenue Fund as of July 1, 2017 is noted above to show the Enterprise Fund's fund balance at July 1, 2017, and then to remove bonds payable activity, capital assets and accumulated depreciation, and deferred outflows of resources to reach a restated beginning fund balance for the Special Revenue Fund as of July 1, 2017 of \$157,021.

The overall net effect of closing both the Enterprise Fund related to the Building Corporation and the Special Revenue Fund related to the Student Activities on Governmental Activities was a restatement of beginning net position of (\$1,387,643).

Restatement Due to Adoption of GASB Statement No. 75

For the year ended June 30, 2018, the (Entity) 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 | \$ (9,343,786) |
| Cumulative Effect of Application of GASB No. 75, Net OPEB Liability | (487,165) |
| Net Position, June 30, 2017, as Restated | <u>\$ (9,830,951)</u> |

**RIDGEVIEW CLASSICAL SCHOOLS
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
LAST TEN FISCAL YEARS**

| Measurement Date (December 31) | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|---------------|---------------|---------------|--------------|
| School's Cumulative Proportion of the Net Pension Liability | 0.06609517% | 0.06826544% | 0.06833859% | 0.06832582% |
| School's Cumulative Proportionate Share of the Net Pension Liability | \$ 21,372,830 | \$ 20,325,260 | \$ 10,451,906 | \$ 9,260,445 |
| School's Covered Payroll | \$ 3,048,892 | \$ 3,025,893 | \$ 2,978,180 | \$ 2,861,200 |
| School's Cumulative Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 701.00% | 671.71% | 350.95% | 323.66% |
| Plan Fiduciary Net Postion as a Percentage of the Total Pension Liability | 43.96% | 43.10% | 59.16% | 62.80% |

Note: Information is not available prior to 2014. In future reports, additional years will be added until 10 years historical data are presented.

**RIDGEVIEW CLASSICAL SCHOOLS
SCHEDULE OF PENSION CONTRIBUTIONS AND RELATED RATIOS
LAST TEN FISCAL YEARS**

| Fiscal Year Ended (June 30) | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|----------------------------|----------------------------|----------------------------|----------------------------|
| Satorily Required Contributions | \$ 568,672 | \$ 569,459 | \$ 552,207 | \$ 523,863 |
| Contributions in Relation to the Satorily Required Contributions | <u>568,672</u> | <u>569,459</u> | <u>552,207</u> | <u>523,863</u> |
| Contribution Deficiency (Excess) | <u><u>-</u></u> | <u><u>-</u></u> | <u><u>-</u></u> | <u><u>-</u></u> |
| School's Covered Payroll | <u><u>\$ 3,011,528</u></u> | <u><u>\$ 3,071,228</u></u> | <u><u>\$ 3,021,489</u></u> | <u><u>\$ 2,904,695</u></u> |
| Contributions as a Percentage of Covered Payroll | 18.88% | 18.54% | 18.28% | 18.04% |

Note: Information is not available prior to 2015. In future reports, additional years will be added until 10 years historical data are presented.

**RIDGEVIEW CLASSICAL SCHOOLS
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
LAST TEN FISCAL YEARS**

| Measurement Date (December 31) | <u>2017</u> | <u>2016</u> |
|---|--------------|--------------|
| School's Proportion (Percentage) of the Collective Net OPEB Liability | 0.03755502% | 0.03880288% |
| School's Proportionate Share of the Collective OPEB Liability | \$ 488,065 | \$ 503,093 |
| School's Covered Payroll | \$ 3,048,892 | \$ 3,025,893 |
| School's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll | 16.01% | 16.63% |
| Plan Fiduciary Net Postion as a Percentage of the Total OPEB Liability | 17.53% | 16.72% |

Note: Information is not available prior to 2016. In future reports, additional years will be added until 10 years historical data are presented.

**RIDGEVIEW CLASSICAL SCHOOLS
SCHEDULE OF OPEB CONTRIBUTIONS AND RELATED RATIOS
LAST TEN FISCAL YEARS**

| Fiscal Year Ended (June 30) | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|---|---------------------|---------------------|---------------------|---------------------|
| Saturorily Required Contributions | \$ 30,718 | \$ 31,327 | \$ 30,819 | \$ 29,628 |
| Contributions in Relation to the Saturorily Required Contributions | <u>30,718</u> | <u>31,327</u> | <u>30,819</u> | <u>29,628</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| School's Covered Payroll | <u>\$ 3,011,528</u> | <u>\$ 3,071,228</u> | <u>\$ 3,021,489</u> | <u>\$ 2,904,695</u> |
| Contributions as a Percentage of Covered Payroll | 1.02% | 1.02% | 1.02% | 1.02% |

Note: Information is not available prior to 2015. In future reports, additional years will be added until 10 years historical data are presented.

**RIDGEVIEW CLASSICAL SCHOOLS
BUDGETARY COMPARISON SCHEDULE – GENERAL FUND
YEAR ENDED JUNE 30, 2018**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Amount</u> | <u>Variances Over (Under)</u> |
|-----------------------------------|----------------------------|----------------------------|----------------------------|-----------------------------------|
| REVENUE | | | | |
| Per Pupil Funding | \$ 6,043,766 | \$ 5,480,553 | \$ 5,498,316 | \$ 17,763 |
| Capital Construction Fundings | 208,462 | 168,959 | 175,396 | 6,437 |
| Tuition | - | - | 40,027 | 40,027 |
| Interest Income | 12,000 | 12,000 | 13,389 | 1,389 |
| Other Revenue | 111,325 | 136,325 | 484,870 | 348,545 |
| Total Revenue | <u>6,375,553</u> | <u>5,797,837</u> | <u>6,211,998</u> | <u>414,161</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| Instruction | 3,737,014 | 3,677,305 | 4,000,598 | (323,293) |
| Operations and Maintenance | 356,000 | 303,000 | 294,457 | 8,543 |
| General Administration - Gross | 2,198,420 | 2,014,809 | 1,431,817 | 582,992 |
| Capital Outlay | <u>202,391</u> | <u>272,699</u> | <u>328,269</u> | <u>(55,570)</u> |
| Total Expenditures | 6,493,825 | 6,267,813 | 6,055,141 | 212,672 |
| NET CHANGE IN FUND BALANCE | (118,272) | (469,976) | 156,857 | 201,489 |
| Fund Balance - Beginning of Year | <u>1,503,736</u> | <u>1,522,466</u> | <u>1,522,466</u> | <u>-</u> |
| FUND BALANCE - END OF YEAR | <u><u>\$ 1,385,464</u></u> | <u><u>\$ 1,052,490</u></u> | <u><u>\$ 1,679,323</u></u> | <u><u>\$ 626,833</u></u> |

**RIDGEVIEW CLASSICAL SCHOOLS
BUDGETARY COMPARISON SCHEDULE – RCS BUILDING CORPORATION
YEAR ENDED JUNE 30, 2018**

| | <u>Original Budget</u> | <u>Final Budget</u> | <u>Actual Amount</u> | <u>Variances Over (Under)</u> |
|-----------------------------------|----------------------------|-------------------------|--------------------------|-----------------------------------|
| REVENUE | | | | |
| Rental Income | \$ 474,000 | \$ 474,500 | \$ 472,194 | \$ (2,306) |
| Interest Income | - | - | 730 | 730 |
| Total Revenue | <u>474,000</u> | <u>474,500</u> | <u>472,924</u> | <u>(1,576)</u> |
| EXPENDITURES | | | | |
| Debt Service | | | | |
| Principal | 472,000 | 472,000 | 226,109 | 245,891 |
| Interest and Fiscal Charges | <u>2,000</u> | <u>2,500</u> | <u>245,785</u> | <u>(243,285)</u> |
| Total Expenditures | <u>474,000</u> | <u>474,500</u> | <u>471,894</u> | <u>2,606</u> |
| NET CHANGE IN FUND BALANCE | - | - | 1,030 | (4,182) |
| Fund Balance - Beginning of Year | <u>157,021</u> | <u>157,021</u> | <u>157,021</u> | <u>-</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 157,021</u> | <u>\$ 157,021</u> | <u>\$ 158,051</u> | <u>\$ 1,030</u> |

RIDGEVIEW CLASSICAL SCHOOLS
NOTE TO REQUIRED SUPPLEMENTAL INFORMATION
YEAR ENDED JUNE 30, 2018

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING

Budgets for governmental funds are adopted on a basis consistent with accounting principles generally accepted in the United State of America (US GAAP). The Schools adopt a legal budget for its general fund and building corporation. All appropriations lapse at year-end.

The level on which expenditures may not legally exceed appropriations is the fund level. Expenditures may not exceed the appropriation levels for legally adopted budgets. Revisions to an appropriation require approval by the Board at a public meeting, with prior published notice of the proposed change.

Budget amounts included in the financial statements are based on the final general fund budget and building corporation budget as approved by the Board on December 18, 2017.