

WEST RIDGE ACADEMY
FINANCIAL STATEMENTS
YEAR ENDED JUNE 30, 2018

**WEST RIDGE ACADEMY
TABLE OF CONTENTS
YEAR ENDED JUNE 30, 2018**

INDEPENDENT AUDITORS' REPORT	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	3
BASIC FINANCIAL STATEMENTS	
GOVERNMENT-WIDE FINANCIAL STATEMENTS	
STATEMENT OF NET POSITION	8
STATEMENT OF ACTIVITIES	9
FUND FINANCIAL STATEMENTS	
BALANCE SHEET – GOVERNMENTAL FUNDS	10
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION	11
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS	12
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES	13
NOTES TO FINANCIAL STATEMENTS	14
REQUIRED SUPPLEMENTARY INFORMATION	
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – GENERAL FUND	41
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE – BUDGET AND ACTUAL – BUILDING CORPORATION	42
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY	43
SCHEDULE OF PENSION CONTRIBUTIONS AND RELATED RATIOS	44
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY	45
SCHEDULE OF OPEB CONTRIBUTIONS AND RELATED RATIOS	46
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION	47

INDEPENDENT AUDITORS' REPORT

Board of Directors
West Ridge Academy
Greeley, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of West Ridge Academy, a component unit of Weld County School District 6, as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise West Ridge Academy'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.

Opinion

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

Emphasis of Matters

West Ridge Academy 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 11 to the financial statements, West Ridge Academy 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 on pages 3 through 7, the budgetary comparison information and the pension and other post-employment benefit schedules on pages 41 through 46 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 27, 2018

WEST RIDGE ACADEMY
An Authorized Charter School of Weld County School District 6
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2018

This section of the report provides readers with a narrative overview and analysis of the financial activities of West Ridge Academy (the School) for the year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the basic financial statements to enhance their understanding of the School's financial performance.

FINANCIAL HIGHLIGHTS

- West Ridge Academy experienced a decrease of \$1,286,905 in net position for the year ended June 30, 2018.
- West Ridge Academy's General Fund assets exceeded liabilities by \$1,339,798 at June 30, 2018.
- The WRA Building Corporation spent \$3,075,988 of the remaining bond proceeds on capital outlay relating to the new school building. The new school building was placed in service during the year. \$266,592 of the debt issuance remains in cash and investments held by the trustee.
- The WRA Building Corporation paid \$522,675 in interest on the outstanding bonds, using \$303,897 in lease payments from the General Fund and \$218,778 in proceeds from the original bond issue.
- West Ridge Academy recognized \$246,275 in revenue from the mill levy override that was approved by voters within Weld County School District 6's boundaries during the year ended June 30, 2018. Revenue from the mill levy override that was not spent as of June 30, 2018 is presented as restricted fund balance.
- Total unrestricted cash was at \$1,393,156 June 30, 2018, as compared to \$869,861 at June 30, 2017.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The basic financial statements contain three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. In addition to the basic statements, this report also contains 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 the four reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the School's financial position is improving or deteriorating.

The *statement of activities* presents the government's changes in net position during the 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 the statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected fees).

WEST RIDGE ACADEMY
An Authorized Charter School of Weld County School District 6
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2018

The government-wide financial statements can be found on pages 8-9 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. West Ridge Academy, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources, as well as on balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating the School's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds and governmental activities*.

West Ridge Academy reports two governmental funds: the General Fund and WRA Building Corporation, a special revenue fund, both of which are considered to be major funds.

The basic governmental fund financial statements can be found on pages 10-13 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14-41 of this report.

Budgetary Comparisons. West Ridge Academy adopts annual appropriated budgets for the General Fund and the WRA Building Corporation. A budgetary comparison statement has been provided for the General Fund on page 42 of this report. A budgetary comparison statement has been provided for the Building Corporation on page 43 of this report.

WEST RIDGE ACADEMY
An Authorized Charter School of Weld County School District 6
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2018

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position.

TABLE A-1
COMPARATIVE SUMMARY STATEMENT OF NET POSITION

	2018	2017
Assets		
Current Assets	\$ 2,066,494	\$ 6,094,857
Capital Assets	8,164,195	5,248,019
Total Assets	10,230,689	11,342,876
Deferred Outflows of Resources		
OPEB	35,212	-
Pension Plan	2,716,990	2,138,609
Total Assets and Deferred Outflows of Resources	12,982,891	13,481,485
Liabilities		
Current Liabilities	110,191	1,509,897
Noncurrent Liabilities	9,490,000	9,490,000
OPEB Liability	155,988	-
Net Pension Liability	6,830,873	4,940,296
Total Liabilities	16,587,052	15,940,193
Deferred Inflows of Resources		
OPEB	2,610	-
Pension Plan	279,323	22,321
Total Liabilities and Deferred Inflows of Resources	16,868,985	15,962,514
Net Position:		
Investment in Capital Assets	(1,059,213)	(1,004,379)
Restricted	492,543	155,853
Unrestricted	(3,319,424)	(1,632,503)
Total Net Position	\$ (3,886,094)	\$ (2,481,029)

The School has \$96,595 of net position that is restricted to comply with the Taxpayer's Bill of Rights (TABOR) requirements. The School reports \$39,990 restricted net position related to remaining mill levy override funding. The School reports \$355,958 restricted net position related to cash and investments required to be held for debt service reserves.

The School presents a liability of \$155,988 relating to the School's participation in the Health Care Trust Fund (HCTF) administered by the Public Employees' Retirement Association of Colorado (PERA) related to implementation of Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. As part of implementation of this accounting standard for other post-employment benefits (OPEB), the School also presents deferred outflows of resources of \$35,212 and deferred inflows of resources of \$2,610.

WEST RIDGE ACADEMY
An Authorized Charter School of Weld County School District 6
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2018

TABLE A-2
COMPARATIVE SCHEDULE OF REVENUES, EXPENSES,
AND CHANGES IN NET POSITION

	2018	2017
Program Revenues:		
Operating Grants and Contributions	\$ 397,800	\$ 312,571
Capital Grants and Contributions	101,019	67,332
General Revenues:		
Per Pupil Funding	2,785,378	1,701,974
Interest Income	17,404	26,811
Other Revenue	177,451	30,782
Total Revenues	3,479,052	2,139,470
Expenses:		
Instruction	3,629,829	2,109,068
Support Services	613,453	922,144
Interest Expense	522,675	224,350
Total Expenses	4,765,957	3,255,562
Change in Net Position	(1,286,905)	(1,116,092)
Net Position - Beginning as Restated*	(2,599,189)	(1,364,937)
Net Position - Ending	\$ (3,886,094)	\$ (2,481,029)

* Only the 2018 beginning balance represented restated amounts

Governmental-wide activities decreased the School's net position by \$1,286,905 in 2017. This is largely due to recording pension expense of \$1,569,198 as required by governmental accounting standards.

FINANCIAL ANALYSIS OF THE SCHOOL'S GENERAL FUND

The General Fund ended the year with a fund balance of \$1,339,798, an increase of \$567,448 from the beginning fund balance. The School was able to increase the ending fund balance by cost control measures, increased enrollment, and increased fundraising efforts.

GENERAL FUND BUDGETARY HIGHLIGHTS

The School's budget is prepared according to Colorado statutes.

West Ridge Academy budgeted for 368 students for the Per Pupil Revenue (PPR). The actual number ended up being 406 which is an increase of 164 students from the previous year.

There was also an increase in fundraising efforts that helped offset expenses.

Other savings were due to tight budgetary management. The administration and the board of directors know that West Ridge Academy needed to improve the net fund balance and therefore closely monitored all expenses.

WEST RIDGE ACADEMY
An Authorized Charter School of Weld County School District 6
MANAGEMENT'S DISCUSSION AND ANALYSIS
FISCAL YEAR ENDED JUNE 30, 2018

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. West Ridge Academy's investment in capital assets for its governmental activities as of June 30, 2018 totals \$8,164,195 (net of accumulated depreciation). This investment includes land, buildings, building improvements, and equipment.

The School utilizes the straight-line depreciation method for its capital assets. Depreciation is recognized when the asset is placed into service.

Additional information on the School's capital assets can be found in note 4 of this report.

Long-Term Debt: The Building Corporation carries total bonded debt outstanding of \$9,490,000. Additional information on long-term debt, which can be found in Note 5.

FUTURE OPERATIONS

West Ridge Academy continues to make improvements in the areas of financial management, academic performance, and strategic vision. Once again, the school finished the year in an even stronger financial position than the prior year. Our teachers are being paid at a better average salary than ever before in the school's history.

We renovated the building and added an addition to it, thus doubling the size of our school. This allowed us to double the number of students moving from a one track school to a two track school. Now more students will benefit from the quality academic and character education offered. Once again, our standardized test scores were some of the best in Weld County School District #6. We continue to refine and improve our educational practices to insure all students are having their academic needs met.

As West Ridge Academy continues to strive for excellence, the Administration will continue to look for incorporating best practices, managing strategic vision, and putting the school in a strong financial and academic position.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of West Ridge Academy finances for all those with an interest in the Schools' finances. Questions concerning any of the information provided should be addressed to West Ridge Academy, 6905 8th Street, Greeley, Colorado 80634.

**WEST RIDGE ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2018**

	Governmental Activities
ASSETS	
Cash and Investments	\$ 2,057,120
Prepaid Items	9,374
Capital Assets, Net of Accumulated Depreciation	8,164,195
Total Assets	10,230,689
DEFERRED OUTFLOWS OF RESOURCES	
Deferred Outflows - Pension	2,716,990
Deferred Outflows - OPEB	35,212
Total Deferred Outflows of Resources	2,752,202
LIABILITIES	
Accounts Payable	68,315
Accrued Expenses	462
Accrued Interest Payable	41,414
Long-Term Liabilities	
Bonds Payable Due in More than One Year	9,490,000
Net Pension Liability Due in More than One Year	6,830,873
Net OPEB Liability Due in More than One Year	155,988
Total Liabilities	16,587,052
DEFERRED INFLOWS OF RESOURCES	
Related to Pension Plan	279,323
Related to OPEB	2,610
Total Deferred Inflows of Resources	281,933
NET POSITION	
Net Investment in Capital Assets	(1,059,213)
Restricted for TABOR	96,595
Restricted for Education Purposes - Mill Levy	39,990
Restricted for Debt Service	355,958
Unrestricted	(3,319,424)
Total Net Position	\$ (3,886,094)

See accompanying Notes to Financial Statements.

**WEST RIDGE ACADEMY
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2018**

	General	Building Corporation	Total
ASSETS			
Cash and Investments	\$ 1,329,937	\$ 63,219	\$ 1,393,156
Restricted Cash and Investments	-	663,964	663,964
Due from Other Funds	66,919	-	66,919
Prepaid Items	9,374	-	9,374
	<u>1,406,230</u>	<u>727,183</u>	<u>2,133,413</u>
Total Assets	<u>\$ 1,406,230</u>	<u>\$ 727,183</u>	<u>\$ 2,133,413</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	65,970	2,345	68,315
Due to Other Funds	-	66,919	66,919
Accrued Expenditures	462	-	462
Total Liabilities	<u>66,432</u>	<u>69,264</u>	<u>135,696</u>
FUND BALANCES			
Nonspendable	9,374	-	9,374
Restricted:			
Emergencies	96,595	-	96,595
Educational Purposes - Mill Levy	39,990	-	39,990
Debt Service	-	397,372	397,372
Capital Projects	-	260,547	260,547
Technology Grant	-	-	-
Unassigned	1,193,839	-	1,193,839
Total Fund Balances	<u>1,339,798</u>	<u>657,919</u>	<u>1,997,717</u>
Total Liabilities and Fund Balances	<u>\$ 1,406,230</u>	<u>\$ 727,183</u>	<u>\$ 2,133,413</u>

See accompanying Notes to Financial Statements.

**WEST RIDGE ACADEMY
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

Amounts reported for governmental activities in the Statement of Net Position are different because:

Total Fund Balance - Governmental Funds		\$ 1,997,717
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The cost of the assets is \$8,325,883 and accumulated depreciation is \$161,688.		8,164,195
Long-term liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:		
Bonds Payable	\$ (9,490,000)	
Accrued Interest Payable	(41,414)	
OPEB Liability	(155,988)	
Net Pension Liability	<u>(6,830,873)</u>	(16,518,275)
Deferred outflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds		
Pension		2,716,990
OPEB		35,212
Deferred inflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds		
Pension		(279,323)
OPEB		<u>(2,610)</u>
Total Net Position		<u>\$ (3,886,094)</u>

See accompanying Notes to Financial Statements.

**WEST RIDGE ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018**

	General Fund	Building Corporation	Total
REVENUES			
Per Pupil Funding	\$ 2,785,378	\$ -	\$ 2,785,378
State and Federal Sources	233,249	-	233,249
Local Sources	265,570	-	265,570
Rental Income	-	303,897	303,897
Interest Income	-	17,404	17,404
Other Revenues	83,425	94,026	177,451
Total Revenues	<u>3,367,622</u>	<u>415,327</u>	<u>3,782,949</u>
EXPENDITURES			
Current:			
Instruction	1,920,164	-	1,920,164
Support Services	880,010	12,769	892,779
Debt Service:			
Interest	-	522,675	522,675
Capital Outlay	-	3,075,988	3,075,988
Total Expenditures	<u>2,800,174</u>	<u>3,611,432</u>	<u>6,411,606</u>
NET CHANGE IN FUND BALANCES	567,448	(3,196,105)	(2,628,657)
Fund Balances - Beginning	<u>772,350</u>	<u>3,854,024</u>	<u>4,626,374</u>
FUND BALANCES - ENDING	<u><u>\$ 1,339,798</u></u>	<u><u>\$ 657,919</u></u>	<u><u>\$ 1,997,717</u></u>

See accompanying Notes to Financial Statements.

**WEST RIDGE ACADEMY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018**

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

Net Change In Fund Balance - Governmental Funds		\$ (2,628,657)
---	--	----------------

Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities, these costs are capitalized in the statement of net position and are allocated over their estimated useful lives as annual depreciation expense in the statement of activities.

Capital Outlay	\$ 3,051,417		
Depreciation Expense	<u>(135,241)</u>		2,916,176

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:

Pension Expense	(1,569,198)		
OPEB Expense	<u>(5,226)</u>		<u>(1,574,424)</u>

Change in Net Position		<u>\$ (1,286,905)</u>
------------------------	--	-----------------------

**WEST RIDGE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of West Ridge Academy (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

GASB has specified the criteria to be used in defining a governmental entity for financial reporting purposes:

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

The School 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 Weld County School District 6 (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 school 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 operates under a charter granted by the District Board of Education. The School is funded based on the level of per pupil operating 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 406 students enrolled. The PPR rate for the fiscal year ended June 30, 2018, was approximately \$7,150.

The accompanying financial statements present the School and its component units, 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. The WRA Building Corporation (the Building Corporation) meets the requirements for blending.

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

The accounting policies of 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:

**WEST RIDGE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 non-fiduciary activities of the primary government and its component units. The primary government is reported separately from certain legally separate component units for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expense of a given function 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.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. 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 considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures, other than interest on long-term obligations, are recorded when the liability is incurred or the long-term obligation is due.

Charges for services are considered revenue once the service is rendered, and as such are considered susceptible to accrual.

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.

**WEST RIDGE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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:

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 - WRA Building Corporation: Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The School reports a special revenue fund for the Building Corporation.

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.

Cash and Investments

Cash and investments may include cash on hand, demand deposits, certificates of deposit, savings accounts and pooled investment funds. Investments are carried at net asset value.

Capital Assets

Capital assets, which include land, buildings and building improvements, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. 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. 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.

All reported capital assets, except for land, are depreciated. Depreciation on all assets is provided using the straight-line method over the following estimated useful lives:

Buildings	40 Years
Building Improvements	10 Years
Equipment	10 Years

**WEST RIDGE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows of Resources

The School's governmental activities report a separate section for deferred outflows of resources. This separate financial statement element reflects a decrease in net position that applies to a future period. The School reports deferred outflows of resources relating to its proportionate share of the net pension liability and net OPEB liability. See Note 8 and 9 for additional information.

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 debt using the effective interest methods. Bonds payable are reported net of the applicable bond premium or discount.

Net Pension Liability

The School's governmental activities report a net pension liability as of June 30, 2018. The School is required to report its proportionate share of PERA's unfunded pension liability. See Note 8 for additional information.

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. See Note 9 for additional information.

Deferred Inflows of Resources

The School's governmental activities report a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period. The School reports deferred inflows of resources relating to its proportionate share of the net pension liability and net OPEB liability. See Note 8 and 9 for additional information.

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 consists 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.

In the fund financial statements, fund equity of the School's governmental funds are classified as non-spendable, restricted, committed, assigned, or unassigned.

Non-spendable 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.

**WEST RIDGE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position/Fund Balance (Continued)

Restricted fund balances in the School's general fund indicate amounts constrained for specific purpose by external parties, constitutional provision, or enabling legislation. Restrictions on the School's general fund balance are described in Note 7.

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.

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

Unassigned fund balances indicate amounts in the general fund that are not classified as non-spendable, restricted, committed, or assigned. The general fund is the only fund that would report a positive amount in unassigned fund balance. The School uses restricted funds prior to unrestricted funds. When both unassigned and committed or assigned resources are available for use, it is the School's policy to use committed, then assigned resources first, then unassigned resources as needed.

NOTE 2 CASH AND INVESTMENTS

Colorado statutes govern the School's deposits of cash and investments. The Colorado Public Deposit Protection Act (PDPA) requires that all units of a local government deposit cash in eligible public depositories; eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2018, the School's carrying amount of deposits was \$1,393,156.

WRA Building Corporation

The bonds require the Building Corporation to maintain certain cash and investment reserve accounts. These accounts are held by a trustee. Bond payments are made from the accounts.

At June 30, 2018, \$334,389 is held in reserve accounts required by the bond agreements which is to be used for the payment of principal and interest on the bond in the event that sufficient funds are not available to make such payments when due. \$62,983 is held in reserve accounts required by the bond agreements, which are to be used for the current principal and interest payments on the bonds. \$266,592 is held in a project fund to be used for future construction.

**WEST RIDGE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Investments: The School does not hold investments. The cash and investment reserve accounts owned by the Building Corporation are in the custody of the trustee, these funds are used primarily to make bond principal and interest payments. These funds are invested by the trustee as directed by the Building Corporation; investments are limited to investments as allowed by the state of Colorado. The statutes define the permissible rating, maturity, custodial and concentration risk criteria in which local governments may invest to include:

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

At June 30, 2018, the Building Corporation's investments consisted of \$663,964 invested in the Colorado Local Government Liquid Asset Trust (ColoTrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing ColoTrust. ColoTrust operates similarly to a money market fund and each share is equal in value to \$1.00. ColoTrust offers shares in two portfolios, ColoTrust Prime and ColoTrust Plus+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. ColoTrust Plus+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601. The Building Corporation's investments are in the ColoTrust Plus+ portfolio. A designated custodial bank serves as custodian for ColoTrust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for ColoTrust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by ColoTrust. ColoTrust is rated AAAM by Standard & Poor's. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

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

As of June 30, 2018 the Building Corporation's investment in ColoTrust of \$663,964 has a maturity date of 12 months or less.

**WEST RIDGE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Credit Risk: The School has no policy toward credit risk other than to follow State statutes, which limit certain investments to those with specified ratings provided by nationally recognized statistical rating organizations, depending on the type of investment.

Concentration of Credit Risk: State statutes do not limit the amount the School may invest in one issuer, except for corporate securities.

Fair Value: The School categorizes 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 valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices; Level 3 inputs are significant unobservable inputs.

The Building Corporation's investment of \$663,964 in ColoTrust is measured at net asset value.

NOTE 3 INTERFUND RECEIVABLES AND PAYABLES

Interfund receivable and payables as of the year ended June 30, 2018, consisted of the following.

Due to the General Fund from the Building Corporation	\$66,919
---	----------

The interfund receivable and payable exist to assist the Building Corporation with cash flows as the Building Corporation's cash and investments are held with a trustee.

**WEST RIDGE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 4 CAPITAL ASSETS

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

	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018
Capital Assets, Not Depreciated				
Land	\$ 1,006,898	\$ -	\$ -	\$ 1,006,898
Construction in Progress	4,150,776	3,034,656	7,185,432	-
Total Capital Assets Not Being Depreciated	5,157,674	3,034,656	7,185,432	1,006,898
Capital Assets, Being Depreciated:				
Buildings	-	7,185,432	-	7,185,432
Building Improvements	-	16,761	-	16,761
Equipment	116,792	-	-	116,792
Total Capital Assets Being Depreciated	116,792	7,202,193	-	7,318,985
Accumulated Depreciation:				
Buildings	-	(119,757)	-	(119,757)
Building Improvements	-	-	-	-
Equipment	(26,447)	(15,484)	-	(41,931)
Total Accumulated Depreciation	(26,447)	(135,241)	-	(161,688)
Total Capital Assets, Net	<u>\$ 5,248,019</u>	<u>\$ 10,101,608</u>	<u>\$ 7,185,432</u>	<u>\$ 8,164,195</u>

Depreciation expense of \$135,241 was charged to the instruction function of the School.

NOTE 5 BONDS PAYABLE

On January 1, 2017, the Public Finance Authority (the Authority) issued its Charter School Revenue Bonds as Series 2017A and 2017B, in the amount of \$9,490,000. The bonds were issued for the WRA Building Corporation's use in the acquisition of land and construction, improvement, and equipping of educational facilities of the Building Corporation, to fund a debt service reserve fund for the Series 2017A and 2017B bonds, to fund initial interest payments on the Series 2017A and 2017B bonds, and pay the cost of issuance of the Series 2017A and 2017B bonds. The Authority and Building Corporation have entered into a loan agreement wherein the proceeds of the Authority bonds have been loaned to the Building Corporation. The Series 2017A bonds mature in 2021 with a 5.5% interest rate. The Series 2017B bonds mature in 2020 with a 6.0% interest rate.

The Building Corporation 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.

**WEST RIDGE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 BOND PAYABLE (CONTINUED)

The lease revenues, which are the basis of the pledged revenues, are described in Note 6. The lease revenue over the remaining term of the agreement is equal to the expected principal and interest payments to be made over the life of the bonds, \$11,295,738.

One hundred percent of lease revenues have been pledged under the agreement. Lease revenue was \$303,897 for the year ended June 30, 2018.

For the year ended June 30, 2018, \$522,675 in an interest payment was made using \$303,897 in lease payments from the General Fund and \$218,778 in proceeds from the original bond issue as payment.

The following schedule represents the School's debt service requirements to maturity for outstanding revenue bonds at June 30, 2018:

Year Ending June 30,	Principal	Interest	Total
2019	\$ -	\$ 522,675	\$ 522,675
2020	125,000	518,925	643,925
2021	155,000	510,863	665,863
2022	9,210,000	253,275	9,463,275
Total	<u>\$ 9,490,000</u>	<u>\$ 1,805,738</u>	<u>\$ 11,295,738</u>

Changes in bonds payable for the year ended June 30, 2018 were as follows:

	Balance June 30, 2017	Increases	Decreases	Balance June 30, 2018
Bonds Payable	\$ 9,490,000	\$ -	\$ -	\$ 9,490,000
Total	<u>\$ 9,490,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,490,000</u>

NOTE 6 LEASES

The School leases its building from the Building Corporation. The lease requires payments, which approximate the Building Corporation's required payments on the bonds 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.

Lease expense was \$303,897 for the year ended June 30, 2018, and is included in support services expenditures in the General Fund.

The lease between the School (lessee) and Building Corporation (lessor) includes certain restrictive covenants related to expenditures and unrestricted cash balances. Management believes the School is in compliance with the covenants.

**WEST RIDGE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 RESTRICTION OF NET POSITION/DESIGNATIONS OF FUND BALANCE

On November 3, 1992, the voters of the State approved an amendment to the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR limits the ability of the state and local governments such as the School to increase revenues, debt, and spending and restricts property, income and other taxes. In addition, the amendment requires government entities to create an emergency "reserve" of 3% of annual spending excluding bonded debt service. In November 1998, voter approval was given to Weld County School District 6 to remove the restriction on growth in revenue, eliminating the restriction of revenues on the School. The 3% emergency reserve is still required both at the District and the School level. As of June 30, 2018, management believes the School complied with the requirements to include emergency reserves in its budgetary basis fund balance.

The School reports \$39,990 restricted fund balance in the General Fund related to remaining mill levy override funding that is restricted for use for approved educational purposes.

The Building Corporation is required to hold funds in accounts related to its bond obligations as identified in Note 2. Net position and fund balance is restricted attributable to the restrictions on its cash and investments.

NOTE 8 DEFINED BENEFIT PENSION PLAN

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

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

**WEST RIDGE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

General Information about the Pension Plan

Plan Description

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

Benefits Provided

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

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

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

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

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

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.

**WEST RIDGE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

Contributions

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

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

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF for the School for the year ended June 30, 2018 were \$228,675.

**WEST RIDGE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

At June 30, 2018, the School reported a liability of \$6,830,873 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017. The School's proportion of the net pension liability was based on the School's contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2017, the School's proportion was 0.0211243763%, which was an increase of 0.0045316516% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the School recognized pension expense of \$1,617,873. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between Expected and Actual Experience	\$ 125,591	\$ -
Changes of Assumptions or other Inputs	1,744,176	11,068
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	268,255
Changes in Proportion and Differences between Contributions Recognized and Proportionate Share Share of Contributions	723,248	-
Contributions Subsequent to the Measurement Date	123,975	-
Total	<u>\$ 2,716,990</u>	<u>\$ 279,323</u>

\$123,975 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 Ending June 30,</u>	<u>Amount</u>
2019	\$ 1,418,433
2020	887,704
2021	108,473
2022	(100,918)

**WEST RIDGE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions

The December 31, 2016 actuarial valuation used the following actuarial cost method, 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.

**WEST RIDGE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 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	<u>100.00 %</u>	

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%.

WEST RIDGE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 4.78 percent. The basis for the projection of liabilities and the plan fiduciary net position used to determine the discount rate was an actuarial valuation performed as of December 31, 2016 and the financial status of the SCHDTF as of the prior measurement date, December 31, 2016. In addition, the following methods and assumptions were used in the projection of cash flows:

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

**WEST RIDGE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 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 percent 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 percent, resulting in a discount rate of 4.78 percent.

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

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

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

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate Share of the Net Pension Liability	\$ 8,628,554	\$ 6,830,873	\$ 5,365,968

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 percent funded ratio for each division within the next 30 years.

**WEST RIDGE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 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 percent on July 1, 2019.
- Increases employee contribution rates by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- Directs the state to allocate \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution will be allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the other divisions eligible for the direct distribution.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.
- Member contributions, employer contributions, the direct distribution from the state, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

At June 30, 2018, the School reported a liability of \$6,830,873 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)	Estimated Collective Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	3,086,129

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 \$3,188,694 of the estimated reduction is attributable to the use of a 7.25% discount rate.

**WEST RIDGE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

General Information about the OPEB Plan

Plan Description

Eligible employees of the School are provided with OPEB through the Health Care Trust Fund (HCTF) - a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan administered by the Public Employees' Retirement Association of Colorado (PERA). The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided

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.

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.

**WEST RIDGE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (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 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

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

Contributions

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from School were \$12,341 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 \$155,988 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 0.0120027978%, which was an increase of 0.0025712997% from its proportion measured as of December 31, 2016.

**WEST RIDGE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

For the year ended June 30, 2018, the School recognized OPEB expense of \$7,713. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ 738	\$ -
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	-	2,610
Changes in Proportion and Differences between Contributions Recognized and Proportionate Share of Contributions	27,864	-
Contributions Subsequent to the Measurement Date	6,610	-
Total	\$ 35,212	\$ 2,610

\$6,610 reported as deferred outflows of resources related to OPEB resulting from 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:

Year Ended June 30,	Amount
2019	\$ 4,967
2020	4,967
2021	4,967
2022	4,967
2023	5,619
Thereafter	505

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

**WEST RIDGE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA Board's actuary, as needed.

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:

<u>Year</u>	<u>PERACare Medicare Plans</u>	<u>Medicare Part A Premiums</u>
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.

**WEST RIDGE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (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.

**WEST RIDGE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (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 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 November 18, 2016 adoption of the current long-term expected rate of return by the PERA Board, the target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

**WEST RIDGE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (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	<u>100.00</u>	

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 percent.

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

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

	<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	\$ 151,697	\$ 155,988	\$ 161,158

Discount Rate

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

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

**WEST RIDGE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (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 percent.
- 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 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate. There was no change in the discount rate from the prior measurement date.

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

The following presents the School's proportionate share of the net OPEB liability, as well as what the School's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) 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	\$ 175,380	\$ 155,988	\$ 139,437

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.

**WEST RIDGE ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 10 RISK MANAGEMENT

The School is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors or omissions; injuries to employees; or acts of God. The School maintains commercial insurance for all risks of loss. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

NOTE 11 RESTATEMENT OF NET POSITION

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

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

Net Position, June 30, 2017, as Previously Reported	\$ (2,481,029)
Cumulative Effect of Application of GASB No. 75, Net OPEB Liability	<u>(118,160)</u>
Net Position, June 30, 2017, as Restated	<u><u>\$ (2,599,189)</u></u>

WEST RIDGE ACADEMY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Per Pupil Funding	\$ 2,676,832	\$ 2,785,738	\$ 2,785,378	\$ (360)
State and Federal Sources	234,670	205,343	233,249	27,906
Local Sources	-	246,275	265,570	19,295
Other Revenues	21,000	21,000	83,425	62,425
Total Revenues	<u>2,932,502</u>	<u>3,258,356</u>	<u>3,367,622</u>	<u>109,266</u>
EXPENDITURES				
Current:				
Instruction	2,103,783	1,723,898	1,920,164	(196,266)
Support Services	624,860	1,129,228	880,010	249,218
Capital Outlay	118,000	133,176	-	133,176
Total Expenditures	<u>2,846,643</u>	<u>2,986,302</u>	<u>2,800,174</u>	<u>186,128</u>
NET CHANGE IN FUND BALANCE	85,859	272,054	567,448	295,394
Fund Balance - Beginning	<u>524,731</u>	<u>772,350</u>	<u>772,350</u>	<u>-</u>
FUND BALANCE - ENDING	<u><u>\$ 610,590</u></u>	<u><u>\$ 1,044,404</u></u>	<u><u>\$ 1,339,798</u></u>	<u><u>\$ 295,394</u></u>

See accompanying Notes to Required Supplementary Information.

WEST RIDGE ACADEMY
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – BUILDING CORPORATION
YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
REVENUES				
Rental Income	\$ -	\$ 303,900	\$ 303,897	\$ (3)
Interest Income	-	17,500	17,404	(96)
Other Revenues	-	94,100	94,026	(74)
Total Revenues	-	415,500	415,327	(173)
EXPENDITURES				
Current:				
Support Services	-	13,000	12,769	231
Debt Service				
Interest	-	522,700	522,675	25
Capital Outlay	-	3,076,300	3,075,988	312
Total Expenditures	-	3,612,000	3,611,432	568
NET CHANGE IN FUND BALANCE	-	(3,196,500)	(3,196,105)	395
Fund Balance - Beginning	-	3,854,024	3,854,024	-
FUND BALANCE - ENDING	<u>\$ -</u>	<u>\$ 657,524</u>	<u>\$ 657,919</u>	<u>\$ 395</u>

See accompanying Notes to Required Supplementary Information.

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

	2017	2016	2015	2014	2013
School's Proportion Percentage of the Collective Net Pension Liability	0.0211243763%	0.0165927247%	0.0152043616%	0.0136498351%	0.0135611489%
School's Proportionate Share of the Collective Pension Liability	\$ 6,830,873	\$ 4,940,296	\$ 2,325,400	\$ 1,850,011	\$ 1,729,721
Covered Payroll	\$ 971,906	\$ 744,542	\$ 662,603	\$ 573,611	\$ 545,233
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	702.83%	663.53%	350.95%	322.52%	317.24%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	43.96%	43.10%	59.20%	62.80%	64.06%

* The amounts presented for each fiscal year were determined as of December 31 based on the measurement date of the Plan. Information earlier than 2013 was not available.

**WEST RIDGE ACADEMY
SCHEDULE OF PENSION CONTRIBUTIONS AND RELATED RATIOS
LAST TEN FISCAL YEARS***

As of June 30,	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily Required Contributions	\$ 228,675	\$ 144,336	\$ 126,388	\$ 104,485
Contributions in Relation to the Statutorily Required Contribution	<u>\$ 228,675</u>	<u>\$ 144,336</u>	<u>\$ 126,388</u>	<u>\$ 104,485</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 1,210,054	\$ 784,795	\$ 712,223	\$ 618,511
Contribution as a Percentage of of Covered Payroll	18.90%	18.39%	17.75%	16.89%

* The amounts presented for each fiscal year were determined as of June 30. Information earlier than 2015 was not available.

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

	<u>2017</u>	<u>2016</u>
School's Proportion (Percentage) of the Collective Net OPEB Liability	0.0120027978%	0.0094314981%
School's Proportionate Share of the Collective Net OPEB Liability	\$ 155,988	\$ 122,283
Covered payroll	\$ 971,906	\$ 744,542
School's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	16.05%	16.42%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	17.53%	16.72%
	17.53%	16.72%

* The amounts presented for each fiscal year were determined as of December 31 based on the measurement date of the Plan. Information earlier than 2017 was not available.

**WEST RIDGE ACADEMY
SCHEDULE OF OPEB CONTRIBUTIONS AND RELATED RATIOS
LAST TEN FISCAL YEARS***

As of June 30,	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily Required Contributions	\$ 12,343	\$ 8,003	\$ 7,265	\$ 6,309
Contributions in Relation to the Statutorily Required Contribution	<u>\$ 12,343</u>	<u>\$ 8,003</u>	<u>\$ 7,265</u>	<u>\$ 6,309</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll	\$ 1,210,054	\$ 784,795	\$ 712,223	\$ 618,511
Contribution as a Percentage of of Covered Payroll	1.02%	1.02%	1.02%	1.02%

**WEST RIDGE ACADEMY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2018**

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING

The School conducts all necessary budgeting procedures maintaining separate budgets for each fund.

The School adheres to the following procedures in establishing the budgetary data reflected in the financial statements.

- a) Budgets for all funds are required by the District. During June, the proposed budget is submitted to the Board for consideration and approval at a public hearing. The budget includes proposed expenditures and the means of financing them.
- b) The Public hearings are conducted by the School's Board of Directors to obtain parents and other members of the public comment and recommendations.
- c) Prior to June 30, the budget is adopted by formal resolution.
- d) The School's contract with the District requires submission of the approval and amended budgets to the District.
- e) Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budgeted amounts between funds, reallocation of budget line items and revisions that alter the total appropriations of any fund must be approved by the School's Board of Directors. Appropriations are based on total funds expected to be available in each budget year, which may include beginning fund balances and reserves as established by the Board of Directors.
- f) Budgets for all fund types are adopted on a basis consistent with GAAP.
- g) Budgeted amounts reported in the accompanying supplemental information are as originally adopted and as amended by the Board of Directors throughout the year. Budgeted amounts included in the financial statements are based on the final budget as adopted by the School's Board of Directors on January 8, 2018. The final WRA Building Corporation budget was approved by the Board on September 10, 2018.
- h) All appropriations lapse at the end of each fiscal year.