

HORIZONS K-8 SCHOOL

FINANCIAL STATEMENTS

June 30, 2018

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BASIC FINANCIAL STATEMENTS

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Horizons K-8 School
STATEMENT OF NET POSITION
June 30, 2018

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Investments	\$ 1,740,108
Prepaid Items	17,930
Other	1,308
Capital Assets, Net of Accumulated Depreciation	215,055
TOTAL ASSETS	1,974,401
DEFERRED OUTFLOWS OF RESOURCES	
Pension Related Items	3,845,023
OPEB Related Items	11,766
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,856,789
LIABILITIES	
Accounts Payable	5,746
Accrued Compensation and Benefits	186,688
Net Pension Liability	13,358,259
Net OPEB Liability	305,046
TOTAL LIABILITIES	13,855,739
DEFERRED INFLOWS OF RESOURCES	
Pension Related Items	632,944
OPEB Related Items	7,850
TOTAL DEFERRED INFLOWS OF RESOURCES	640,794
NET POSITION	
Investment in Capital Assets	215,055
Restricted for Capital Renewal	25,000
Restricted for Emergencies	117,164
Unrestricted	(9,022,562)
TOTAL NET POSITION	\$ (8,665,343)

The accompanying notes are an integral part of the financial statements.

Horizons K-8 School
STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

FUNCTIONS/ PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES
PRIMARY GOVERNMENT					
Governmental Activities					
Instruction	\$ 4,338,650	\$ 246,204	\$ 109,762	\$ 43,836	\$ (3,938,848)
Supporting Services	1,959,088	-	13,220	-	(1,945,868)
Total Governmental Activities	<u>\$ 6,297,738</u>	<u>\$ 246,204</u>	<u>\$ 122,982</u>	<u>\$ 43,836</u>	<u>(5,884,716)</u>
GENERAL REVENUES					
					2,522,250
					1,000,831
					193,809
					6,837
					<u>3,723,727</u>
					(2,160,989)
					<u>(6,504,354)</u>
					<u>\$ (8,665,343)</u>

The accompanying notes are an integral part of the financial statements.

Horizons K-8 School
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	GENERAL	NONMAJOR GOVERNMENTAL FUND	TOTAL
ASSETS			
Cash and Investments	\$ 1,734,227	\$ 5,881	\$ 1,740,108
Prepaid Items	17,930	-	17,930
Other	1,308	-	1,308
	TOTAL ASSETS	\$ 5,881	\$ 1,759,346
LIABILITIES			
Accounts Payable	\$ 5,746	\$ -	\$ 5,746
Accrued Compensation and Benefits	186,688	-	186,688
	TOTAL LIABILITIES	-	192,434
FUND BALANCES			
Nonspendable for Prepaid Items	17,930	-	17,930
Restricted for Capital Renewal	25,000	-	25,000
Restricted for Emergencies	111,283	5,881	117,164
Unrestricted, Unassigned	1,406,818	-	1,406,818
	TOTAL FUND BALANCES	5,881	1,566,912
	TOTAL LIABILITIES AND FUND BALANCE	\$ 5,881	\$ 1,759,346

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

Total Fund Balances of the Governmental Funds	\$ 1,566,912
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	215,055
Net pension (\$13,358,259) and net OPEB (\$305,046) liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(13,663,305)
Deferred outflows of resources related to pensions \$3,845,023 and OPEB \$11,766 used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	3,856,789
Deferred inflows of resources related to pensions (\$632,944) and OPEB (\$7,850) used in governmental activities are not due and payable in the current year and, therefore, are not reported in the governmental funds.	(640,794)
Total Net Position of Governmental Activities	\$ (8,665,343)

The accompanying notes are an integral part of the financial statements.

Horizons K-8 School
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2018

	GENERAL	NONMAJOR GOVERNMENTAL FUND	GENERAL
REVENUES			
Local Sources	\$ 3,819,237	\$ 196,154	\$ 4,015,391
State Sources	121,358	-	121,358
	3,940,595	196,154	4,136,749
TOTAL REVENUES			
EXPENDITURES			
Instruction	2,712,114	-	2,712,114
Supporting Services	1,022,200	193,591	1,215,791
	3,734,314	193,591	3,927,905
TOTAL EXPENDITURES			
NET CHANGE IN FUND BALANCES	206,281	2,563	208,844
FUND BALANCES, Beginning	1,354,750	3,318	1,358,068
FUND BALANCES, Ending	\$ 1,561,031	\$ 5,881	\$ 1,566,912

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

Net Change in Fund Balances of the Governmental Funds	\$ 208,844
Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and are allocated over their estimated useful lives as depreciation expense in the statement of activities. This is the amount by which capital outlay \$26,421 exceeded depreciation expense (\$12,796) in the current year.	13,625
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. This is the amount of pension expense (2,379,936) and OPEB expense (\$3,522) not reported in the governmental funds.	(2,383,458)
Change in Net Position of Governmental Activities	\$ (2,160,989)

The accompanying notes are an integral part of the financial statements.

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Horizons K-8 School (the "School") was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Boulder Valley School District RE-2 (the "District"). The School began operations in the fall of 1997.

The accounting policies of the School conform to generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the more significant policies.

Reporting Entity

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

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

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the School. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported in a single column.

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

Major individual governmental funds are reported as separate columns in the fund financial statements.

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current year and within 90 days of the end of the current year for grants. Intergovernmental revenues, grants, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the School. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

The School reports the following major governmental fund:

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

Assets, Liabilities and Fund Equity

Cash and Investments - Investments are reported at fair value.

Prepaid Items - Payments made to vendors for services that will benefit subsequent years are recorded as prepaid items in the government-wide and fund financial statements using the consumption method.

Capital Assets - Capital assets, which consist of 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. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition price at the date of donation.

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Equity (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materiality extend asset lives are not capitalized.

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

Land Improvements	15 to 20 years
Building Improvements	20 to 50 years
Equipment	5 to 20 years

Deferred Outflows of Resources - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School reports certain items in this category related to its defined benefit pension and OPEB plans (see Notes 4 and 5).

Accrued Compensation and Benefits - Salaries and benefits of certain contractually employed personnel are paid over a twelve month period from August to July, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, are reported as a liability in the financial statements.

Net Pension Liability - The School reports a net pension liability for its proportionate share of PERA's unfunded pension liability. See Note 4 for additional information.

Net OPEB Liability - The School reports a net OPEB liability for its proportionate share of PERA's unfunded OPEB liability. See Note 5 for additional information.

Deferred Inflows of Resources - In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School reports certain items in this category related to its defined benefit pension and OPEB plans (see Notes 4 and 5).

Net Position/Fund Balance - In the government-wide and fund financial statements, net position and fund balance are restricted when constraints placed on the use of resources are externally imposed, such as a grantor, donor or higher level government. Nonspendable fund balances represent amounts that are not in a spendable form, such as inventory and prepaid items. The Horizons K-8 School Board is authorized to establish a fund balance commitment through passage of a resolution, and may assign fund balance to a specific purpose through an informal action. Unassigned fund balance represents the residual amount reported when the balances do not meet any of the above criterion. The School has not established a formal policy for its use of restricted and unrestricted fund balances. However, if both restricted and unrestricted fund balances are available for a specific purpose, the School uses restricted fund balance first, followed by committed, assigned and unassigned balances.

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

District Purchased Services

The District provides certain maintenance, insurance, administrative and other services to the School. Total current year costs charged to the School were \$735,006.

Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School participates in the District's risk management programs for these risks of loss. Settled claims have not exceeded coverage limits in the last three years.

NOTE 2: CASH AND INVESTMENTS

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

Deposits	\$	669,679
Cash Held by the District		1,070,429
Total	\$	1,740,108

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

Investments

The School is required to comply with State statutes which specify investment instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest, which include the following. State statutes generally limit the maturity of investment securities to five years from the date of purchase, unless the governing board authorizes an investment for a period in excess of five years. State statutes generally do not address custodial risk.

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 2: CASH AND INVESTMENTS

Investments (Continued)

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

The School had no investments at June 30, 2018.

NOTE 3: CAPITAL ASSETS

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

	Balance 6/30/17	Additions	Deletions	Balance 6/30/18
Governmental Activities				
Capital Assets, Being Depreciated				
Land Improvements	\$ 227,550	\$ -	\$ -	\$ 227,550
Building Improvements	7,890	-	-	7,890
Equipment	6,928	26,421	-	33,349
Total Capital Assets, Being Depreciated	<u>242,368</u>	<u>26,421</u>	<u>-</u>	<u>268,789</u>
Less Accumulated Depreciation For				
Land Improvements	39,449	10,912	-	50,361
Building Improvements	296	395	-	691
Equipment	1,193	1,489	-	2,682
Total Accumulated Depreciation	<u>40,938</u>	<u>12,796</u>	<u>-</u>	<u>53,734</u>
Total Capital Assets, Being Depreciated, Net	<u>201,430</u>	<u>13,625</u>	<u>-</u>	<u>215,055</u>
Governmental Activities Capital Assets, Net	<u>\$ 201,430</u>	<u>\$ 13,625</u>	<u>\$ -</u>	<u>\$ 215,055</u>

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

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 4: DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

Pensions - 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*.

General Information about the Pension Plan

Plan Description - Eligible employees of the School are provided with pensions through the 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 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 as of December 31, 2017 - PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) 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 percent and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100 percent 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.

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 4: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

In all cases the service retirement benefit is limited to 100 percent 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 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 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 unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent 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 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF.

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

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

Contributions provisions as of June 30, 2018 - Eligible employees and 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 percent of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 4: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

	For the Year Ended	
	12/31/2017	12/31/2018
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%

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the School were \$365,740 for the year ended June 30, 2018.

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

At June 30, 2018, the School reported a liability of \$13,358,259 for its proportionate share of the net pension liability. The net pension liability for the SCHDTF 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 School 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 0.04131023 percent, which was a decrease of 0.00043025 percent from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the School recognized pension expense of \$2,390,664. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 4: DEFINED BENEFIT PENSION PLAN (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 245,602	\$ -
Changes of assumptions or other inputs	3,410,860	21,644
Net difference between projected and actual earnings on pension plan investments	-	524,592
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	86,708
Contributions subsequent to the measurement date	188,561	-
Total	\$ 3,845,023	\$ 632,944

\$188,561 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,

2019	\$ 2,042,500
2020	1,177,176
2021	1,195
2022	(197,353)
2023	-
Thereafter	-

Actuarial assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.70 percent
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	5.26 percent
Post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07	2.00 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 4: DEFINED BENEFIT PENSION PLAN (Continued)

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

A discount rate of 4.78 percent was used in the roll-forward calculation of the total pension liability to the measurement date of December 31, 2017.

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.

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

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

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.

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.

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 4: DEFINED BENEFIT PENSION PLAN (Continued)

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

As of the most recent adoption of the 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:

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

Discount rate - The discount rate used to measure the total pension liability was 4.78 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:

- 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 current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 4: DEFINED BENEFIT PENSION PLAN (Continued)

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

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, 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.

Based on the above assumptions and methods, the 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 December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly 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, 0.48 percent higher compared to the current measurement date.

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 4: DEFINED BENEFIT PENSION PLAN (Continued)

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

Sensitivity of the 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 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.78 percent) or 1-percentage-point higher (5.78 percent) than the current rate:

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate share of the net pension liability	\$ 16,873,753	\$ 13,358,259	\$ 10,493,533

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 of the Division Trust Funds and thereby reach a 100 percent funded ratio for each division within the next 30 years.

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.

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 4: DEFINED BENEFIT PENSION PLAN (Continued)

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

- 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 \$13,358,259 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 proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SCHDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SCHDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	\$6,035,146

Recognizing that the changes in contribution and benefit provisions also affect the determination of the discount rate used to calculate proportionate share of the net pension liability, approximately \$6,235,719 of the estimated \$7,323,113 reduction is attributable to the use of a 7.25 percent discount rate.

NOTE 5: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

Summary of Significant Accounting Policies

OPEB - The School participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 5: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

General Information about the OPEB Plan

Plan description - Eligible employees of the School are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. 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 - 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, School, Local Government and Judicial), 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 are eligible for a premium subsidy, if enrolled in a health care plan under PERACare.

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

PERA Benefit Structure

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

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 5: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

General Information about the OPEB Plan (Continued)

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the School were \$19,755 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 \$305,046 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF 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 OPEB liability to December 31, 2017. The School's proportion of the net OPEB liability was based on the School's contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the School's proportion was 0.02347233 percent, which was a decrease of 0.00025348 percent from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the School recognized OPEB expense of \$3,841. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 5: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 1,443	\$ -
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	5,103
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	2,747
Contributions subsequent to the measurement date	10,323	-
Total	\$ 11,766	\$ 7,850

\$10,323 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,

2019	\$ (1,532)
2020	(1,532)
2021	(1,532)
2022	(1,532)
2023	(256)
Thereafter	(23)

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

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.00 percent for 2017, gradually rising to 4.25 percent in 2023

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 5: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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

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

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

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

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

<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.

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 5: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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

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.

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

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

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

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 5: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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

- The rates of PERAcare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.
- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

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

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four 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 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 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:

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 5: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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

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

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

Sensitivity of the School's proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates - The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Net OPEB Liability	\$296,653	\$305,046	\$315,155

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.

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 5: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the HCTF's fiduciary net position was projected 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, and therefore, the discount rate is 7.25 percent.

Sensitivity of the School's proportionate share of the net OPEB liability to changes in the discount rate - The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the 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 rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$342,968	\$305,046	\$272,679

OPEB plan fiduciary net position - Detailed information about the HCTF'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.

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2018

NOTE 6: COMMITMENTS AND CONTINGENCIES

Claims and Judgments

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

Tabor Amendment

In November 1992, Colorado voters passed Article X, Section 20 (the "Amendment") to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The School believes it is in compliance with the Amendment. The Amendment requires all governments to establish a reserve for emergencies, representing 3% of fiscal year spending. At June 30, 2018, the emergency reserve of \$117,164 was reported as restricted fund balance and net position.

NOTE 7: 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) effective for financial statements for periods beginning after June 15, 2017. GASB No. 75 revises and establishes new financial reporting requirements for most governments that provide their employees with postemployment benefits other than pensions (OPEB). GASB No. 75 requires cost-sharing employers participating in the PERA program to record their proportionate share, as defined in GASB No. 75, of PERA'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.

	Governmental Activities
Net Position, June 30, 2017, as Previously Reported	\$ (6,206,746)
Cumulative Effect of Application of GASB No. 75, Net OPEB Liability	(297,608)
Net Position, June 30, 2017, as Restated	\$ (6,504,354)

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REQUIRED SUPPLEMENTARY INFORMATION

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Horizons K-8 School
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2018

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
REVENUES				
Local Sources				
Per Pupil Revenue	\$ 2,526,045	\$ 2,516,933	\$ 2,522,250	\$ 5,317
District Mill Levy	804,602	805,555	804,677	(878)
Outdoor Education Fees	59,000	62,000	61,804	(196)
Student Activities	141,000	156,000	184,400	28,400
Contributions	282,077	279,277	231,164	(48,113)
Other	9,000	12,000	14,942	2,942
State Sources				
Capital Construction	46,217	46,147	43,836	(2,311)
Categorical	75,405	77,522	77,522	-
TOTAL REVENUES	<u>3,943,346</u>	<u>3,955,434</u>	<u>3,940,595</u>	<u>(14,839)</u>
EXPENDITURES				
Instruction	2,767,323	2,854,828	2,712,114	142,714
Supporting Services	1,079,075	1,064,209	1,022,200	42,009
Reserves	1,301,826	1,282,844	-	1,282,844
TOTAL EXPENDITURES	<u>5,148,224</u>	<u>5,201,881</u>	<u>3,734,314</u>	<u>1,467,567</u>
NET CHANGE IN FUND BALANCE	(1,204,878)	(1,246,447)	206,281	1,452,728
FUND BALANCE, Beginning	<u>1,204,878</u>	<u>1,353,732</u>	<u>1,354,750</u>	<u>1,018</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ 107,285</u>	<u>\$ 1,561,031</u>	<u>\$ 1,453,746</u>

Horizons K-8 School
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
OF THE NET PENSION AND OTHER POST EMPLOYMENT BENEFIT LIABILITIES
June 30, 2018

As of December 31,	<u>2017</u>	<u>2016</u>	<u>2015</u>
Net Pension Liability			
School's proportion (percentage) of the collective net pension liability (asset)	0.04131023%	0.04174048%	0.04137113%
School's proportionate share of the collective pension liability (asset)	13,358,259	12,427,756	6,327,423
Covered payroll	1,905,593	1,873,389	1,802,963
School's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	701.00%	663.38%	350.95%
Plan fiduciary net pension as a percentage of the total pension liability	43.96%	43.10%	59.20%
Net Other Post Employment Benefit (OPEB) Liability			
School's proportion (percentage) of the collective net OPEB liability (asset)	0.02347233%	0.02372581%	
School's proportionate share of the collective OPEB liability (asset)	305,046	307,613	
Covered payroll	1,905,593	1,873,389	
School's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	16.01%	16.42%	
Plan fiduciary net pension as a percentage of the total OPEB liability	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. This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

<u>2014</u>	<u>2013</u>
0.04353652%	0.04287508%
5,900,660	5,402,386
1,823,866	1,707,470
323.52%	316.40%
62.80%	64.06%

Horizons K-8 School
SCHEDULE OF THE CONTRIBUTIONS AND RELATED RATIOS
June 30, 2018

As of June 30,	<u>2018</u>	<u>2017</u>	<u>2016</u>
Statutorily required contributions	\$ 365,740	\$ 348,404	\$ 317,303
Contributions in relation to the statutorily required contribution	<u>365,740</u>	<u>348,404</u>	<u>317,303</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	1,936,775	1,895,560	1,789,642
Contribution as a percentage of covered payroll	18.88%	18.38%	17.73%
 Defined Benefit Other Post Employment Benefit Plan			
Statutorily required contributions	\$ 19,755	\$ 19,335	\$ 18,254
Contributions in relation to the statutorily required contribution	<u>19,755</u>	<u>19,335</u>	<u>18,254</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	1,936,775	1,895,560	1,789,642
Contribution as a percentage of covered payroll	1.02%	1.02%	1.02%

* The amounts presented for each fiscal year were determined as of June 30. This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

<u>2015</u>	<u>2014</u>
\$ 317,564	\$ 283,251
317,564	283,251
<u>\$ -</u>	<u>\$ -</u>
1,881,303	1,771,999
16.88%	15.98%
\$ 19,189	\$ 18,074
19,189	18,074
<u>\$ -</u>	<u>\$ -</u>
1,881,303	1,771,999
1.02%	1.02%

Horizons K-8 School
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2018

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

The budgets are legally adopted on a basis consistent with generally accepted accounting principles ("GAAP").

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

- By June 30, management submits to the Horizons K-8 School Board proposed budgets for the fiscal year commencing the following July 1. The budgets include proposed expenditures and the means of financing them.
- Prior to June 30, the budgets are adopted by the Horizons K-8 School Board.
- Expenditures may not legally exceed budget appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Horizons K-8 School Board.
- All appropriations lapse at fiscal year end.

NONMAJOR GOVERNMENTAL FUND

Special Revenue Fund

Operations and Technology Fund - This fund accounts for revenues and expenditures related to an operations and technology mill levy approved by voters November 2016.

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Horizons K-8 School
BUDGETARY COMPARISON SCHEDULE
OPERATIONS AND TECHNOLOGY FUND
Year Ended June 30, 2018

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE TO FINAL Positive (Negative)</u>
REVENUES				
District Mill levy	\$ 165,958	\$ 196,154	\$ 196,154	\$ -
TOTAL REVENUES	<u>165,958</u>	<u>196,154</u>	<u>196,154</u>	<u>-</u>
EXPENDITURES				
Supporting Services	163,505	193,587	193,591	(4)
Reserves	4,979	5,885	-	5,885
TOTAL EXPENDITURES	<u>168,484</u>	<u>199,472</u>	<u>193,591</u>	<u>5,881</u>
NET CHANGE IN FUND BALANCE	(2,526)	(3,318)	2,563	5,881
FUND BALANCE, Beginning	<u>3,322</u>	<u>3,318</u>	<u>3,318</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 796</u>	<u>\$ -</u>	<u>\$ 5,881</u>	<u>\$ 5,881</u>

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