

Pikes Peak School of Expeditionary Learning
(A Component Unit of El Paso County School District 49)

Financial Statements

June 30, 2018



**HINKLE &
COMPANY**
Strategic ^{PC}
Business Advisors

Pikes Peak School of Expeditionary Learning
 (A Component Unit of El Paso County School District 49)
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 June 30, 2018

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**HINKLE &
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Business Advisors

Independent Auditors' Report

Board of Directors
Pikes Peak School of Expeditionary Learning
Falcon, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Pikes Peak School of Expeditionary Learning, component unit of El Paso County School District 49, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Pikes Peak School of Expeditionary Learning, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Pikes Peak School of Expeditionary Learning as June 30, 2018, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 9 to the financial statements, in the year ended June 30, 2018, the Pikes Peak School of Expeditionary Learning adopted new accounting guidance as required by Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Hick & Company, PC

Greenwood Village, Colorado
October 12, 2018



PIKES PEAK SCHOOL OF EXPEDITIONARY LEARNING

MANAGEMENT'S DISCUSSION AND ANALYSIS

June 30, 2018

The Management Discussion and Analysis (MD&A) of Pikes Peak School of Expeditionary Learning's (PPSEL/School) financial performance provides an overall review of the School's financial activities for the fiscal year ended June 30, 2018. Readers should also review the Financial Statements and Notes to Financial Statements to better understand the School's financial performance.

The MD&A is an element of the reporting model adopted by the Governmental Accounting Standards Board in their Statement No. 34, Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments, issued June, 1999.

The mission of PPSEL is to develop a community that embraces and actively cultivates a challenging and engaging learning environment. Employing collaborative teaching methods and diverse individual learning opportunities, the School endeavors to develop motivated, independently thinking individuals who demonstrate skillful articulation of learning, solid academic achievement, social confidence and service to the community.

Financial Highlights

The year ended June 30, 2018 is the School's nineteenth year of operations. The General Fund balance increased \$243,985 to \$2,188,817 from \$1,944,832 for the prior year. This increase is significant in that it will allow the School to remain financially viable and stable when facing future potential budget cuts at the State level.

The School's operations are funded by tax revenue received under the State School Finance Act. Tax revenue for the year from Per Pupil Revenue was \$2,882,487. The School operated within the budget approved by the Board of Directors. A budget revision, based on the official student count of 394, was approved in January 2018.

The School contributes to the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). As of June 30, 2018, the School is required to report a net pension liability of \$9,107,832, representing its proportionate share of the net pension liability of the SDTF. ALL COLORADO SCHOOLS ARE REQUIRED TO REPORT THIS LIABILITY. IT DOES NOT CHANGE THE ACTUAL FINANCIAL OVERVIEW OF THE SCHOOL. The School has no input into the management of the SDTF and is required by Colorado Law to participate in the pension plan. The impact of this change in reporting will appear in the enclosed Financial Reports. Please refer to Note 6 for more detail.

PIKES PEAK SCHOOL OF EXPEDITIONARY LEARNING
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

PPSEL operates under the supervision of a five member Board of Directors. The Board of Directors assigns responsibility of the School's operation to the Administrator and School staff. An independent accountant prepares and the Board of Directors reviews financial reports on a quarterly schedule. These reports include, but are not limited to: the Balance Sheet and the Budget vs. Actual Income Statement. The Falcon School District #49 (District) Finance Director receives a monthly Trial Balance Report in addition to these quarterly financial reports.

The combined financial statements of PPSEL include statements for the PPSEL Building Corporation, the entity that holds the debt for the School facility. PPSEL has a renewable one year lease with PPSEL Building Corporation for use of the facility. Note 5 to the financial statements provides additional information about the long-term debt.

Overview of Financial Statements

This MD&A is intended to serve as an introduction to PPSEL's financial statements. The statements are comprised of four components: 1) Government-wide Financial Statements, 2) Fund Financial Statements, 3) Notes to the Financial Statements, and 4) 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 regarding all School assets and liabilities, with the difference reported as the Net Position. Over time, the increases or decreases in the net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The Statement of Activities (Revenues and Expenses) presents information showing how the School's Net Position changed during the year. All changes in the Net Position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the Statement of Activities for some items that will result in cash flows in future periods (for example, salaries and benefits earned but unpaid as of year end).

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of PPSEL can be divided into two categories: Governmental Funds and Proprietary Funds.

PIKES PEAK SCHOOL OF EXPEDITIONARY LEARNING
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

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 balances of resources available at the end of the fiscal year. Such information may be useful in evaluating the School's near-term financing requirements. PPSEL maintains one government fund which includes all operating activity.

Proprietary Funds: PPSEL Building Corporation, considered a component unit of the School, has one fund identified as the Proprietary Fund. Its activity is related to holding title to the School facility and processing the Colorado Educational and Cultural Facilities Authority Loan Agreement associated with the facility financing.

Notes to the Financial Statements

The Notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Required Supplementary Information

The Required Supplementary Information includes a Budgetary Comparison Schedule of the General Fund with additional notes.

PIKES PEAK SCHOOL OF EXPEDITIONARY LEARNING
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

Government-wide Financial Statement Analysis

For PPSEL and the PPSEL Building Corporation, Liabilities exceeded Assets by \$3,038,620 as of the close of the 2016/2017 fiscal year compared to Liabilities exceeding Assets by \$1,964,237 in the prior year. The negative balance is a result of adopting GASB Statement No. 68, which requires the School to report its proportionate share of the net pension liability of its defined benefit pension plan.

Statement of Net Position
Governmental and Business Type Activities

	<u>30-Jun-18</u>	<u>30-Jun-17</u>	<u>Net Change</u>
Current and Other Assets	2,372,403	2,124,648	247,755
Capital Assets	<u>4,826,861</u>	<u>4,796,094</u>	<u>30,767</u>
Total Assets	7,199,264	6,920,742	278,522
Deferred Outflows of Resources			
Loss on Debt Refunding, Net of Amort	672,247	768,283	(96,036)
Pensions, Net of Accum. Amortization	<u>3,193,558</u>	<u>3,231,064</u>	<u>(37,506)</u>
Total Deferred Outflows	3,865,805	3,999,347	(133,542)
Current Liabilities	164,719	164,438	281
Other Liabilities	5,783,457	5,950,877	(167,420)
Net Pension Liability	<u>9,315,816</u>	<u>7,808,663</u>	<u>1,507,153</u>
Total Liabilities	15,263,992	13,923,978	1,340,014
Deferred Inflows of Resources			
Pensions, Net of Amortization	<u>375,911</u>	<u>34,731</u>	<u>341,180</u>
Net Position			
Net Investment in Capital Assets	(284,349)	(386,500)	102,151
Restricted for Debt Service	18,867	15,378	3,489
Restricted for Emergencies	98,000	94,000	4,000
Unrestricted	<u>(4,407,352)</u>	<u>(2,761,498)</u>	<u>(1,645,854)</u>
Total Net Position	(4,574,834)	(3,038,620)	(1,536,214)

Current and Other Assets make up 33% of PPSEL and the PPSEL Building Corporation's Total Assets (of which \$35,695 or 1.5% is restricted for the Building Corporation debt service.) Capital Assets, which reflect the Building Corporation's investment in real and personal property and equipment, currently make up 67% of Total Assets. Total Liabilities decreased by \$167,139 before the inclusion of the Net Pension Liability.

**PIKES PEAK SCHOOL OF EXPEDITIONARY LEARNING
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018**

**Statement of Activities
Governmental and Business Type Activities**

	30-Jun-18	30-Jun-17	Net Change
Program Revenue:			
Charges for Services	143,817	139,104	4,713
Operating Grants	14,649	13,384	1,265
Total Program Revenue	158,466	152,488	5,978
 General Revenue:			
Per Pupil Revenue	2,882,487	2,771,528	110,959
District Mill Levy	205,648	156,772	48,876
Capital Construction Grant	103,909	108,758	(4,849)
Other Unrestricted Contributions	28,848	20,148	8,700
Investment Income	2,861	5,770	(2,909)
Total General Revenue	3,223,753	3,062,976	160,777
Total Revenue	3,382,219	3,215,464	166,755
 Expenses:			
Instruction	3,046,830	2,820,599	226,231
Supporting Services	1,251,931	1,056,021	195,910
Building Corporation	433,969	413,227	20,742
Total Expenses	4,732,730	4,289,847	442,883
Increase (Decrease) in Net Position	(1,350,511)	(1,074,383)	(276,128)
Beginning Net Position	(3,038,620)	(1,964,237)	(1,074,383)
Ending Net Position	(4,389,131)	(3,038,620)	(1,350,511)

Charges for Services include Pre-Kindergarten Tuition, Expeditionary Activity Fees, and After School Program Revenues. The School's official student count increased to 394 in 2017/2018 from 392 in 2016/2017. Per Pupil Revenue makes up 85% of the School's Total Revenue and increased from \$2,771,528 to \$2,882,487 for a total growth of \$110,959.

PIKES PEAK SCHOOL OF EXPEDITIONARY LEARNING
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

Fund Financial Statement Analysis

As noted earlier, PPSEL uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The financial detail on the previous page consolidates the governmental fund and proprietary fund.

Governmental Funds: The focus of Pikes Peak School of Expeditionary Learning's governmental fund is to provide information on near-term inflows, outflows and balances of spendable resources for only the School.

This is the School's eighteenth year of operation. The Governmental Fund Revenue for FY 2017/2018 was \$3,382,160 compared to \$3,215,459 the prior year. The Government Fund Expenses for FY 2017/2018 were \$3,138,175 compared to \$2,908,415 the prior year. At the end of the fiscal year, the School had an ending Governmental Fund balance of \$2,188,817, an increase of \$243,985 over the prior year balance of \$1,944,832.

Proprietary Fund: Net Position of the Building Corporation as of June 30, 2018 is (\$265,482) compared to (\$371,122) the prior year, a decrease of \$105,640. The balance will become positive as the debt is paid down.

Budgetary Highlights

PPSEL approves a Budget in the spring based on enrollment projections for the following school year. In January 2018 after enrollment was finalized, a Revised Budget was approved by the PPSEL Board of Directors. The Revised Budget reflects changes in Per Pupil Revenue and Purchased Services costs for Falcon School District #49 provided services which are based on the finalized student count.

The majority of the actual General Fund spending is for Salaries and Benefits (58%). Purchased Services, excluding lease payments to the Building Corporation, make up 26% of total expenditures. The primary source of spending under Purchased Services is for those services provided by District #49 for Special Education (\$243,253) and Administration (\$62,546). Expenses related to leasing the building are 13% of the total General Fund expenditures. Expenditures in the General Fund were within the approved budgets for fiscal year 2017/2018.

Capital Asset and Debt Administration

Capital assets: As of June 30, 2018, the PPSEL Building Corporation owns land and land improvements with a carrying value of \$548,380, a building capitalized at \$5,138,051, Equipment and Furniture totaled \$109,856 and Land Improvements at \$148,609. The carrying value of capital assets net of accumulated depreciation is \$4,826,861. More detail on capital assets is available in Note 4 to the financial statements.

PIKES PEAK SCHOOL OF EXPEDITIONARY LEARNING
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2018

Long-term debt: In January, 2008, the Building Corporation obtained financing of \$6,500,000 from bonds issued by the Colorado Educational and Cultural Facilities Authority at an interest cost of 6.625%. In December, 2015, the Colorado Educational and Cultural Facilities Authority issued \$6,189,136 Charter School Refunding Revenue Bonds, Series 2015 at an interest rate of 3.5%. The School will continue to make lease payments for use of the facility, which the Building Corporation will use to make the required principal and interest payments on the debt. These transactions flow through the Colorado State Intercept Program where the State withholds a portion of the Per Pupil Funding and transfers the funds to a designated trustee that in turn makes the principal and interest payments when due. Note 5 to the financial statements provides additional information about long-term debt.

Next Year's Budget

The School's FY 2018/2019 Budget is based on a student count of 393 and a Per Pupil Revenue of \$7,502.00.

Requests for Information

Questions concerning any of the information provided in this report or requests for additional financial information should be submitted in writing and addressed to Mr. Don Knapp, Principal, Pikes Peak School of Expeditionary Learning, 11925 Antlers Ridge Drive, Falcon, CO 80831.

Basic Financial Statements

Pikes Peak School of Expeditionary Learning
(A Component Unit of El Paso County School District 49)
Statement of Net Position
June 30, 2018

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Investments	\$ 2,279,150	\$ -	\$ 2,279,150
Restricted Cash and Investments	-	35,695	35,695
Accounts Receivable	57,558	-	57,558
Capital Assets, <i>Not Being Depreciated</i>	-	548,380	548,380
Capital Assets, <i>Net of Accumulated Depreciation</i>	-	4,278,481	4,278,481
Total Assets	<u>2,336,708</u>	<u>4,862,556</u>	<u>7,199,264</u>
Deferred Outflows of Resources			
Pensions, <i>Net of Accumulated Amortization</i>	3,172,547	-	3,172,547
OPEB, <i>Net of Accumulated Amortization</i>	21,011	-	21,011
Loss on Debt Refunding, <i>Net of Accumulated Amortization</i>	-	672,247	672,247
Total Deferred Outflows of Resources	<u>3,193,558</u>	<u>672,247</u>	<u>3,865,805</u>
Liabilities			
Accounts Payable	3,714	-	3,714
Accrued Liabilities	5,910	-	5,910
Accrued Salaries and Benefits	138,267	-	138,267
Accrued Interest Payable	-	16,828	16,828
Noncurrent Liabilities			
Due Within One Year	-	173,280	173,280
Due in More Than One Year	-	5,610,177	5,610,177
Net Pension Liability	9,107,832	-	9,107,832
OPEB Liability	207,984	-	207,984
Total Liabilities	<u>9,463,707</u>	<u>5,800,285</u>	<u>15,263,992</u>
Deferred Inflows of Resources			
Pensions, <i>Net of Accumulated Amortization</i>	372,431	-	372,431
OPEB, <i>Net of Accumulated Amortization</i>	3,480	-	3,480
Total Deferred Inflows of Resources	<u>375,911</u>	<u>-</u>	<u>375,911</u>
Net Position			
Net Investment in Capital Assets	-	(284,349)	(284,349)
Restricted for:			
Debt Service	-	18,867	18,867
Emergencies	98,000	-	98,000
Unrestricted	<u>(4,407,352)</u>	<u>-</u>	<u>(4,407,352)</u>
Total Net Position	<u>\$ (4,309,352)</u>	<u>\$ (265,482)</u>	<u>\$ (4,574,834)</u>

See Notes to Financial Statements.

Pikes Peak School of Expeditionary Learning
(A Component Unit of El Paso County School District 49)
Statement of Activities
For the 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	Governmental Activities	Business-Type Activities	Total
Primary Government						
<i>Governmental Activities</i>						
Instruction	\$ 3,046,830	\$ 143,817	\$ 14,649	\$ (2,888,364)	\$ -	\$ (2,888,364)
Supporting Services	<u>1,251,931</u>	<u>-</u>	<u>-</u>	<u>(1,251,931)</u>	<u>-</u>	<u>(1,251,931)</u>
Total Governmental Activities	<u>4,298,761</u>	<u>143,817</u>	<u>14,649</u>	<u>(4,140,295)</u>	<u>-</u>	<u>(4,140,295)</u>
<i>Business-Type Activities</i>						
Building Corporation	<u>433,969</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(433,969)</u>	<u>(433,969)</u>
Total Primary Government	<u>\$ 4,732,730</u>	<u>\$ 143,817</u>	<u>\$ 14,649</u>	<u>(4,140,295)</u>	<u>(433,969)</u>	<u>(4,574,264)</u>
General Revenues						
Per Pupil Revenue				2,882,487	-	2,882,487
District Mill Levy				205,648	-	205,648
Capital Construction				103,909	-	103,909
Grants and Contributions not Restricted to Specific Programs				28,848	-	28,848
Investment Income				2,802	59	2,861
Transfers				<u>(539,550)</u>	<u>539,550</u>	<u>-</u>
Total General Revenues and Transfers				<u>2,684,144</u>	<u>539,609</u>	<u>3,223,753</u>
Change in Net Position				(1,456,151)	105,640	(1,350,511)
Net Position, Beginning of year				<u>(2,853,201)</u>	<u>(371,122)</u>	<u>(3,224,323)</u>
Net Position, End of year				<u>\$ (4,309,352)</u>	<u>\$ (265,482)</u>	<u>\$ (4,574,834)</u>

Pikes Peak School of Expeditionary Learning
(A Component Unit of El Paso County School District 49)

Balance Sheet
 Governmental Fund
 June 30, 2018

	General
Assets	
Cash and Investments	\$ 2,279,150
Accounts Receivable	57,558
Total Assets	\$ 2,336,708
Liabilities and Fund Balance	
<i>Liabilities</i>	
Accounts Payable	\$ 3,714
Accrued Liabilities	5,910
Accrued Salaries and Benefits	138,267
Total Liabilities	147,891
<i>Fund Balance</i>	
Restricted for Emergencies	98,000
Unrestricted, Unassigned	2,090,817
Total Fund Balance	2,188,817
Total Liabilities and Fund Balance	\$ 2,336,708

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

Total Fund Balance of the Governmental Fund	\$ 2,188,817
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds:	
Net pension liability	(9,107,832)
Pension-related deferred outflows of resources	3,172,547
Pension-related deferred inflows of resources	(372,431)
Net OPEB liability	(207,984)
OPEB-related deferred outflows of resources	21,011
OPPEB-related deferred inflows of resources	(3,480)
Total Net Position of Governmental Activities	\$ (4,309,352)

Pikes Peak School of Expeditionary Learning
(A Component Unit of El Paso County School District 49)
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Governmental Fund
 For the Year Ended June 30, 2018

	General
Revenues	
Local Sources	\$ 3,253,260
State Sources	118,558
Federal Sources	10,342
Total Revenues	3,382,160
Expenditures	
Instruction	1,769,863
Supporting Services	1,368,312
Total Expenditures	3,138,175
Net Change in Fund Balance	243,985
Fund Balance, <i>Beginning of year</i>	1,944,832
Fund Balance, <i>End of year</i>	\$ 2,188,817

Pikes Peak School of Expeditionary Learning

(A Component Unit of El Paso County District 49)

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

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

Net Change in Fund Balance of the Governmental Fund	\$ 243,985
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.

This includes changes in the following:

Net pension liability	(1,299,169)
Pension-related deferred outflows of resources	(58,517)
Pension-related deferred inflows of resources	(337,700)
Net OPEB liability	(14,703)
OPEB-related deferred outflows of resources	13,433
OPEB-related deferred inflows of resources	<u>(3,480)</u>

Change in Net Position of Governmental Activities	<u>\$ (1,456,151)</u>
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Pikes Peak School of Expeditionary Learning
(A Component Unit of El Paso County School District 49)
 Statement of Net Position
 Proprietary Fund
 June 30, 2018

	<u>Building Corporation</u>
Assets	
<i>Current Assets</i>	
Restricted Cash and Investments	\$ <u>35,695</u>
Total Current Assets	<u>35,695</u>
<i>Noncurrent Assets</i>	
Capital Assets, <i>Not Being Depreciated</i>	548,380
Capital Assets, <i>Net of Accumulated Depreciation</i>	<u>4,278,481</u>
Total Noncurrent Assets	<u>4,826,861</u>
Total Assets	<u>4,862,556</u>
Deferred Outflows of Resources	
Loss on Debt Refunding, <i>Net of Accumulated Amortization</i>	<u>672,247</u>
Liabilities	
<i>Current Liabilities</i>	
Accrued Interest Payable	16,828
Loan Payable, <i>Current Portion</i>	<u>173,280</u>
Total Current Liabilities	190,108
<i>Noncurrent Liabilities</i>	
Loan Payable	<u>5,610,177</u>
Total Liabilities	<u>5,800,285</u>
Net Position	
Net Investment in Capital Assets	(284,349)
Restricted for Debt Service	<u>18,867</u>
Total Net Position	<u>\$ (265,482)</u>

Pikes Peak School of Expeditionary Learning
(A Component Unit of El Paso County School District 49)
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2018

	<u>Building Corporation</u>
Operating Revenues	
Lease Income	\$ <u>375,701</u>
Total Operating Revenues	<u>375,701</u>
Operating Expenses	
Depreciation	113,292
Debt Service	
Interest and Fiscal Charges	<u>300,887</u>
Total Operating Expenses	<u>414,179</u>
Net Operating Loss	<u>(38,478)</u>
Nonoperating Revenues (Expenses)	
Investment Income	59
Loss on Disposal of Capital Assets	<u>(19,790)</u>
Total Nonoperating Revenues (Expenses)	<u>(19,731)</u>
Net Loss Before Capital Contributions	(58,209)
Capital Contributions	
Contributed Capital Assets	<u>163,849</u>
Change in Net Position	105,640
Net Position, Beginning of year	<u>(371,122)</u>
Net Position, End of year	<u><u>\$ (265,482)</u></u>

Pikes Peak School of Expeditionary Learning
(A Component Unit of El Paso County School District 49)
Statement of Cash Flows
Proprietary Fund
For the Year Ended June 30, 2018

	Building Corporation
Cash Flows From Operating Activities	
Lease Payments Received	\$ 375,701
Loan Interest and Fees Paid	(205,620)
Loan Principal Paid	<u>(167,420)</u>
Net Cash Provided by Operating Activities	<u>2,661</u>
Cash Flows From Investing Activities	
Investment Income Received	<u>59</u>
Net Change in Cash and Cash Equivalents	2,720
Cash and Cash Equivalents, <i>Beginning of year</i>	<u>32,975</u>
Cash and Cash Equivalents, <i>End of year</i>	<u><u>\$ 35,695</u></u>
Reconciliation of Net Operating Loss to Net Cash Provided by Operating Activities	
Net Operating Loss	\$ (38,478)
Adjustments to Reconcile Net Operating Loss to Net Cash Provided by Operating Activities	
Depreciation Expense	113,292
Amortization of Loss on Debt Refunding	96,036
Changes in Assets and Liabilities	
Accrued Interest Payable	(769)
Loan Payable	<u>(167,420)</u>
Net Cash Provided by Operating Activities	<u><u>\$ 2,661</u></u>
Noncash Capital Transactions	
Contributed Capital Assets	<u><u>\$ 163,849</u></u>

Pikes Peak School of Expeditionary Learning
(A Component Unit of El Paso County School District 49)
Notes to Financial Statements
June 30, 2018

Note 1: Summary of Significant Accounting Policies

Nature of Operations

The Pikes Peak School of Expeditionary Learning (the School) was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within the El Paso County School District 49 (the District). The School began operations in the Fall of 1999.

The financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) 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. The more significant of the School's accounting policies are described below.

Reporting Entity

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

The School includes the PPSEL Building Corporation (the Building Corporation) within its reporting entity. The Building Corporation was formed in November 2007, exclusively for charitable or educational purposes, and for the purpose of holding title to property and otherwise act to facilitate the operations of the School, and to promote public and charter school education. The Building Corporation is blended into the School's financial statements as an enterprise fund. Separate audited financial statements are not available for the Building Corporation.

The School is a component unit of the District. The District authorized 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. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Pikes Peak School of Expeditionary Learning
(A Component Unit of El Paso County School District 49)
Notes to Financial Statements
June 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements (Continued)

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current year or soon enough thereafter to pay liabilities of the current year, not to exceed 60 days. Intergovernmental revenues, grants and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the School. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with ongoing operations. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Pikes Peak School of Expeditionary Learning
(A Component Unit of El Paso County School District 49)
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 School reports the following major governmental fund:

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

The School reports the following major proprietary fund:

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

Assets, Liabilities and Net Position/Fund Balance

Cash Equivalents - Cash equivalents include investments with original maturities of three months or less.

Accounts Receivable - All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Capital Assets - Capital assets, are reported in the governmental and business-type activities columns in the government-wide financial statements and the proprietary fund in the fund financial statements. Capital assets are defined as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the acquisition value on the date of donation.

Depreciation of exhaustible capital assets is charged as an expense against operations and accumulated depreciation is reported in the statement of net position in the government-wide financial statements and the proprietary fund in the fund financial statements. Depreciation is provided over the following estimated useful lives of the capital assets using the straight-line method.

Land Improvements	10 years
Buildings	50 years
Equipment and Furniture	5 years

Net interest incurred during construction is included in the capitalized value of capital assets in the proprietary fund.

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

Pikes Peak School of Expeditionary Learning
(A Component Unit of El Paso County School District 49)
Notes to Financial Statements
June 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

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

Compensated Absences - The School's policy allows employees to accumulate unused vacation and sick leave. Accumulated unused leave is paid to employees annually at 60% of the daily substitute rate. Therefore, no liability is reported in the financial statements for these compensated absences.

Long-Term Debt - In the government-wide financial statements and the proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Debt premiums, discounts and refunding losses are deferred and amortized over the life of the debt using the straight-line method. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses.

Issuance costs, whether or not withheld from the debt proceeds, are reported as current expenses or expenditures.

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

Postemployment Benefits Other Than Pensions (OPEB) - The School participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Public Employees' Retirement Association of Colorado (PERA). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position, and additions to and deductions from the HCTF's fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used by the HCTF. For this purpose, the HCTF recognizes benefit payments when due and payable in accordance with the benefit terms. Employer contributions are recognized when the compensation is payable to the employees.

Net Position/Fund Balance - In the government-wide and fund financial statements, net position and fund balance are restricted when constraints placed on the use of resources are externally imposed. The Board of Directors is authorized to establish a fund balance commitment through passage of a resolution and may assign fund balances to a specific purpose through an informal action.

Pikes Peak School of Expeditionary Learning
(A Component Unit of El Paso County School District 49)
Notes to Financial Statements
June 30, 2018

Note 1: Summary of Significant Accounting Policies (Continued)

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

The School has not established a formal policy for its use of restricted and unrestricted fund balances. However, if both restricted and unrestricted fund balances are available for a specific purpose, the School uses restricted fund balance first, followed by committed, assigned and unassigned balances.

Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; injuries to employees; and natural disasters. The School carries commercial insurance for these risks of loss.

Note 2: Stewardship, Compliance and Accountability

Accountability

At June 30, 2018, the Building Corporation had a negative net position of \$265,482. Management expects this negative balance to be eliminated as the Building Corporation's debt is paid.

Note 3: Cash and Investments

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

Deposits	\$ 2,279,150
Investments	<u>35,695</u>
Total	<u>\$ 2,314,845</u>

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

Cash and Investments	\$ 2,279,150
Restricted Cash and Investments	<u>35,695</u>
Total	<u>\$ 2,314,845</u>

Pikes Peak School of Expeditionary Learning
(A Component Unit of El Paso County School District 49)
Notes to Financial Statements
June 30, 2018

Note 3: Deposits and Investments (Continued)

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. At June 30, 2018, the School had bank deposits of \$1,808,416 collateralized with securities held by the financial institutions' agents but not in the School's name.

Investments

The School is required to comply with State statutes which specify investment instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk.

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

Fair Value Measurements - At June 30, 2018, the Building Corporation's investment in a money market fund was reported at the net asset value per share.

Interest Rate Risk - State statutes generally limit investments to an original maturity of five years from the date of purchase, unless the governing board authorizes the investment for a period in excess of five years.

Credit Risk - State statutes limit investments in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with the Securities and Exchange Commission's Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by one or more nationally recognized statistical rating organizations. At June 30, 2018, the Building Corporation had \$35,695 invested in the Morgan Stanley Institutional Liquidity Funds Government Portfolio money market fund, which was rated AAAM by Standard and Poor's.

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

Pikes Peak School of Expeditionary Learning
(A Component Unit of El Paso County School District 49)
 Notes to Financial Statements
 June 30, 2018

Note 3: Deposits and Investments (Continued)

Restricted Cash and Investments

Cash and investments of \$35,695 have been restricted for debt service in accordance with the Building Corporation's loan agreements.

Note 4: Capital Assets

Changes in capital assets for the year ended June 30, 2018, are summarized below.

	<u>Balance 6/30/17</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/18</u>
Governmental Activities				
<i>Capital Assets, Being Depreciated</i>				
Equipment	\$ 6,300	\$ -	\$ (6,300)	\$ -
Less Accumulated Depreciation Equipment	<u>(6,300)</u>	<u>-</u>	<u>6,300</u>	<u>-</u>
Governmental Activities Capital Assets, <i>net</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Business-Type Activities				
<i>Capital Assets, Not Being Depreciated</i>				
Land	\$ 397,875	\$ -	\$ -	\$ 397,875
Land Improvements	108,505	-	-	108,505
Water Rights	<u>42,000</u>	<u>-</u>	<u>-</u>	<u>42,000</u>
Total Capital Assets, <i>Not Being Depreciated</i>	<u>548,380</u>	<u>-</u>	<u>-</u>	<u>548,380</u>
<i>Capital Assets, Being Depreciated</i>				
Land Improvements	27,857	148,609	(27,857)	148,609
Buildings	5,122,811	15,240	-	5,138,051
Equipment and Furniture	<u>109,856</u>	<u>-</u>	<u>-</u>	<u>109,856</u>
Total Capital Assets, <i>Being Depreciated</i>	<u>5,260,524</u>	<u>163,849</u>	<u>(27,857)</u>	<u>5,396,516</u>
<i>Less Accumulated Depreciation</i>				
Land Improvements	(7,138)	(10,836)	8,067	(9,907)
Buildings	(895,816)	(102,456)	-	(998,272)
Equipment and Furniture	<u>(109,856)</u>	<u>-</u>	<u>-</u>	<u>(109,856)</u>
Total Accumulated Depreciation	<u>(1,012,810)</u>	<u>(113,292)</u>	<u>8,067</u>	<u>(1,118,035)</u>
Total Capital Assets, <i>Being Depreciated, net</i>	<u>4,247,714</u>	<u>50,557</u>	<u>(19,790)</u>	<u>4,278,481</u>
Business-Type Activities Capital Assets, <i>net</i>	<u>\$ 4,796,094</u>	<u>\$ 50,557</u>	<u>\$ (19,790)</u>	<u>\$ 4,826,861</u>

Pikes Peak School of Expeditionary Learning
(A Component Unit of El Paso County School District 49)
Notes to Financial Statements
June 30, 2018

Note 5: Long-Term Debt

	Balance 6/30/17	Additions	Payments	Balance 6/30/18	Due Within One Year
Business-Type Activities					
2015 Building Loan	\$ 5,950,877	\$ -	\$ (167,420)	\$ 5,783,457	\$ 173,280

In December, 2015, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$6,189,136 Charter School Refunding Revenue Bonds, Series 2015. Bond proceeds were used to refund the outstanding Charter School Revenue Bonds, Series 2008. Proceeds of the Series 2008 Bonds were loaned to the Building Corporation under a loan agreement to construct the School's educational facilities. The School is obligated under a lease agreement to make monthly lease payments to the Building Corporation for using the facilities. The Building Corporation is required to make equal loan payments to the trustee, for payment of the bonds. Interest accrues at 3.5% per annum and is payable monthly. Principal payments are due annually on December 1, beginning in 2016, through 2025, with a balloon payment of \$4,339,726 due on January 1, 2026.

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2019	\$ 173,280	\$ 199,188	\$ 372,468
2020	179,345	193,026	372,371
2021	185,622	186,650	372,272
2022	192,119	180,049	372,168
2023	198,843	173,218	372,061
2024 - 2027	4,854,248	414,150	5,268,398
Total	\$ 5,783,457	\$ 1,346,281	\$ 7,129,738

Note 6: Defined Benefit Pension Plan

General Information

Plan Description - The School contributes to the School Division Trust Fund (SDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). All employees of the School participate in the SDTF. Title 24, Article 51 of the Colorado Revised Statutes (CRS) assigns the authority to establish and amend plan provisions to the State Legislature. PERA issues a publicly available financial report that includes information on the SDTF. That report may be obtained at www.copera.org/investments/pera-financial-reports.

Pikes Peak School of Expeditionary Learning
(A Component Unit of El Paso County School District 49)
Notes to Financial Statements
June 30, 2018

Note 6: Defined Benefit Pension Plan

General Information (Continued)

Benefits Provided - The SDTF provides retirement, disability and survivor benefits to plan participants or their beneficiaries. Retirement benefits are determined by the amount of service credit earned or purchased, highest average salary, the benefit structure in place, the benefit option selected at retirement and age at retirement. The retirement benefit is the greater of the a) highest average salary multiplied by 2.5% and then multiplied by years of service credit, or b) the value of the participant's contribution account plus an equal match on the retirement date, annualized into a monthly amount based on life expectancy and other actuarial factors. In no case can the benefit amount exceed the highest average salary or the amount allowed by applicable federal regulations.

Retirees may elect to withdraw their contributions upon termination of employment and may be eligible to receive a matching amount if five years of service credit is earned and certain other criteria is met. Retirees who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs) as established by State statutes. Retirees who began employment before January 1, 2007, receive an annual increase of 2%, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2% or the average consumer price index for the prior calendar year. Retirees that began employment after January 1, 2007, receive an annual increase of the lesser of 2% or the average consumer price index for the prior calendar year, with certain limitations.

Disability benefits are available for plan participants once they reach five years of earned service credit and meet the definition of a disability. The disability benefit amount is based on the retirement benefit formula described previously, considering a minimum of twenty years of service credit.

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure in place and the qualified survivor receiving the benefits.

Contributions - The School and eligible employees are required to contribute to the SDTF at rates established by Title 24, Article 51, Part 4 of the CRS. These contribution requirements are established and may be amended by the State Legislature. The contribution rate for employees is 8% of covered salaries. The School's contribution rate for calendar years 2018 and 2017 was 20.15% and 19.65% of covered salaries, respectively. However, a portion of the School's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 7). The School's contributions to the SDTF for the year ended June 30, 2018, were \$261,457, equal to the required contributions.

Pikes Peak School of Expeditionary Learning
(A Component Unit of El Paso County School District 49)
 Notes to Financial Statements
 June 30, 2018

Note 6: Defined Benefit Pension Plan (Continued)

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

At June 30, 2018, the School reported a net pension liability of \$9,107,832, representing its proportionate share of the net pension liability of the SDTF. The net pension liability was measured at December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017.

The School's proportion of the net pension liability was based on the School's contributions to the SDTF for the calendar year ended December 31, 2017, relative to the contributions of all participating employers. At December 31, 2017, the School's proportion was 0.0281658409%, which was an increase of 0.0019392734% from its proportion measured at December 31, 2016.

During the 2018 legislative session, the State Legislature passed Senate Bill (SB) 18-200 with the goal of eliminating the unfunded pension liability of the SDTF within the next 30 years. The significant provisions of the legislation include increased age and service requirements to receive full retirement benefits, highest average salary calculated over five years rather than three years, changes to includable employee salaries, increased contributions from employees and employers, and an annual direct distribution from the State of Colorado. The School's estimated net pension liability at June 30, 2018, had the provisions of SB 18-200 been effective was \$4,114,840.

For the year ended June 30, 2018, the School recognized pension expense of \$2,173,765. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 167,454	\$ -
Changes of assumptions and other inputs	2,325,567	14,758
Net difference between projected and actual earnings on plan investments	-	357,673
Changes in proportion	533,612	-
Contributions subsequent to the measurement date	145,914	-
Total	\$ 3,172,547	\$ 372,431

Pikes Peak School of Expeditionary Learning
(A Component Unit of El Paso County School District 49)
 Notes to Financial Statements
 June 30, 2018

Note 6: Defined Benefit Pension Plan (Continued)

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

School contributions subsequent to the measurement date of \$145,914 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,

2019		\$	1,691,778
2020			1,020,085
2021			76,897
2022			<u>(134,558)</u>
Total		\$	<u>2,654,202</u>

Actuarial Assumptions - The actuarial valuation as of December 31, 2016, determined the total pension liability using the following actuarial assumptions and other inputs.

Price inflation	2.4%
Real wage growth	1.1%
Wage inflation	3.5%
Salary increases, including wage inflation	3.5% - 9.7%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate ¹	5.26%
Post-retirement benefit increases:	
Hired prior to 1/1/2007	2.0%
Hired after 12/31/2006	ad hoc

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

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table. The mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates. Healthy, post-retirement mortality assumptions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, with certain adjustments. For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

Pikes Peak School of Expeditionary Learning
(A Component Unit of El Paso County School District 49)
 Notes to Financial Statements
 June 30, 2018

Note 6: Defined Benefit Pension Plan (Continued)

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

On November 18, 2016, PERA's governing board adopted revised economic and demographic assumptions based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, which were effective on December 31, 2016. The significant changes affecting the plan included decreasing the investment rate of return assumption from 7.5% per year, compounded annually, net of investment expenses, to 7.25%, and updating mortality assumptions based on RP-2014 mortality tables.

The long-term expected rate of return on plan investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

The most recent analysis of the long-term expected rate of return was adopted by PERA's governing board on November 18, 2016, and included the target allocation and best estimates of geometric real rates of return for each major asset class, as follows:

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

Pikes Peak School of Expeditionary Learning
 (A Component Unit of El Paso County School District 49)
 Notes to Financial Statements
 June 30, 2018

Note 6: Defined Benefit Pension Plan (Continued)

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

Discount Rate - The discount rate used to measure the total pension liability was 4.78%. The projection of cash flows used to determine the discount rate assumed that employee contributions will be made at the current contribution rate and the employer contributions will be made at the rates specified in State statutes, which currently require annual increases, to a total of 20.15% of covered salaries for the year ended December 31, 2018. When the actuarially determined funding ratio reaches 103%, the employer contribution rate will decrease 0.5% each year, to a minimum of 10.15%.

Based on the assumptions described previously, the SDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate, defined as the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index, was used in the determination of the discount rate. The long-term expected rate of return of 7.25% on plan investments was applied to all periods through 2041 and the municipal bond index rate was applied to periods after 2041 to develop the discount rate. On the measurement date of December 31, 2017, the municipal bond index rate was 3.34%, resulting in a discount rate of 4.78%. The discount rate at the prior measurement date was 5.26%.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate - The following presents the School's proportionate share of the net pension liability calculated using the discount rate of 4.78%, as well as the School's proportionate share of the net pension liability if it were calculated using a discount rate that is one percentage point lower (3.78%) or one percentage point higher (5.78%) than the current rate, as follows:

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate share of the net pension liability	\$ 11,504,741	\$ 9,107,832	\$ 7,154,625

Pension Plan Fiduciary Net Position - Detailed information about the SDTF's fiduciary net position is available in PERA's separately issued financial report, which may be obtained at www.copera.org/investments/pera-financial-reports.

Pikes Peak School of Expeditionary Learning
(A Component Unit of El Paso County School District 49)
Notes to Financial Statements
June 30, 2018

Note 7: Postemployment Healthcare Benefits

General Information

Plan Description - All employees of the School are eligible to receive postemployment benefits other than pensions (OPEB) through the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Public Employees' Retirement Association of Colorado (PERA). Title 24, Article 51, Part 12 of the Colorado Revised Statutes (CRS) assigns the authority to establish and amend plan provisions to the State Legislature. PERA issues a publicly available financial report that includes information on the HCTF. That report may be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided - The HCTF provides a healthcare premium subsidy to eligible benefit recipients and retirees who choose to enroll. Eligibility to enroll is voluntary and includes benefit recipients, their eligible dependents and surviving spouses, among others. Eligible benefit recipients may enroll in the HCTF upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period. The health care premium subsidy is based on the benefit structure under which the member retires and the member's years of service credit.

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare, and \$115 per month for benefit recipients who are over 65 years of age or who are under 65 years of age and entitled to Medicare. An additional subsidy is provided if the benefit recipient has not participated in Social Security and is not otherwise eligible for Medicare Part A. The maximum subsidy is based on 20 or more years of service. The subsidy is reduced for each year of service less than 20 years. The benefit recipient pays the remaining portion of the premium not covered by the subsidy.

Contributions - As established by Title 24, Article 51, Section 208 of the CRS, 1.02% of the School's contributions to the School Division Trust Fund (SDTF) (See Note 6) is apportioned to the HCTF. No employee contributions are required. These contribution requirements are established and may be amended by the State Legislature. The School's apportionment to the HCTF for the year ended June 30, 2018, was \$13,400, equal to the required amount.

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

At June 30, 2018, the School reported a net OPEB liability of \$207,984, representing its proportionate share of the net OPEB liability of the HCTF. The net OPEB liability was measured at December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2017.

The School's proportion of the net OPEB liability was based on the School's contributions to the HCTF for the calendar year ended December 31, 2017, relative to the contributions of all participating employers. At December 31, 2017, the School's proportion was 0.0160036982%, which was an increase of 0.0010962061% from its proportion measured at December 31, 2016.

Pikes Peak School of Expeditionary Learning
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 June 30, 2018

Note 7: Postemployment Healthcare Benefits (Continued)

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

For the year ended June 30, 2018, the School recognized OPEB expense of \$18,572. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 984	\$ -
Net difference between projected and actual earnings on plan investments	-	3,480
Changes in proportion	11,879	-
Contributions subsequent to the measurement date	8,148	-
Total	\$ 21,011	\$ 3,480

School contributions subsequent to the measurement date of \$8,148 will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ended June 30,

2019	\$ 1,657
2020	1,657
2021	1,657
2022	1,657
2023	2,527
2024	228
Total	\$ 9,383

Actuarial Assumptions - The actuarial valuation as of December 31, 2016, determined the total OPEB liability using the following actuarial assumptions and other inputs, applied to all periods included in the measurement.

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Note 7: Postemployment Healthcare Benefits (Continued)

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

Price inflation	2.4%
Real wage growth	1.1%
Wage inflation	3.5%
Salary increases, including wage inflation	3.5%
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates:	
Service-based premium subsidy	0.0%
Medicare plans	5.0%
Medicare Part A premiums:	
3% for 2017, gradually rising to 4.25% in 2023	

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table. The mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates. Healthy, post-retirement mortality assumptions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, with certain adjustments. For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

Health care cost trend rates are based on published annual health care inflation surveys in conjunction with actual plan experience, building block models and heuristics developed by actuaries and administrators, and other projected trends.

The actuarial assumptions used in the December 31, 2016, valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, and were adopted by PERA's governing board on November 18, 2016. In addition, certain actuarial assumptions pertaining to per capita health care costs and the related trends are analyzed by PERA's actuary as needed.

The long-term expected rate of return on the HCTF investments was determined using a log-normal distribution analysis in which best estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

The most recent analysis of the long-term expected rate of return was adopted by PERA's governing board on November 18, 2016, and included the target allocation and best estimates of geometric real rates of return for each major asset class, as presented previously in Note 6.

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 June 30, 2018

Note 7: Postemployment Healthcare Benefits (Continued)

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

Discount Rate - The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at the current contribution rate. Based on this assumption, the HCTF's fiduciary net position was projected to be available to make all projected future OPEB payments to current active and inactive employees. Therefore, the long-term expected rate of return on HCTF investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the School's proportionate share of the net OPEB liability calculated using the discount rate of 7.25%, as well as the School's proportionate share of the net OPEB liability if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate, as follows:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 233,839	\$ 207,984	\$ 185,916

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the School's proportionate share of the net OPEB liability calculated using the current healthcare cost trend rates, ranging from 3% to 5%, as well as the School's proportionate share of the net OPEB liability if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates, as follows:

	1% Decrease	Current Healthcare Cost Trend Rate	1% Increase
Proportionate share of the net OPEB liability	\$ 202,264	\$ 207,984	\$ 214,876

OPEB Plan Fiduciary Net Position - Detailed information about the HCTF's fiduciary net position is available in PERA's separately issued financial report, which may be obtained at www.copera.org/investments/pera-financial-reports.

Pikes Peak School of Expeditionary Learning
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 Notes to Financial Statements
 June 30, 2018

Note 8: Commitments and Contingencies

Claims and Judgments

The School participates in a number of federal and state programs that are fully or partially funded by revenues received from other governmental entities. Expenditures financed by these revenues are subject to audit by the appropriate government. If expenditures are disallowed due to noncompliance with program regulations, the School may be required to reimburse the other government. At June 30, 2018, significant amounts of related expenditures have not been audited but the School believes that no expenditures will be disallowed.

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The Amendment is subject to many interpretations, but the School believes it is in substantial compliance with the Amendment. In accordance with the Amendment, the School has established an emergency reserve representing 3% of qualifying expenditures. At June 30, 2018, the reserve was reported as restricted fund balance in the General Fund, in the amount of \$98,000.

Note 9: Change in Accounting Principle

For the year ended June 30, 2018, the School adopted the standards of Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result, net position of the governmental activities at June 30, 2017, was restated to reflect the cumulative effect of adopting the standards.

Certain balances of deferred outflows of resources and deferred inflows of resources related to OPEB at June 30, 2017, were not available and have not been reported in the financial statements.

	Governmental Activities
Net Position, June 30, 2017, <i>as Originally Stated</i>	\$ (2,667,498)
Deferred Outflows of Resources	7,578
Net OPEB Liability	(193,281)
Net Position, June 30, 2017, <i>as Restated</i>	\$ (2,853,201)

Required Supplementary Information

Pikes Peak School of Expeditionary Learning
(A Component Unit of El Paso County School District 49)
 Required Supplementary Information
 Schedule of Proportionate Share of the Net Pension Liability and Contributions
 Public Employees' Retirement Association of Colorado School Division Trust Fund
 June 30, 2018

	<u>12/31/17</u>	<u>12/31/16</u>	<u>12/31/15</u>	<u>12/31/14</u>	<u>12/31/13</u>
Proportionate Share of the Net Pension Liability					
School's Proportion of the Net Pension Liability	0.0281658409%	0.0262265675%	0.0244496754%	0.0240127421%	0.0240889865%
School's Proportionate Share of the Net Pension Liability	\$ 9,107,832	\$ 7,808,663	\$ 3,739,405	\$ 3,254,533	\$ 3,072,544
School's Covered Payroll	\$ 1,299,255	\$ 1,177,095	\$ 1,065,511	\$ 1,005,963	\$ 971,103
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	701%	663%	351%	324%	316%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	44%	43%	59%	63%	64%
	<u>6/30/18</u>	<u>6/30/17</u>	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/14</u>
School Contributions					
Statutorily Required Contribution	\$ 248,057	\$ 230,669	\$ 196,681	\$ 172,883	\$ 158,088
Contributions in Relation to the Statutorily Required Contribution	<u>(248,057)</u>	<u>(230,669)</u>	<u>(196,681)</u>	<u>(172,883)</u>	<u>(158,088)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered Payroll	\$ 1,313,765	\$ 1,254,556	\$ 1,108,785	\$ 1,023,612	\$ 988,682
Contributions as a Percentage of Covered Payroll	18.88%	18.39%	17.74%	16.89%	15.99%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

Pikes Peak School of Expeditionary Learning

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Required Supplementary Information

Schedule of Proportionate Share of the Net OPEB Liability and Contributions
Public Employees' Retirement Association of Colorado Health Care Trust Fund
June 30, 2018

	12/31/17
Proportionate Share of the Net OPEB Liability	
School's Proportion of the Net OPEB Liability	0.0160036982%
School's Proportionate Share of the Net OPEB Liability	\$ 207,984
School's Covered-Employee Payroll	\$ 1,299,255
School's Proportionate Share of the Net OPEB Liability as a Percentage of Covered-Employee Payroll	16%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	18%
	6/30/18
School Contributions	
Statutorily Required Contribution	\$ 13,400
Contributions in Relation to the Statutorily Required Contribution	(13,400)
Contribution Deficiency (Excess)	\$ -
School's Covered-Employee Payroll	\$ 1,421,742
Contributions as a Percentage of Covered-Employee Payroll	0.94%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

Pikes Peak School of Expeditionary Learning
(A Component Unit of El Paso County School District 49)
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2018

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
<i>Local Sources</i>				
Per Pupil Revenue	\$ 2,777,646	\$ 2,797,786	\$ 2,882,487	\$ 84,701
District Mill Levy	80,000	80,000	205,648	125,648
Student Fees and Activities	130,000	130,000	143,817	13,817
Contributions	14,000	14,000	18,506	4,506
Investment Income	3,500	3,500	2,802	(698)
Total Local Sources	<u>3,005,146</u>	<u>3,025,286</u>	<u>3,253,260</u>	<u>227,974</u>
<i>State Sources</i>				
Capital Construction	100,000	100,000	103,909	3,909
Grants	12,000	12,000	14,649	2,649
Total State Sources	<u>112,000</u>	<u>112,000</u>	<u>118,558</u>	<u>6,558</u>
<i>Federal Sources</i>				
Impact Aid	-	-	10,342	10,342
Total Revenues	<u>3,117,146</u>	<u>3,137,286</u>	<u>3,382,160</u>	<u>244,874</u>
Expenditures				
Salaries	1,439,460	1,450,460	1,421,742	28,718
Employee Benefits	423,000	423,000	400,343	22,657
Purchased Professional Services	487,350	487,550	668,321	(180,771)
Purchased Property Services	477,300	483,300	386,783	96,517
Other Purchased Services	72,800	72,800	128,404	(55,604)
Supplies	85,100	85,100	85,653	(553)
Property	93,000	93,000	30,995	62,005
Other	4,000	4,000	15,934	(11,934)
Contingency	114,000	114,000	-	114,000
Total Expenditures	<u>3,196,010</u>	<u>3,213,210</u>	<u>3,138,175</u>	<u>75,035</u>
Net Change in Fund Balance	(78,864)	(75,924)	243,985	319,909
Fund Balance, Beginning of year	<u>1,684,000</u>	<u>1,684,000</u>	<u>1,944,832</u>	<u>260,832</u>
Fund Balance, End of year	<u>\$ 1,605,136</u>	<u>\$ 1,608,076</u>	<u>\$ 2,188,817</u>	<u>\$ 580,741</u>

Pikes Peak School of Expeditionary Learning
(A Component Unit of El Paso County School District 49)
Notes to Required Supplementary Information
June 30, 2018

Note 1: Schedule of Proportionate Share of the Net Pension Liability and Contributions

The Public Employees' Retirement Association of Colorado (PERA) School Division Trust Fund's net pension liability and associated amounts are measured annually at December 31, based on an actuarial valuation as of the previous December 31. The School's contributions and related ratios represent cash contributions and any related accruals that coincide with the School's fiscal year ending on June 30.

Changes in Assumptions and Other Inputs

For the year ended June 30, 2018, the total pension liability was determined by an actuarial valuation as of December 31, 2016. The following revised economic and demographic assumptions were effective as of December 31, 2016.

- Investment rate of return assumption decreased from 7.5% per year, compounded annually, net of investment expenses, to 7.25%.
- Price inflation assumption decreased from 2.8% per year to 2.4%.
- Real rate of investment return assumption increased from 4.7% per year, net of investment expenses, to 4.85%.
- Wage inflation assumption decreased from 3.9% per year to 3.5%.
- Healthy and disabled mortality assumptions are based on the RP-2014 Mortality Tables, updated from the RP-2000 Mortality Tables.

Note 2: Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

A budget is adopted for the School on a basis consistent with generally accepted accounting principles.

Management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1, for their approval. The budget includes proposed expenditures and the means of financing them.

Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Board of Directors.

All appropriations lapse at fiscal year-end.