VANGUARD CLASSICAL SCHOOL

(A Component Unit of Joint School District No. 28-J of the Counties of Adams and Arapahoe, Colorado)

FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION

YEAR ENDED JUNE 30, 2018

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CliftonLarsonAllen LLP
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INDEPENDENT AUDITORS' REPORT

Board of Directors
Vanguard Classical School
Denver, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and the General Fund of the Vanguard Classical School, a component unit of Joint School District 28J of the Counties of Adams and Arapahoe, Colorado (Aurora Public School District), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the General Fund of the Vanguard Classical School as of June 30, 2018, and the respective changes in financial position and budgetary comparison for the General Fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of a Matter

Implementation of GASB Statement No. 75

During fiscal year ended June 30, 2018, the Vanguard Classical School adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions.* As a result of the implementation of these standards, the Vanguard Classical School reported a restatement for the change in accounting principle (see Note 11). As of July 1, 2017, Vanguard Classical School's net position was restated to reflect the impact of this adoption. Our auditors' opinions were not modified with respect to the restatement.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 7 and the pension and other postemployment benefits schedules on pages 41 through 44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 24, 2018, on our consideration of the Vanguard Classical School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Vanguard Classical School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Vanguard Classical School's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Broomfield, Colorado
September 24, 2018

History and Nature of Operation

Vanguard Classical School (formerly known as CP Charter School) was started by Ability Connection of Colorado Inc., (formerly known as Cerebral Palsy of Colorado Inc.), a nonprofit Corporation. Ability Connection of Colorado was incorporated in 1952 to provide educational, social and therapeutic programs and related activities for persons with cerebral palsy and other disabilities. Ability Connection of Colorado is currently providing community based education services for children of all abilities, birth to five years of age, family support services, a full range of employment services, a statewide information referral service, and statewide education/training for people with disabilities and their families.

Vanguard Classical School (the School) received its charter from Aurora Public Schools in December 2006 and opened in July 2007. The charter was amended in January 2014 to include a high school located on the School's east campus at 17101 East Ohio Drive, Aurora, Colorado. Activities of the high school are included in the accompanying financial statements. The School is a separate Colorado nonprofit organization with its own 501(c)(3) corporation (received July 2009), governed by its own board of directors. The School's west campus is co-located with the corporate offices of Ability Connection of Colorado at 801 Yosemite Street, Denver, Colorado.

As management of Vanguard Classical School, we offer readers of the School's basic financial statements this narrative and analysis of the financial activities of the School as of and for the year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with additional information provided in the basic financial statements.

Financial Highlights

The School's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $21,962,580 at June 30, 2018. This is largely related to the fourth year implementation of the Government Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions* and first year of implementation of Government Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result, the School's net pension liability of $(30,621,638) and net OPEB liability of $(699,269) are recorded in liabilities. See Notes 7 and 8 beginning on pages 21 and 32, respectively, for further information.

The School's unrestricted net position for the year ended June 30, 2018 is $(22,352,809). The total unrestricted net position is made up of $(23,034,350) that is attributable to the unfunded net pension and net OPEB liabilities and $681,541 that is a result of operational revenues exceeding operational expenses.

The School's General Fund reported an ending fund balance of $1,071,770, an increase of $423,204. The total General Fund balance is 9% of the fiscal year 2018 General Fund operating expenditures.

Overview of Basic Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. These basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements.

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the School's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of the School's assets and deferred outflows of resources, liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The statement of activities presents information showing how the School's net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flow changes in future fiscal periods (for example, salaries and benefits earned but unpaid and changes in the net pension liability).

In the government-wide financial statements, the School's activities are part of one distinct kind of activity.

- Governmental activities – Most of the School's programs and services are reported here including instruction and support services.

The School has no business-type activities.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements.

The School operates one governmental fund, the General Fund:

- General fund – The School's activities are reported in its General fund, which has a focus on how money flows into and out of that fund. The balance left at year-end is available for spending in future periods. The governmental fund statement provides a detailed short-term view that helps determine whether there are more or less financial resources that can be spent in the near future in financing the School's programs. Because there are differences between governmental activities (shown in the statement of net position and the statement of activities previously discussed) and its governmental fund, a reconciliation is provided in the financial statements.

Notes to Financial Statements

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

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the School's financial position. In the case of Vanguard Classical School, as of June 30, 2018, combined net position is $(21,962,580) for its eleventh year of operations.

The following tables summarize the School's statement of net position as of June 30, 2018 and 2017.

COMPARATIVE STATEMENT OF NET POSITION

	2018	2017*
ASSETS		
Cash	$ 1,454,355	$ 1,017,516
Restricted Cash	50,000	50,000
Accounts Receivable	93,277	225
Prepaid Expenses	231,354	230,354
Total Assets	1,828,986	1,298,095
DEFERRED OUTFLOWS OF RESOURCES		
Related to Other Postemployment Benefits	33,143	-
Related to Pension	9,705,276	13,006,261
Total Deferred Outflows of Resources	9,738,419	13,006,261
LIABILITIES		
Accounts Payable	141,203	34,192
Due to Aurora Public Schools	150,530	130,315
Accrued Salaries and Benefits	465,483	485,022
Net Other Postemployment Benefits Liability	699,269	-
Net Pension Liability	30,621,638	28,115,409
Total Liabilities	32,078,123	28,764,938
DEFERRED INFLOWS OF RESOURCES		
Related to Other Postemployment Benefits	16,866	-
Related to Pension	1,434,996	127,034
Total Deferred Inflows of Resources	1,451,862	127,034
NET POSITION		
Restricted for TABOR	340,229	318,304
Restricted for Legal Contingency	50,000	50,000
Unrestricted	(22,352,809)	(14,955,920)
Total Net Position	$ (21,962,580)	$ (14,587,616)

As of June 30, 2018, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $21,962,580. Per Article X, Section 20 of the Colorado constitution, also known as the 1992 Taxpayer Bill of Rights or the TABOR Amendment, the School is required to establish a separate emergency reserve equaling 3% of applicable expenditures. The School's emergency reserve requirement under TABOR as of June 30, 2018 was $340,229.

**The School was unable to reflect the Other Postemployment Benefits liability to the beginning of fiscal year 2017 as that information was not available.*

Government-Wide Financial Analysis (Continued)

The following tables summarize the School's statement of activities for the years ended June 30, 2018 and 2017.

STATEMENT OF ACTIVITIES

	Governmental Activities	
	2018	2017*
REVENUE		
Program Revenues:		
Charges for Services	$ 159,603	$ 171,770
Operating Grants and Contributions	1,441,272	1,100,859
General Revenue:		
State Categorical Revenue	9,412,760	8,734,754
Revenue from Local Sources	754,545	614,612
Other	391	201
Total Revenue	11,768,571	10,622,196
EXPENSES		
Instruction	11,259,328	10,806,837
Supporting Services	7,210,335	6,035,623
Total Expenses	18,469,663	16,842,460
CHANGE IN NET POSITION	(6,701,092)	(6,220,264)
Net Position - Beginning of Year (as restated)	(15,261,488)	(8,367,352)
NET POSITION - END OF YEAR	$ (21,962,580)	$ (14,587,616)

**Certain amounts for the year ended June 30, 2017 have been reclassified to conform with the presentation of the June 30, 2018 amounts. The reclassifications have no effect on net position for the year ended June 30, 2017.*

The statement of activities reflect growth in several areas. State Categorical Revenue increased due to increased enrollment (FTE) at both the East and West campuses. Instruction and support services expenses primarily increased due to an increase in staffing to respond to the growth in enrollment and because staff received an increase in pay for the year.

Financial Analysis of the School's Fund

The School has one governmental fund, the General Fund. The General Fund is considered a major fund and is used to account for the School's general operations. Changes related to the General Fund are very similar to those noted in Governmental Activities.

Budgetary Highlights

A budgetary comparison for the General Fund has been provided in the basic financial statements to demonstrate compliance with the budget. The School budgeted expenditures of $11,616,778 for the year ended June 30, 2018. Actual expenditures were $11,345,367 for the same period.

Facilities

The School leases its office and School facilities under an operating lease with Ability Connection of Colorado that expires on June 30, 2018.

Annual rent payments under the lease were $2,414,242 (included in Supporting Services) for the year ended June 30, 2018.

Capital Assets and Long-Term Liabilities

The School has no capital assets as of June 30, 2018. The School has long-term liabilities of $30,621,638 and $699,269 for the School's net pension and net OPEB liabilities, respectively.

Economic Factors and Next Year's Budget

The primary factor driving the budget for the School is student enrollment. Funded Pupil Count (FPC) for the 2018 School year was 483 for the west campus and 709 for the east campus. The FPC projected for the 2019 School year is 454 for the west campus and 780 for the east campus. This is a major factor used in preparing the School's budget for the fiscal year 2019.

Request for Information

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

Board President
Vanguard Classical School
801 Yosemite Street
Denver, CO 80230

VANGUARD CLASSICAL SCHOOL
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities
ASSETS	
Cash	$ 1,454,355
Restricted Cash	50,000
Accounts Receivable	93,277
Prepaid Expenses	231,354
Total Assets	1,828,986
DEFERRED OUTFLOWS OF RESOURCES	
Related to Other Postemployment Benefits	33,143
Related to Pension	9,705,276
Total Deferred Outflows of Resources	9,738,419
LIABILITIES	
Accounts Payable	141,203
Due to Aurora Public Schools	150,530
Accrued Salaries and Benefits	465,483
Net Other Postemployment Benefits Liability	699,269
Net Pension Liability	30,621,638
Total Liabilities	32,078,123
DEFERRED INFLOWS OF RESOURCES	
Related to Other Postemployment Benefits	16,866
Related to Pension	1,434,996
Total Deferred Inflows of Resources	1,451,862
NET POSITION	
Restricted for TABOR	340,229
Restricted for Legal Contingency	50,000
Unrestricted	(22,352,809)
Total Net Position	$ (21,962,580)

See accompanying Notes to Financial Statements.

VANGUARD CLASSICAL SCHOOL
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities
Governmental Activities:				
Instruction	$ 11,259,328	$ 159,603	$ 1,441,272	$ (9,658,453)
Supporting Services	7,210,335	-	-	(7,210,335)
Total Governmental Activities	$ 18,469,663	$ 159,603	$ 1,441,272	(16,868,788)
General Revenues:				
State Categorical Revenue				9,412,760
Revenue from Local Sources				754,545
Interest Income				391
Total General Revenues				10,167,696
Change in Net Position				(6,701,092)
Net Position - Beginning of Year (as Restated)				(15,261,488)
Net Position - End of Year				$ (21,962,580)

See accompanying Notes to Financial Statements.

VANGUARD CLASSICAL SCHOOL
BALANCE SHEET – GOVERNMENTAL FUND
JUNE 30, 2018

	General Fund
ASSETS	
Cash	$ 1,454,355
Restricted Cash	50,000
Accounts Receivable	93,277
Prepaid Items	231,354
Total Assets	$ 1,828,986
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	$ 141,203
Due to Aurora Public Schools	150,530
Accrued Salaries and Benefits	465,483
Total Liabilities	757,216
FUND BALANCE	
Nonspendable	231,354
Restricted for TABOR	340,229
Restricted for Legal Contingency	50,000
Unassigned	450,187
Total Fund Balance	1,071,770
Total Liabilities and Fund Balance	$ 1,828,986

See accompanying Notes to Financial Statements.

VANGUARD CLASSICAL SCHOOL
RECONCILIATION OF BALANCE SHEET OF GOVERNMENTAL FUND TO THE STATEMENT OF NET POSITION
YEAR ENDED JUNE 30, 2018

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

Total Fund Balances of Governmental Fund	$ 1,071,770
Long-term liabilities are not due and payable in the current period and, accordingly, are not reported as fund liabilities in the current period, and therefore, are not reported in the governmental fund.	
Net Other Postemployment Benefits Liability	(699,269)
Net Pension Liability	(30,621,638)
Deferred outflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.	
Related to Other Postemployment Benefits	33,143
Related to Pension	9,705,276
Deferred inflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the governmental fund.	
Related to Other Postemployment Benefits	(16,866)
Related to Pension	(1,434,996)
Total Net Position of Governmental Activities	$ (21,962,580)

See accompanying Notes to Financial Statements.

VANGUARD CLASSICAL SCHOOL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUND
YEAR ENDED JUNE 30, 2018

	General Fund
REVENUE	
State of Colorado - Per Pupil Funding	$ 9,412,760
State of Colorado - Other	444,367
Charges for Services	159,603
Revenue from Local Sources	754,545
Grant and Contribution Revenue	996,905
Earnings on Investments	391
Total Revenue	11,768,571
EXPENDITURES	
Current:	
Instruction	5,108,924
Supporting Services	6,236,443
Total Expenditures	11,345,367
NET CHANGE IN FUND BALANCE	423,204
Fund Balance - Beginning of Year	648,566
FUND BALANCE - END OF YEAR	$ 1,071,770

See accompanying Notes to Financial Statements.

VANGUARD CLASSICAL SCHOOL
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUND TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

Amounts reported for governmental activities in the Statement of Activities are different because:	
Net Change in Fund Balances of Governmental Fund	$ 423,204
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 fund. The (increases) decreases in these activities consist of:	
Other Postemployment Benefits Expense	(9,120)
Pension Expense	(7,115,176)
Change in Net Position of Governmental Activities	$ (6,701,092)

See accompanying Notes to Financial Statements.

VANGUARD CLASSICAL SCHOOL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual	Variance with Budget Positive (Negative)
REVENUE				
State of Colorado - Per Pupil Funding	$ 9,411,145	$ 9,404,621	$ 9,412,760	$ 8,139
State of Colorado - Other	440,000	430,188	444,367	14,179
Charges for Services	165,000	152,542	159,603	7,061
Revenue from Local Sources	615,000	759,319	754,545	(4,774)
Grant and Contribution Revenue	608,508	869,726	996,905	127,179
Earnings on Investments	-	382	391	9
Total Revenue	11,239,653	11,616,778	11,768,571	151,793
EXPENDITURES				
Instruction	5,367,919	5,530,166	5,108,924	421,242
Supporting Services	5,871,734	6,086,612	6,236,443	(149,831)
Total Expenditures	11,239,653	11,616,778	11,345,367	271,411
EXCESS OF REVENUES OVER EXPENDITURES	-	-	423,204	423,204
Fund Balance - Beginning of Year	301,879	648,566	648,566	-
FUND BALANCE - END OF YEAR	$ 301,879	$ 648,566	$ 1,071,770	$ 423,204

See accompanying Notes to Financial Statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Vanguard Classical School (the School) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. Following is a summary of the more significant accounting policies:

Nature of Operations

The School was formed by Ability Connection Colorado (ACCO), a nonprofit corporation, with the approval of its governing board of directors and, as such, has an obligation to ensure its success to include financial well-being, in addition to providing high quality education for children of all abilities. The School was organized in December 2006 for the purpose of entering into one or more charter school contracts with Colorado school districts and commenced operations July 1, 2007. The School is a component unit of the Joint School District No. 28-J of the Counties of Adams and Arapahoe, Colorado (the Aurora School District or ASD). It is the administrative position of the Colorado Department of Education that a charter school has the same relationship to a public school district as does any other school program or school building within a District. A charter school is part of a local school district that is a political subdivision of the State of Colorado. In accordance with Colorado state statute, the Aurora School District has approved the charter of the School for a five-year period ending June 30, 2018. The Aurora School District has also approved the charter of the School for an additional one-year period ending June 30, 2019. See Note 12 for additional information.

As required by accounting principles generally accepted in the United States of America, these basic financial statements present the financial activities of the School. The School follows the Governmental Accounting Standards Board (GASB) accounting pronouncements, which provide guidance for determining the governmental activities, organizations, and functions that should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization's governing body as the basic criterion for including a possible component governmental organization in a primary government's legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization's governing body, ability to impose its will on the organization, and a potential for the organization to provide specific financial benefits or burdens and fiscal dependency.

The School is not financially accountable for any other organization. Under current GASB pronouncements, the School has been determined to be a component unit of the Aurora School District – the primary government. As such, the School's financial results are included in the Aurora School District's Comprehensive Annual Financial Report.

In January 2014, the School's existing charter was amended and approved by ASD to include a second school (Vanguard East) whose first year of operations was in the 2015 fiscal year after construction of the new school was complete. Activities of Vanguard East are included in the accompanying financial statements. The new facility is owned by Ability Connection of Colorado, which is leased to Vanguard East.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Basis of Presentation

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the School's financial activities. Governmental activities are normally supported by taxes and intergovernmental revenue.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenue. Direct expenses are those that are clearly identifiable with a specific function. State per pupil funding under the School Finance Act is reported as a general revenue as state categorical revenue.

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. The government-wide financial statements are presented using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recognized when a liability is incurred, regardless of the timing of the related cash flows.

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

Under the modified accrual basis of accounting, revenues are recognized as soon as they are both measurable and available. Measurable means the amount of the transaction can be determined; available means collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. Revenues are considered to be available if collected within 60 days after year-end. Expenditures are recorded when the related fund liability is incurred, and expected to be paid with current available resources.

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

Fund Accounting

The accounts of the School are organized on the basis of funds. The operations of the General Fund are accounted for with a set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenue, and expenditures. Resources are allocated to and accounted for in the General Fund based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The School has one governmental fund, the General Fund. The General Fund is considered a major fund and is presented separately in the fund financial statements.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund Balances – Governmental Funds

In the fund financial statements, governmental funds report the following classifications of fund balance:

- Nonspendable – includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at June 30, 2018, by the School are nonspendable in form.

- Restricted – includes amounts restricted by external sources (creditors, laws of other governments, etc.) or by constitutional provision or enabling legislation.

- Committed – includes amounts that can only be used for specific purposes. Committed fund balance is reported pursuant to the School's highest level of decision making authority. Commitments may be modified or rescinded only through formal action in the form of a resolution approved by the School's board of directors.

- Assigned – includes amounts that the School intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance. Under the School's policy, amounts may be assigned by the Executive Director.

- Unassigned – includes amounts that have not been assigned to other funds or restricted, committed or assigned to a specific purpose within the General Fund.

When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the School considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Vanguard Board has provided otherwise in its commitment or assignment actions.

Compliance

Budget

An annual budget is adopted on a basis consistent with accounting principles generally accepted in the United States of America, including accrued salaries and benefits. For financial reporting purposes, salaries and benefits earned but unpaid at year-end are reflected as a liability.

The School prepares the annual budget and presents it to its Board and to the Board of Education of the Aurora School District for approval. During the year ended June 30, 2018, one budget was presented and revised and approved by both Boards for the General Fund. Budgets are required by State statutes for all funds. Total expenditures for each fund may not legally exceed the amount appropriated.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Compliance (Continued)

TABOR Reserve

To comply with Article X, Section 20 of the Colorado Constitution (TABOR Amendment), the School reports an emergency reserve equal to 3% of the General Fund's applicable operating revenues less transfers, federal funding and donations. The required reserve was $340,229 as of June 30, 2018 and is shown as "restricted for TABOR" in the general fund balance sheet.

Assets, Liabilities and Equity

Cash

Cash is held in checking accounts. The balances in the cash accounts are available to meet current operating needs except for cash set aside or restricted for TABOR and contingency reserves. For purposes of the statement of cash flows, the School considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Capital Assets

Capital assets are utilized for general operations and are capitalized at cost or estimated historical cost if purchased or estimated acquisition cost if donated, at the time of purchase or donation. Capital assets are reported in the government-wide financial statements.

The monetary threshold for capital equipment and vehicles are those items having a useful life greater than one year and having an original item value greater than $5,000. The School considers capital renovations to be those items that significantly enhance the value of previously existing assets and have a project value greater than $25,000. In addition, the School considers capital improvements to be those items that add new functionality to existing assets and have a project value greater than $10,000. Expenditures that significantly enhance the value of an asset whether land, building, or equipment are capitalized according to the School's policies. However, expenditures for repairs, maintenance, and expendable supplies are not capitalized. The School has no capital assets meeting capitalization requirements as of June 30, 2018.

Deferred Outflows of Resources

The School's governmental activities report a separate section for deferred outflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period. The School has four types of items classified as deferred outflows of resources related to GASB Statement Nos. 68 and 75: 1) contributions subsequent to measurement date; 2) change in proportionate share of net pension and OPEB liabilities; 3) change in assumptions; and 4) change in experience. See notes 7 and 8 for additional information.

Compensated Absences

School policy requires eligible employees to be paid out remaining personal time at the rate of replacement cost at the end of the School year.

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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. See Note 7 for additional information.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Health Care Trust Fund (HCTF) administered by the Public Employees' Retirement Association of Colorado (PERA) and additions to/deductions from the HCTF's fiduciary net position have been determined on the same basis as they are reported by the HCTF. For this purpose, the HCTF recognizes benefit payments when due and payable in accordance with benefit terms. Investments are reported at fair value. See Note 8 for additional information.

Deferred Inflows of Resources

The School's governmental activities report a separate section for deferred inflows of resources. This separate financial statement element reflects a decrease in net position that applies to a future period. The School has three types of items classified as deferred inflows of resources related to GASB Statement Nos. 68 and 75: 1) change in investment earnings; 2) change in proportionate share of net pension and OPEB liabilities; and 3) change in assumptions. See Notes 7 and 8 for additional information.

Net Position Restrictions

Restrictions of net position represent amounts that are not appropriable or are legally segregated for a specific purpose.

Revenues and Expenditures

Revenues for the governmental fund are recorded when they are determined to be both measurable and available. Generally, State of Colorado per-pupil funding, donations and other income are recognized when received. Grants are recognized when qualifying expenditures are incurred. Expenditures for the governmental fund are recorded when the related fund liability is incurred and expected to be paid with current available resources. The School does not utilize encumbrance accounting.

NOTE 2 CASH

Investment Policy and Compliance

The School's investment policy is in conformance with State statute for governmental entities. All accounts established at financial institutions should, in the aggregate, total less than $250,000 so as to provide maximum insurance coverage provided by the FDIC. If, however, deposits exceed the $250,000 insurance coverage level, the excess must be (1) fully collateralized at face value with government securities, (2) separately segregated in the School's name, and (3) held at a Federal Reserve Bank or another depository.

Colorado State statutes govern the School's deposit of cash. The Colorado Public Deposit Protection Act (PDPA) requires the School to make deposits only in eligible public depositories as defined by the regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The PDPA requires the eligible depository with public deposits in excess of the federal insurance levels to create single institution collateral pools for all public funds. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group.

Up to $250,000 of daily deposit balances on hand at banking institutions is covered by federal depository insurance. Under the provisions of GASB *40, Deposit and Investment Risk Disclosures - an amendment of GASB Statement No 3,* deposits are not deemed exposed to custodial credit risk if they are collateralized with securities held by the pledging financial institutions under PDPA, as discussed below. Custodial credit risk is the risk that in the event of bank failure, the School's deposits may not be returned. As of June 30, 2018, the School had $1,254,355 not covered by federal depository insurance. The School believes it is not exposed to any significant risk on its cash deposits as the deposits not covered by federal depository insurance are collateralized under PDPA.

NOTE 3 ACCRUED SALARIES AND BENEFITS

Salaries and retirement benefits of certain contractually employed personnel are paid over a 12-month period from August through July, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid as of June 30, 2018, total $465,483. Accordingly, the accrued salaries and benefits are reflected as a liability in the accompanying basic financial statements.

NOTE 4 COMMITMENTS

The School leases its offices and School buildings under an operating lease with Ability Connection of Colorado, a related party, which expires on June 30, 2019. Total lease expenditures were $2,414,242 for the year ended June 30, 2018.

Future minimum lease payments are as follows:

Year Ending June 30,	Amount
2019	$ 2,414,242

NOTE 5 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 risks of loss, including liability, property, errors and omissions, and workers' compensation. Settled claims resulting from these risks have not exceeded School insurance coverage in any of the past three years.

NOTE 6 CONTINGENT LIABILITIES

Article X, Section 20 of the Colorado Constitution (TABOR Amendment) requires state and local governments to establish an emergency reserve, limits spending to a predefined benchmark and places restrictions on multiple fiscal year debt. The TABOR Amendment is subject to judicial interpretation; however, the School believes it is currently in compliance with the requirements of the Amendment.

NOTE 7 DEFINED BENEFIT PENSION PLAN

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

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

General Information About the Pension Plan

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

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Benefits Provided

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

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

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit.

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

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

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

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

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.

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contributions

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

	For the Year Ended December 31, 2018	For the Year Ended December 31, 2017
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]	(1.020%)	(1.020%)
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]	5.50%	5.00%
Total Employer Contribution Rate to the SCHDTF[1]	19.13%	18.63%

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF for the School for the year ended June 30, 2018 was $842,970.

<u>Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources</u>

At June 30, 2018, the School reported a liability of $30,621,638 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017. The School's proportion of the net pension liability was based on the School's contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2017, the School's proportion was 0.0946969831%, which was an increase of 0.0002671617% from its proportion measured as of December 31, 2016.

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

For the year ended June 30, 2018, the School recognized pension expense of $7,148,430. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 563,003	$ -
Changes of Assumptions or Other Inputs	7,818,842	49,617
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	1,202,540
Changes in Proportion and Differences Between Contributions Recognized and Proportionate Share of Contributions	888,294	182,839
Contributions Subsequent to the Measurement Date	435,137	-
Total	$ 9,705,276	$ 1,434,996

$435,137 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,	Amount
2019	$ 5,320,868
2020	2,935,484
2021	31,195
2022	(452,404)
2023	-
Thereafter	-
Total	$ 7,835,143

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

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

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

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

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

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

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

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

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

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

NOTE 7 DEFINED BENEFIT PENSION PLAN (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 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 member contribution rate as of the measurement date. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

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

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

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

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

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

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

	1% Decrease (3.78%)	Current Discount (4.78%)	1% Increase (5.78%)
Proportionate Share of the Net Pension Liability	$ 38,680,338	$ 30,621,638	$ 24,054,720

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

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

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

NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

At June 30, 2018, the School reported a liability of $30,621,638 for its proportionate share of the net pension liability, which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 4.78%. For comparative purposes, the following schedule presents an estimate of what the School's proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SCHDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SCHDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

	Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
PERA Total	7.25%	$ 14,609,326,000
Proportionate Share	7.25%	13,834,591

Recognizing that the changes in contribution and benefit provisions also affect the determination of the discount rate used to calculate the collective net pension liability, approximately $15,094,855 of the estimated reduction is attributable to the use of a 7.25% discount rate.

NOTE 8 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

General Information about the OPEB Plan

Plan Description

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

Benefits Provided

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

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

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

NOTE 8 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

PERA Benefit Structure

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

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

Contributions

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from School were $45,577 for the year ended June 30, 2018.

<u>OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB</u>

At June 30, 2018, the School reported a liability of $699,269 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017. The School's proportion of the net OPEB liability was based on the School's contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF. At December 31, 2017, the School's proportion was 0.0538064635%, which was an increase of 0.0001313740% from its proportion measured as of December 31, 2016.

NOTE 8 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

For the year ended June 30, 2018, the School recognized OPEB expense of $10,322. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference Between Expected and Actual Experience	$ 3,307	$ -
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	-	11,699
Changes in Proportion and Differences Between Contributions Recognized and Proportionate Share of Contributions	6,590	5,167
Contributions Subsequent to the Measurement Date	23,246	-
Total	$ 33,143	$ 16,866

$23,246 reported as deferred outflows of resources related to OPEB resulting from the School's contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30,	Amount
2019	$ (1,995)
2020	(1,995)
2021	(1,995)
2022	(1,995)
2023	930
Thereafter	81
Total	$ (6,969)

NOTE 8 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Actuarial Assumptions

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

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

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

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

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

NOTE 8 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

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

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

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

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

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

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

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

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

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

NOTE 8 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

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

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

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

NOTE 8 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

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

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

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

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

Discount Rate

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

NOTE 8 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

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

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

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

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

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

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

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

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

	1% Decrease (6.25%)	Current Discount (7.25%)	1% Increase (8.25%)
Proportionate Share of the Net OPEB Liability	$ 786,198	$ 699,269	$ 625,072

NOTE 8 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare Trend Rate	4.00%	5.00%	6.00%
Initial Medicare Part A Trend Rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A Trend Rate	3.25%	4.25%	5.25%
Proportionate Share of the Net OPEB Liability	$ 680,030	$ 699,269	$ 722,442

OPEB Plan Fiduciary Net Position

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

NOTE 9 RELATED PARTY TRANSACTIONS

The School's west campus is co-located with Ability Connection of Colorado (ACCO) offices and ACCO owns the building at the School's east campus. The School has a contract with ACCO in order to gain economies of scale and share space and services under a contract negotiated at arm's length. ACCO charged $2,772,689 in rent, professional and administrative services for the year ended June 30, 2018. As of June 30, 2018, the School had no accounts payable related to ACCO for services provided.

The School has an agreement with the Aurora School District for services relating to the charter school liaison, student database costs and administration costs. The total expenses to the Aurora School District for these services was $484,582 during the year ended June 30, 2018. As of June 30, 2018, the school had accounts payable of $150,530 the Aurora School District for services provided. As of June 30, 2018, the School had accounts receivable due from the Aurora School District of $93,277.

The School has an agreement with ACCO, a related party, for management services. The School's commitment under this agreement is $350,000 per year through June 30, 2019.

NOTE 10 CASH AND FUND BALANCE RESTRICTED FOR LEGAL CONTINGENCY

The School's restricted cash is in the custody of Aurora Public Schools for purposes of financing a legal contingency should the occasion arise. Fund Balance and Net Position related to this cash is also considered restricted.

NOTE 11 RESTATEMENT OF BEGINNING NET POSITION

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

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

Net Position, June 30, 2017, as Previously Reported	$ (14,587,616)
Cumulative Effect of Application of GASB No. 75, Net OPEB Liability	(673,872)
Net Position, June 30, 2017, as Restated	$ (15,261,488)

NOTE 12 CHARTER RENEWAL CONTINGENCY

As of the financial statement issuance date, the School's Charter has only been authorized by Aurora Public Schools (APS) through June 30, 2019. Management has investigated alternative means of renewing the charter as there are significant conditions that must be met for the School to potentially receive authorization through APS. The School believes it will remain financially stable in the event that authorization of a Charter is received. The School's continued operations are dependent on authorization of a Charter by APS or an alternative authorizing entity.

REQUIRED SUPPLEMENTARY INFORMATION

VANGUARD CLASSICAL SCHOOL
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN FISCAL YEARS*
(SEE INDEPENDENT AUDITORS' REPORT)

	Measurement Date				
	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013
School's Proportion (Percentage) of the Collective Net Pension Liability	0.0946969831%	0.0944298214%	0.0847279975%	0.0806885584%	0.0409293599%
School's Proportionate Share of the Collective Pension Liability	$ 30,621,638	$ 28,115,409	$ 12,958,549	$ 10,936,010	$ 5,220,529
Covered Payroll	$ 4,350,476	$ 4,089,953	$ 3,563,270	$ 2,495,710	$ 1,695,487
School's Proportionate Share of Net Pension Liability as a Percentage of its Covered Payroll	703.87%	687.43%	363.67%	438.19%	307.91%
Plan Fiduciary Net Pension as a Percentage of the Total Pension Liability	43.96%	43.10%	59.16%	62.80%	64.06%

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

VANGUARD CLASSICAL SCHOOL
SCHEDULE OF PENSION CONTRIBUTIONS AND RELATED RATIOS
LAST TEN FISCAL YEARS*
(SEE INDEPENDENT AUDITORS' REPORT)

As of June 30,	2018	2017	2016	2015	2014	2013	2012
Statutorily Required Contributions	$ 842,970	$ 781,810	$ 691,974	$ 567,557	$ 270,486	$ 246,617	$ 243,317
Contributions in Relation to the Statutorily Required Contributions	842,970	781,810	691,974	567,557	270,486	246,617	243,317
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 4,468,343	$ 4,256,746	$ 3,900,868	$ 3,356,493	$ 1,691,588	$ 1,635,064	$ 1,718,356
Contribution as a Percentage of Covered Payroll	18.87%	18.37%	17.74%	16.91%	15.99%	15.08%	14.16%

*The amounts presented for each fiscal year were determined as of June 30.
Information earlier than 2012 was not available.

VANGUARD CLASSICAL SCHOOL
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
LAST TEN FISCAL YEARS*
(SEE INDEPENDENT AUDITORS' REPORT)

	Measurement Date	
	December 31, 2017	December 31, 2016
School's Proportion (Percentage) of the Collective Net OPEB Liability	0.0538064635%	0.0536750895%
School's Proportionate Share of the Collective OPEB Liability	$ 699,269	$ 695,916
Covered Payroll	$ 4,350,476	$ 4,089,953
School's Proportionate Share of Net OPEB Liability as a Percentage of its Covered Payroll	16.07%	17.02%
Plan Fiduciary Net OPEB 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. Information earlier than 2016 was not available.

VANGUARD CLASSICAL SCHOOL
SCHEDULE OF OPEB CONTRIBUTIONS AND RELATED RATIOS
LAST TEN FISCAL YEARS*
(SEE INDEPENDENT AUDITORS' REPORT)

As of June 30,	2018	2017	2016	2015	2014	2013	2012
Statutorily Required Contributions	$ 45,577	$ 43,419	$ 39,789	$ 34,236	$ 17,254	$ 16,678	$ 17,527
Contributions in Relation to the Statutorily Required Contribution	45,577	43,419	39,789	34,236	17,254	16,678	17,527
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered Payroll	$ 4,468,343	$ 4,256,746	$ 3,900,868	$ 3,356,493	$ 1,691,588	$ 1,635,064	$ 1,718,356
Contribution as a Percentage of Covered Payroll	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%

*The amounts presented for each fiscal year were determined as of June 30.
Information earlier than 2012 was not available.

SUPPLEMENTARY INFORMATION

CliftonLarsonAllen

CliftonLarsonAllen LLP
CLAconnect.com

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

Board of Directors
Vanguard Classical School
and Board of Education
Joint School District 28-J of the Counties
of Adams and Arapahoe, Colorado
Denver, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and the General Fund of Vanguard Classical School (the School) (a component unit of Joint School District No. 28-J of the Counties of Adams and Arapahoe, Colorado) as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements, and have issued our report thereon dated September 24, 2018.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control, described in the accompanying schedule of current year and prior year audit findings that we consider to be a significant deficiency – see finding 2018-001.

Compliance and Other Matters

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

Vanguard Classical School's Response to Findings

The Vanguard Classical School's response to the findings identified in our audit are described in the accompanying schedule of current year and prior year audit findings. The School's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

CliftonLarsonAllen LLP

CliftonLarsonAllen LLP

Broomfield, Colorado
September 24, 2018

VANGUARD CLASSICAL SCHOOL
SUMMARY SCHEDULE OF CURRENT AND PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2018

FINANCIAL STATEMENT FINDINGS – CURRENT YEAR

2018 – 001

Type of Finding:

- Significant Deficiency in Internal Control over Financial Reporting

Condition: During our audit procedures, we noted that Ability Connection of Colorado, Inc. (ACCO), the School's Founding Organization, billed Vanguard Classical School (the School) $465,603 of expenses that were not delineated in the support services nor lease agreements between the two entities. We also noted no evidence of review and approval of these amounts by the board of directors. The expenses consisted of nutrition service salary reimbursements, lease expense reimbursements, ADP charges, furniture expense reimbursements and miscellaneous expenses of expenses that were previously paid by ACCO.

Criteria: An agreement that clearly specifies which expenses will be covered by the School and its founding organization (ACCO) should be in place. Evidence of board of directors' review and approval of related party transactions should be documented in the board minutes. Additionally, internal controls should be in place to ensure that related party activity between the two entities is appropriately tracked and recorded.

Context: During our audit procedures, we noted that ACCO billed the School $465,603 of expenses above the expenses specified in the support services and lease agreements between the two entities.

Effect: The lack of an agreement that specifies the expenses to be incurred and paid by each entity could result in the reporting of inaccurate financial information in the financial statements of Vanguard Classical School.

Cause: There is not an agreement in place that clearly specifies which expenses will be covered by the School and ACCO. There is no evidence that the board of directors reviewed and approved the related party transactions documented in the board minutes. Additionally, internal controls should be in place to ensure that related party activity between the two entities is appropriately tracked and recorded.

Recommendation: We recommend that the School maintain a detailed schedule of related party activity with its founding organization (ACCO) so that management can determine if notes payable and receivable need to be recorded between the two entities at each year end. In addition, we will recommend that the support services and lease agreements clearly delineate the expenses that are the responsibility of each entity. Any related party transactions outside of approved contracts by the boards of both the School and ACCO should be reviewed and approved by both boards and documented in the board meeting minutes.

Views of responsible officials and planned corrective actions: We agree with the finding. Policies and procedures will be put in place to reconcile any related party transactions on annual basis. Transactions outside of the support services and lease agreement will be tracked via a payable or receivable recorded on the books of both entities.

FINANCIAL STATEMENT FINDINGS – PRIOR YEAR

There were no findings required to be reported under *Government Auditing Standards* for the fiscal year ended June 30, 2017.