LINCOLN ACADEMY

BASIC FINANCIAL STATEMENTS

June 30, 2019

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FINANCIAL SECTION

JOHN CUTLER & ASSOCIATES

Board of Directors
Lincoln Academy
Arvada, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Lincoln Academy, component unit of Jefferson County School District No. R-1, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements of Lincoln Academy, 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.

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Lincoln Academy, as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

600 17TH STREET SUITE 2800 SOUTH • DENVER, COLORADO 80202 •TEL 303.634.2259 •FAX 303.496.4631

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, schedule of the school's proportionate share, and schedule of the school's contributions on pages 43-47 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.

John Cutler & Associates, LLC

October 31, 2019

Management Discussion and Analysis

As administrators of Lincoln Academy, we offer readers of our financial statements, this narrative overview and analysis of the accounting activities for the fiscal year ended June 30, 2019.

Financial Highlights

The year ended June 30, 2019, is the twenty-second year of operations for Lincoln Academy. The liabilities of Lincoln Academy exceeded its assets at the close of the most recent fiscal year by $(11,813,122) (net position), an improvement of $755,140. Implementation of the Governmental Accounting Standards Board Statement (GASB) No. 68 recorded an Unfunded Pension Liabilities ending in a total pension liability of $11,263,180, and a 2018-19 recognized OPEB pension expense of $380,026 (page 22).

In keeping with our conservative approach to fiscal management, during 18-19, Lincoln Academy paid down debt by $452,491, including an additional $358,000 one-time payment, in principle towards a $1.35 million loan from CSDC.

Including $231,486 of capital expenditures and the loan pre-payment, Lincoln Academy only had a small operational loss of ($2,450) for the year. The General Fund reported an ending balance of $ 2,884,585 as of June 30, 2019.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Lincoln Academy's basic financial statements. This management report also contains supplementary information in addition to the basic financial statements to give the reader a more detailed view of Lincoln Academy's economic performance. Lincoln Academy's basic financial statements have three components: 1) government-wide economic statements, 2) fund financial statements, and 3) notes to the financial statements.

The financial statements presented provides readers with a broad overview of the finances of Lincoln Academy.

The statement of net position presents information on all of Lincoln Academy's assets and liabilities 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 situation of the school is improving or deteriorating.

Government fund financial statements focus on near-term inflows and outflows of spendable resources, as well on balances of spendable resources available at the end of the fiscal year.

Lincoln Academy adopts an annual appropriated budget for its General Fund, which is approved by the Board of Directors. The board approves material adjustment to the budget which is recorded in the board meeting minutes.

Lincoln Academy's Net Position

	Governmental Activities	
	2019	2018
ASSETS		
Cash and Investments	2,311,306	2,270,893
Restricted Cash and Investments	1,002,153	966,185
Accounts Receivable	16,439	16,439
Capital Assets, Net	9,576,708	9,716,054
Total Assets	12,906,606	12,969,571
DEFFERRED OUTFLOW OF RESOURCES		
Deferred Loss on Refunding	126,732	132,012
Related to Pensions	3,441,435	6,388,380
Related to OPEB	27,331	18,170
Total Deferred Outflows	3,595,498	6,538,562
LIABILITIES		
Current Liabilities	547,235	473,610
Noncurrent Liabilities	7,134,471	7,744,646
Net Pension Liability	11,263,180	22,220,588
Net OPEB Liability	562,529	507,424
TOTAL LIABILITIES	19,507,415	30,946,268
DEFFERRED INFLOW OF RESOURCES		
Related to Pensions	8,798,413	1,113,482
Related to OPEB	9,399	16,645
	8,807,812	1,130,127
NET POSITION		
Net Investment in Capital Assets	2,356,754	1,880,719
Restricted for Emergencies	204,283	177,621
Restricted for Debt Service	797,870	788,564
Restricted for Capital Projects	-	-
Unrestricted	-15,172,029	-15,415,166
TOTAL NET POSITION	-11,813,122	-12,568,262

Lincoln Academy's Change in Net Assets

For the Years Ended June 30, 2019 and June 30,2018

	06/30/19	06/30/18
Program Revenue:		
Charges for Services	432,481	423,631
Operating Grants and Contributions	207,594	105,995
Capital Grants and Contributions	210,644	183,695
Total Program Revenue	**850,719**	**713,321**
General Revenue:		
Per Pupil Operation Revenue	5,572,004	5,159,406
Mill Levy Override	1,260,252	961,827
Interest	687	687
Other	22,552	49,267
Unrestricted State Aid	7,912	0
Total General Revenue	**6,863,407**	**6,171,187**
Total Revenue	**7,714,126**	**6,884,508**
Expenses:		
Current:		
Instruction	4,366,184	8,901,056
Supporting Services	2,224,484	4,007,975
Interest and Fiscal Charges	358,283	376,440
Total Expenses	**6,948,951**	**13,285,471**
Increase (Decrease) in Net Assets	**765,175**	**-6,400,963**
Beginning Net Assets, June 30 as Restated	**-12,578,297**	**-6,167,299**
Ending Net Assets, June 30	**-11,813,122**	**-12,568,262**

Government Funds

Unassigned fund balance is a useful measure of a school's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, Lincoln Academy's government funds reported an ending fund balance of $2,884,585. Restricted funds in the general accounting stream are $204,283 as an emergency reserve related to the TABOR amendment, and $797,870 is restrict as part of our debt service obligation. Lincoln's unassigned and available funds for future use would be $1,882,432.

General Fund Budgetary Highlights

The Lincoln Academy Board of Directors approved an initial budget in May 2018, based on enrollment projections for the 2018-19 school year. In December after enrollment stabilized and final numbers were available the budget was revised. The revised budget was approved by the Board, projecting a net margin of $(292,655). During the year, Lincoln Academy began $385,000 in planned upgrades on our fire-alarm system to support a safe educational environment for our students.

In 2018, the Jefferson County voters approved 5A Mill Levy Funding for education. Lincoln received $285,147 as a result. Those funds supported new curriculum, IT enhancements and classroom improvements.

Financial Reporting for Pension Plan

GASB 68 was enacted in 2015 to support the accounting and reporting of public employee pension plans for governmental institutions. This new standard effectively reports the Net Pension Liability for both current and future periods as projected based on current rates and employees to improve the usefulness of information to the public and investing segments. This new reporting standard does not impact current required pension funding levels for Lincoln nor suggest that Lincoln is underfunded. Please refer to Note 7, pg. 17 in the audited financial statements for additional information. A recent Colorado General Assembly legislation *(SB) 18-200* will be adjusting PERA liabilities reduce the amount of the unfunded liability.

For the year ending June 30, 2019, Lincoln Academy reported an $11.3M liability related to its proportional share of the net pension liability. This liability has decreased significantly in the audited school year due to supportive funding from the state.

The Year Ahead

For the school year ending June 30, 2019, the funded population was 702.46 FTE. Next year will be the last year of student growth with a projected student count of 741.88 FTE. State funding for public schools has been relatively stable over the past four years. Jefferson County Voters approved two new revenue streams for public schools. Proposition 5A increased mill levy payment, which LA will put primarily toward teacher and staff salaries to remain competitive within the industry. Proposition 5B Bond funds, supporting capital and infrastructure improvement, will be reviewed carefully to support the LA strategic plan. With a healthy state economy, PPR funding is anticipated to grow slightly in 2019-20. With these funds and conservative financial management, Lincoln Academy expects our school to continue to deliver exceptional education while maintaining financial stability.

Next year upgrades will be completed to the fire suppression, alarm infrastructure. We have planned an additional pre-payment on our $1.35M loan in 2019-20, leaving a final payment in the first quarter of 2020-21 (18 months earlier than originally scheduled). The school will continue to be fiscally conservative with spending, follow the strategic plan and support our students. No significant revenue gain, additional capital expenditure, or operating needs are anticipated to occur during 2019-20.

Requests for Information

This financial report is designed to provide a general overview of Lincoln Academy's finances for all those with an interest in the school's finances. Questions concerning any of the information contained in this report or requests for additional financial information contact:

Cindie Poulter
Business Manager
7180 Oak Street
Arvada, CO 80004
303 467-5363 x 7206
Cindie.Poulter@jeffco.k12.co.us

Janelle Johnson
Principal
7180 Oak Street
Arvada, CO 80004
303 467-6353 x 7203
Janelle.Johnson@jeffco.k12.co.us

Jeff Baucum
Board Treasurer
7180 Oak Street
Arvada, CO 80004
303 467-5363
Jeffbaucum@lincolnacademy.net

BASIC FINANCIAL STATEMENTS

LINCOLN ACADEMY

STATEMENT OF NET POSITION
As of June 30, 2019

	Governmental Activities	
	2019	2018
ASSETS		
Cash and Investments	$ 2,311,306	$ 2,270,893
Restricted Cash and Investments	1,002,153	966,185
Deferred Charges	16,439	16,439
Capital Assets, Not Depreciated	2,927,651	2,685,452
Capital Assets, Depreciated, Net of Accumulated Depreciation	6,649,057	7,030,602
TOTAL ASSETS	12,906,606	12,969,571
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Refunding	126,732	132,012
Related to Pensions	3,441,435	6,388,380
Related to OPEB	27,332	18,170
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,595,499	6,538,562
LIABILITIES		
Accounts Payable	137,080	59,171
Accrued Salaries	289,478	264,243
Accrued Interest	101,922	107,128
Unearned Revenues	18,755	43,068
Noncurrent Liabilities		
Due in One Year	457,421	255,493
Due in More Than One Year	6,677,050	7,489,153
Net Pension Liability	11,263,180	22,220,588
Net OPEB Liability	562,529	507,424
TOTAL LIABILITIES	19,507,415	30,946,268
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	8,798,413	1,113,482
Related to OPEB	9,399	16,645
TOTAL DEFERRED INFLOWS OF RESOURCES	8,807,812	1,130,127
NET POSITION		
Net Investment in Capital Assets	2,356,754	1,880,719
Restricted for Emergencies	204,283	177,621
Restricted for Debt Service	797,870	788,564
Unrestricted	(15,172,029)	(15,415,166)
TOTAL NET POSITION	$ (11,813,122)	$ (12,568,262)

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

LINCOLN ACADEMY

STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

		PROGRAM REVENUES			Net (Expense) Revenue and Change in Net Position	
			Operating	Capital	Governental Activities	
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Grants and Contributions	Grants and Contributions	2019	2018
PRIMARY GOVERNMENT						
Governmental Activities						
Instruction	$ 4,366,184	$ 432,481	$ 628,882	$ -	$ (3,304,821)	$ (8,371,430)
Supporting Services	2,224,484	-	-	(210,644)	(2,435,128)	(3,824,280)
Interest on Long-Term Debt	358,283	-	-	-	(358,283)	(376,440)
Total Governmental Activities	$ 6,948,951	$ 432,481	$ 628,882	$ (210,644)	(6,098,232)	(12,572,150)
		GENERAL REVENUES				
		Per Pupil Revenue			5,572,004	5,159,406
		Mill Levy Override			1,260,252	961,827
		Interest			687	687
		Other			22,552	49,267
		Unrestricted State Aid			7,912	-
		TOTAL GENERAL REVENUES			6,863,407	6,171,187
		CHANGE IN NET POSITION			765,175	(6,400,963)
		NET POSITION, Beginning			(12,578,297)	(6,167,299)
		NET POSITION, Ending			$ (11,813,122)	$ (12,568,262)

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

LINCOLN ACADEMY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	TOTALS 2019	TOTALS 2018
ASSETS		
Cash and Investments	$ 2,311,306	$ 2,270,893
Restricted Cash and Investments	1,002,153	966,185
Deposits	16,439	16,439
TOTAL ASSETS	$ 3,329,898	$ 3,253,517
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	$ 137,080	$ 59,171
Accrued Salaries and Benefits	289,478	264,243
Unearned Revenues	18,755	43,068
TOTAL LIABILITIES	445,313	366,482
FUND BALANCES		
Restricted for Emergencies	204,283	177,621
Restricted for Debt Service	797,870	788,564
Unassigned	1,882,432	1,920,850
TOTAL FUND BALANCES	2,884,585	2,887,035
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.	9,576,708	9,716,054
Long-term liabilities and related assets are not due and payable in the current period and, therefore, are not reported in the funds. This amount is comprised of the building lease ($6,810,000), note payable ($380,055), accrued interest ($101,922), and bond discount $55,584, and deferred loss on refunding $126,732.	(7,109,661)	(7,719,762)
Long-term liabilities and related assets related to pensions are not due and payable in the current period and therefore, are not reported in the funds. This liability includes net pension liability ($11,263,180), net OPEB liability ($562,529), deferred outflows related to pensions and OPEB $3,468,767 and deferred inflows related to pensions and OPEB ($8,807,812).	(17,164,754)	(17,451,589)
Net position of governmental activities	$ (11,813,122)	$ (12,568,262)

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

LINCOLN ACADEMY

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2019

	GENERAL FUND	
	2019	2018
REVENUES		
Local Sources	$ 7,309,003	$ 6,607,995
State Sources	397,211	276,513
TOTAL REVENUES	7,706,214	6,884,508
EXPENDITURES		
Current		
Instruction	4,572,286	3,680,599
Supporting Services	1,915,939	2,135,177
Capital Outlay	252,055	52,856
Debt Service		
Principal	612,491	402,736
Interest	355,893	371,513
TOTAL EXPENDITURES	7,708,664	6,642,881
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(2,450)	241,627
FUND BALANCES, Beginning	2,887,035	2,645,408
FUND BALANCES, Ending	$ 2,884,585	$ 2,887,035

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

LINCOLN ACADEMY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Net Changes in Fund Balances - Total Governmental Funds	$	(2,450)
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense ($391,401) exceeded capital outlay $252,055, for the current year.		(139,346)
Some expenses reported in the statement of activities do not require current financial resources and are not reported in the funds. These include bond payments of $160,000, loan payments of $452,491 amortization of bond discount ($2,316), amortization of loss on refunding ($5,280) in accrued interest payable $5,206.		610,101
Deferred charges related to pensions are not recognized in the govermental funds. However, for the government-wide funds that amount is capitalized and amortized.		296,870
Change in Net Position of Governmental Activities	$	765,175

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

NOTE 1: ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

The Lincoln Academy (the "Academy") was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Jefferson County School District No. R-1 of the State of Colorado.

The accounting policies of the Academy conform to generally accepted accounting principles as applicable to governmental units. Following is a summary of the more significant policies.

Reporting Entity

The financial reporting entity consists of the Academy and organizations for which the Academy is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the Academy. In addition, any legally separate organizations for which the Academy is financially accountable are considered part of the reporting entity. Financial accountability exists if the Academy appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on the Academy.

The Academy includes the Lincoln Academy Building Corporation (the "Building Corporation") within its reporting entity. The Building Corporation was formed to support and assist the Academy to perform its function and to carry out its purpose, specifically to assist in the financing of the Academy's facilities. The Building Corporation is included in the Academy's General Fund. Separate financial statements are not available for this entity. The Academy is a component unit of Jefferson County School District No. R-1.

Government-Wide and Fund Financial Statements

The Academy's financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the Academy. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported in a single column.

NOTE 1: *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES* (Continued)

Government-Wide and Fund Financial Statements

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period, not to exceed 60 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Intergovernmental revenues, grants, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Academy.

Internally dedicated resources are reported as general revenues rather than as program revenues.

When both restricted and unrestricted resources are available for use, it is the Academy’s policy to use restricted resources first and the unrestricted resources as they are needed.

NOTE 1: *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES* (Continued)

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

The Academy reports the following major governmental funds:

General Fund – This fund is the general operating fund of the Academy. It is used to account for all financial resources except those required to be accounted for in another fund.

Assets, Liabilities and Fund Balance/Net Position

Investments – Investments are recorded at fair value.

Capital Assets – Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Academy as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital Assets are depreciated using the straight line method over an estimated useful life of 30 years.

Long-term Debt – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position and balance sheets will sometimes report a separate section for deferred outflows or resources. This separate financial statement element, *deferred outflow of resources*, represents a consumption of net position and fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

NOTE 1: ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*** (Continued)

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

In addition to liabilities, the statement of financial position and balance sheets will sometimes report a separate section for deferred inflows or resources. This separate financial statement element, *deferred inflow of resources*, represents an acquisition of net position and fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Net Position – The government-wide financial statements, utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted.

- Net Investment in Capital Assets includes the Academy's capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvement of those assets.

- Restricted Net Position includes assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. The Academy typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.

- Unrestricted Net Position typically includes unrestricted liquid assets. The Board has the authority to revisit or alter this designation.

Fund Balance Classification

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the Academy is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Academy has classified Emergency Reserves and funds held in the Building Corporation as being restricted because their use is restricted by State Statute for declared emergencies, and debt service.

NOTE 1: ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*** (Continued)

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

- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Academy did not have any committed resources as of June 30, 2019.

- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The Academy would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned fund balance.

Compensated Absences

The Academy's policy allows full time administrative employees to accumulate sick leave at a rate ranging from 9 to 10 days per year, depending on the employee's position. Accrued sick leave in excess of one year is paid in June of each year at a rate of $100 per day. Upon termination of employment, full time administrative employees are paid for their accrued sick leave. Due to immateriality, the amount was not reported as a liability on the Academy's statement of net position. Should the amount become material in future years, a liability will be recorded on the Academy's financial statements.

Risk Management

The Academy 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 District carries commercial insurance for these risks of loss, and bills the Academy for its portion of coverage. Settled claims have not exceeded the insurance coverage in the last three years.

NOTE 1: ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*** (Continued)

Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Academy's financial position and operations. However, comparative data has not been presented in all statements because such inclusion would make certain statements unduly complex and difficult to understand. Also, certain amounts presented in the prior year data have been reclassified to be consistent with current year's presentation.

NOTE 2: ***STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY***

Budgets and Budgetary Accounting

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

Academy management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July1. The budget is adopted by the Board of Directors prior to June 30. Expenditures may not legally exceed appropriations at the fund level. Revisions must be approved by the Board of Directors. The budget includes proposed expenditures and the means of financing them. All appropriations lapse at fiscal year-end.

NOTE 3: ***CASH AND INVESTMENTS***

A reconciliation of the cash and investment components on the balance sheet to the cash and investments categories in this footnote are as follows:

Petty Cash	$ 700
Pooled Cash with the District	2,514,889
Investments	797,870
Total Cash and Investments	**$ 3,313,459**

NOTE 3: ***CASH AND INVESTMENTS*** (Continued)

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

Cash and Investments	$ 2,311,306
Restricted Cash and Investments	1,002,153
Total	**$ 3,313,459**

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations.

At June 30, 2019, State regulatory commissioners have indicated that all financial institutions holding deposits for the Academy are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The Academy has no policy regarding custodial credit risk for deposits.

The Academy has no deposits at June 30, 2019.

Pooled Cash with the District

Cash deposits are pooled with the District cash and investments which were held by several banking institutions. Pooled investments represent investments in local government investment pools or in money market funds. At June 30, 2019 the Academy's balance in equity in both restricted and unrestricted pooled cash of the District totaled $2,514,889.

NOTE 3: ***CASH AND INVESTMENTS*** (Continued)

Investments

Interest Rate Risk

The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, the School is required to follow the investment policy of the District.

Credit Risk

Colorado statutes specify in which instruments units of local government may invest, which include:

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

The above investments are authorized for all funds and fund types used by Colorado municipalities.

Interest Rate and Credit Risk Policies

The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, or a formal policy to limit credit risk. However, they follow state statutes regarding investments.

NOTE 3: ***CASH AND INVESTMENTS*** (Continued)

Investments (Continued)

Fair Value

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant observable inputs

State statutes limit investments in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by a nationally recognized statistical rating organization ("NRSROs").

At June 30, 2019, the School had $797,870 invested in money market funds. The funds invest only in U.S. Treasury obligations and is rated AAAm by Standard and Poor's. These investments were valued with Level 1 inputs.

The School has no policy for managing credit risk or interest rate risk.

Restricted Cash and Investments

Cash and Investments of $797,870 are restricted in the Building Corporation Fund for project costs and bond reserves. Cash in the amount of $204,283 is also restricted in the General Fund as an emergency reserve related to the TABOR amendment.

NOTE 4: ***CAPITAL ASSETS***

Capital Assets activity for the year ended June 30, 2019 is summarized below.

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Governmental Activities				
Capital Assets, not depreciated				
Land	$ 2,685,452	$ -	$ -	$ 2,685,452
Construction in Progress	-	242,199	-	242,199
Total Capital Assets, not depreciated	2,685,456	242,199	-	2,927,651
Capital Asset, depreciated				
Building	8,231,293	9,856	-	8,241,149
Machinery and Equipment	92,371	-	-	92,371
Vehicles	12,500	-	-	12,500
Total Capital Assets, depreciated	8,336,164	9,856	-	8,346,020
Accumulated Depreciation				
Building	1,241,294	372,834	-	1,614,128
Machinery and Equipment	64,268	16,067	-	80,335
Vehicles	-	2,500	-	2,500
Total Accumulated Depreciation	1,305,562	391,401	-	1,696,963
Capital Assets, depreciated, net	7,030,602	(381,545)	-	6,649,057
Total Capital Assets	**$ 9,716,054**	**$ (139,346)**	**$ -**	**$ 9,576,708**

Depreciation has been charged to the Supporting Services Program of the Academy.

NOTE 5: ***ACCRUED SALARIES AND BENEFITS***

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from August to July but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, as of June 30, 2019, were $289,478. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements of the General Fund.

NOTE 6: ***LONG-TERM DEBT***

Following is a summary of the Academy's long-term debt transactions for the year ended June 30, 2019:

	Balance June 30, 2018	Additions	Payments	Balance June 30, 2019	Due In One Year
Series 2013 Bonds	$ 6,970,000	$ -	$ 160,000	$ 6,810,000	$ 165,000
Series 2013 Discount	(57,900)	-	(2,316)	(55,584)	-
Note Payable	832,546	-	452,491	380,055	292,421
Total	**$ 7,744,646**	**$ -**	**$ 610,175**	**$ 7,134,471**	**$ 457,421**

2013 Bonds Payable

In April, 2013, the Colorado Educational and Facilities Authority (CECFA) issued $5,690,000 Charter School Revenue Bonds, Series 2013A and $1,965,000 Charter School Refunding Revenue Bonds Series 2013B. Series 2013A was issued to purchase the Corporation's new facility. The bonds accrue interest at rates ranging from 3.5% to 5.0%. Series 2013B was issued to fully refund the 2005 Charter School Revenue Refunding Bonds. Series 2013B accrues interest ranging from 2.335% to 4.55% Interest payments are due semi-annually on March 1 and September 1. Principal payments are due annually on March 1, through 2043 for Series 2013A and 2026 for Series 2013B.

The Academy is obligated under a lease agreement to make monthly lease payments to the Building Corporation for use of the facilities. The Building Corporation is obligated under the loan agreement to make similar payments to the trustee, for payment of the bonds.

Note Payable

In October 2016, the Academy entered into a loan agreement with CSDCPC TRCS, LLC in the amount of $1,350,000. The purpose of the loan was to assist the Academy in the acquisition, construction and completion of improvements and installation of modular buildings and other equipment. The loan accrues 5.4% interest. Principal and Interest payments are due monthly on the last day of the month. The loan is secured by real property owned by the Academy.

NOTE 6: ***LONG-TERM DEBT*** (Continued)

Future debt service requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
2019	$ 457,421	$ 318,336	$ 775,757
2020	257,634	294,939	552,573
2021	180,000	285,393	465,393
2022	190,000	277,202	467,202
2023	195,000	268,558	463,558
2024 – 2028	1,130,000	1,211,855	2,341,855
2029 – 2033	1,380,000	971,250	2,351,250
2034 – 2038	1,710,000	560,500	2,270,500
2039 – 2043	1,690,000	201,550	1,891,550
Total	**$ 7,190,055**	**$ 4,389,583**	**$ 11,579,638**

NOTE 7: ***DEFINED BENEFIT PENSION PLAN***

Summary of Significant Accounting Policies

Pensions. The School participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/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.

NOTE 7: *DEFINED BENEFIT PENSION PLAN* (Continued)

Summary of Significant Accounting Policies (Continued)

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. A brief description of some of the major changes to plan provisions required by SB 18-200 for the SCHDTF are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

- Increases employer contribution rates for the SCHDTF by 0.25 percent on July 1, 2019.

- Increases employee contribution rates for the SCHDTF by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).

- As specified in C.R.S. § 24-51-413, the State is required to contribute $225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes.

- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, increases 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.

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 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.

NOTE 7: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

General Information about the Pension Plan (Continued)

PERA issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided as of December 31, 2018. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

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

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) benefit structure is the greater of the:

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

- $15 times the first 10 years of service credit plus $20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

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

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

NOTE 7: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

General Information about the Pension Plan (Continued)

As of December 31, 2018, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments in certain years, referred to as annual increases in the C.R.S. Pursuant to SB 18-200, there are no annual increases (AI) for 2018 and 2019 for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure will receive an annual increase, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 1.5 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year.

Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 will receive the lessor of an annual increase of 1.5 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The automatic adjustment provision may raise or lower the aforementioned AI for a given year by up to one-quarter of 1 percent based on the parameters specified C.R.S. § 24-51-413.

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 lifetime retirement benefit formula(s) shown above considering a minimum 20 years of service credit, if deemed disabled.

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

Contributions provisions as of June 30, 2019: Eligible employees, the School and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq*. and § 24-51-413. Eligible employees are required to contribute 8 percent of their PERA-includable salary during the period of July 1, 2018 through June 30, 2019. Employer contribution requirements are summarized in the table below:

NOTE 7: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

General Information about the Pension Plan (Continued)

	January 1, 2018 Through December 31, 2018	January 1, 2019 Through December 31, 2019
Employer contribution rate[1]	10.15%	10.15%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) [1]	(1.02)%	(1.02)%
Amount apportioned to the SCHDTF[1]	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 [1]	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 [1]	5.50%	5.50%
Total employer contribution rate to the SCHDTF	**19.13%**	**19.13%**

Contribution rates for the SCHDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

As specified in C.R.S. § 24-51-413, the State is required to contribute $225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes.

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the School were $697,646 for the year ended June 30, 2019.

NOTE 7: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

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

The net pension liability for the SCHDTF was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total pension liability to December 31, 2018. 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 and the State as a nonemployer contributing entity.

At June 30, 2019, the School reported a liability of $11,263,180 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The School also recognized $91,471 for their proportionate share of the State on- behalf payment and a corresponding benefit expense for the same amount. The amount recognized by the School as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with School were as follows:

School's proportionate share of the net pension liability	$11,263,180
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the School	$1,540,083
Total	$12,803,263

At December 31, 2018, the School proportion was .0667 percent, which was a decrease of .00393 percent from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019 the School recognized pension expense of $380,026 and revenue of $7,912 for support from the State as a nonemployer contributing entity. At June 30, 2019, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE 7: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 382,060	N/A
Changes of assumptions or other inputs	2,102,322	$ 7,004,486
Net difference between projected and actual earnings on pension plan investments	613,914	N/A
Changes in proportion and differences between contributions recognized and proportionate share of contributions	3,509	1,793,927
Contributions subsequent to the measurement date	339,630	N/A
Total	**$ 3,441,435**	**$ 8,798,413**

$339,630 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, 2020. 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,	
2020	($1,163,066)
2021	($2,942,805)
2022	($1,926,560)
2023	$335,823

NOTE 7: *DEFINED BENEFIT PENSION PLAN* (Continued)

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

Actuarial assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.70 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	4.78 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)	2.00 percent compounded annually
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

The revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2017 to December 31, 2018:

Discount rate	7.25 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	0% through 2019 and 1.5% compounded annually, thereafter
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

NOTE 7: *DEFINED BENEFIT PENSION PLAN* (Continued)

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

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

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

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

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

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

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

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 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.

NOTE 7: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

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

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

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

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

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

- 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%.

NOTE 7: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

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

- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200. 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 for each year, including the scheduled increase in SB 18-200. Employer contributions also include the 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.

- As specified in law, the State will provide an annual direct distribution of $225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.

- Employer contributions and the amount of total service costs for future plan members were based upon a process 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. 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 middle of the year.

NOTE 7: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

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

Based on the above assumptions and methods, the projection test indicates the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount determination does not use the municipal bond rate, and therefore, the discount rate is 7.25 percent.

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25 percent and the municipal bond index rate of 3.43 percent were used in the discount rate determination resulting in a discount rate of 4.78 percent, 2.47 percent lower compared to the current measurement date.

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 7.25 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	$14,319,206	$11,263,180	$8,698,658

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

Benefits provided as of December 31, 2017. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

NOTE 7: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

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

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

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) benefit structure is the greater of the:

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

- $15 times the first 10 years of service credit plus $20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

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

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

Summary of Significant Accounting Policies

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

NOTE 8: *DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN* (Continued)

General Information about the OPEB Plan

Plan description. Eligible employees of the School are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report (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, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure 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.

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

NOTE 8: ***DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN*** (Continued)

General Information about the OPEB Plan (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.

DPS Benefit Structure
The maximum service-based premium subsidy is $230 per month for retirees who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is $115 per month for retirees 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 subsidy, in each case, is for retirees 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 retiree pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For retirees who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, the HCTF or the DPS HCTF pays an alternate service-based premium subsidy. Each individual retiree meeting these conditions receives the maximum $230 per month subsidy reduced appropriately for service less than 20 years, as described above. Retirees who do not have Medicare Part A pay the difference between the total premium and the monthly subsidy.

NOTE 8: ***DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN*** (Continued)

General Information about the OPEB Plan (Continued)

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the School were $36,637 for the year ended June 30, 2019.

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

At June 30, 2019, the School reported a liability of $562,529 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2018. The School's proportion of the net OPEB liability was based on School's contributions to the HCTF for the calendar year 2018 relative to the total contributions of participating employers to the HCTF.

At December 31, 2018, the School proportion was .041346 percent, which was an increase of .00230 from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the School recognized OPEB expense of $65,299. At June 30, 2019, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

NOTE 8: ***DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN*** (Continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 2,042	$ 856
Changes of assumptions or other inputs	3,946	N/A
Net difference between projected and actual earnings on OPEB plan investments	3,235	N/A
Changes in proportion and differences between contributions recognized and proportionate share of contributions	N/A	8,543
Contributions subsequent to the measurement date	18,109	N/A
Total	**$ 27,332**	**$ 9,399**

$18,109 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. 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,	
2020	($658)
2021	($658)
2022	($655)
2023	$1,590
2024	$193
2025	$12

NOTE 8: ***DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN*** (Continued)

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

Actuarial assumptions. The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.25 percent for 2018, gradually rising to 5.00
percent in 2025	
DPS benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

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.

The actuarial assumptions used in the December 31, 2017, 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 discussed below.

NOTE 8: ***DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN*** (Continued)

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

In determining the additional liability for PERACare enrollees who are age sixty–five or older and who are not eligible for premium–free Medicare Part A, the following monthly costs/premiums are assumed for 2018 for the PERA Benefit Structure:

Medicare Plan	Cost for Members Without Medicare Part A	Premiums for Members Without Medicare Part A
Self-Funded Medicare Supplement Plans	$736	$367
Kaiser Permanente Medicare Advantage HMO	602	236
Rocky Mountain Health Plans Medicare HMO	611	251
UnitedHealthcare Medicare HMO	686	213

The 2018 Medicare Part A premium is $422 per month.

In determining the additional liability for PERACare enrollees in the PERA Benefit Structure who are age sixty–five or older and who are not eligible for premium–free Medicare Part A, the following chart details the initial expected value of Medicare Part A benefits, age adjusted to age 65 for the year following the valuation date:

Medicare Plan	Cost for Members Without Medicare Part A
Self-Funded Medicare Supplement Plans	$289
Kaiser Permanente Medicare Advantage HMO	300
Rocky Mountain Health Plans Medicare HMO	270
UnitedHealthcare Medicare HMO	400

All costs are subject to the health care cost trend rates, as discussed below.

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.

NOTE 8: ***DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN*** (Continued)

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

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, 2017, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

Year	PERACare Medicare Plans	Medicare Part A Premiums
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.25%
2023	5.00%	4.50%
2024	5.00%	4.75%
2025+	5.00%	5.00%

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.

NOTE 8: ***DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN*** (Continued)

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

Healthy, post-retirement mortality assumptions for the 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.

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

The following health care costs assumptions were updated and used in the measurement of the obligations for the HCTF:

- 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 2018 plan year.

NOTE 8: ***DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN*** (Continued)

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

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

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

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

NOTE 8: ***DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN*** (Continued)

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

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

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

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

NOTE 8: ***DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN*** (Continued)

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

	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	2.25%	3.25%	4.25%
Ultimate Medicare Part A trend rate	4.00%	5.00%	6.00%
Net OPEB Liability	$546,995	$562,529	$580,395

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2018, 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.

- Employer contributions and the amount of total service costs for future plan members were based upon a process 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.

NOTE 8: ***DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN*** (Continued)

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

- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates the HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

Sensitivity of the School's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	$629,421	$562,529	$505,342

OPEB plan fiduciary net position. Detailed information about the HCTF's fiduciary net position is available in PERA's CAFR which can be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 9: ***COMMITMENTS AND CONTINGENCIES***

Claims and Judgments

The Academy participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Academy may be required to reimburse the grantor government. As of June 30, 2019, significant amounts of grant expenditures have not been audited, but the Academy believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Academy.

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The Academy believes it has complied with the Amendment. As required by the Amendment, the Academy has established a reserve for emergencies. At June 30, 2019, the reserve of $204,283 was recorded as a reservation of fund balance in the General Fund. The District also holds $204,283 in pooled cash on behalf of the Academy for this reserve.

NOTE 10: ***DEFICIT NET POSITION***

The net position of the governmental activities is in a deficit position of $11,813,122 due to the Jefferson Academy including its Net Pension Liability per the requirements of GASB Statement No. 68.

REQUIRED SUPPLEMENTARY INFORMATION

LINCOLN ACADEMY

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2019

	2019				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2018 ACTUAL
REVENUES					
Local Sources					
Per Pupil Revenue	$ 5,553,551	$ 5,580,721	$ 5,572,004	$ (8,717)	$ 5,159,406
Mill Levy Override	973,789	1,260,252	1,260,252	-	961,827
Charges for Services	475,277	449,837	432,481	(17,356)	423,631
Donations	5,000	6,500	21,027	14,527	13,177
Other	36,215	36,215	23,239	(12,976)	49,954
State Sources					
Grants and Donations	285,962	298,451	397,211	98,760	276,513
TOTAL REVENUES	7,329,794	7,631,976	7,706,214	74,238	6,884,508
EXPENDITURES					
Salaries	3,838,912	3,826,767	3,770,764	56,003	3,564,137
Employee Benefits	1,071,433	1,067,717	1,067,692	25	858,186
Purchased Services	1,276,682	1,287,600	1,175,239	112,361	1,134,659
Supplies and Materials	294,093	572,523	474,530	97,993	258,794
Property	375,000	384,856	252,055	132,801	52,856
Debt Service					
Principal	380,636	433,661	612,491	(178,830)	402,736
Interest	393,613	354,722	355,893	(1,171)	371,513
Contingency Reserve	-	1,940,085	-	1,940,085	-
TOTAL EXPENDITURES	7,630,369	9,867,931	7,708,664	2,159,267	6,642,881
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(300,575)	(2,235,955)	(2,450)	2,233,505	241,627
OTHER FINANCING SOURCES (USES)					
Proceeds from Issuance of Debt	-	-	-	-	-
NET CHANGE IN FUND BALANCE	(300,575)	(2,235,955)	(2,450)	2,233,505	241,627
FUND BALANCE, Beginning	-	2,887,031	2,887,035	4	2,645,408
FUND BALANCE, Ending	$ (300,575)	$ 651,076	$ 2,884,585	$ 2,233,509	$ 2,887,035

See the accompanying independent auditors' report.

LINCOLN ACADEMY

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
SCHOOL DISTRICT TRUST FUND

Years Ended December 31,

	2013	2014	2015	2016	2017	2018
School's proportionate share of the Net Pension Liablility	0.0510%	0.0534%	0.0591%	0.0610%	0.0687%	0.0636%
School's proportionate share of the Net Pension Liablility	$ 6,498,334	$ 7,235,543	$ 8,933,027	$ 18,154,879	$ 22,220,588	$ 11,263,180
State of Colorado's Proportionate Share of the Net Pension Liability associated with the School	$ -	$ -	$ -	$ -	$ -	$ 1,540,083
Total portion of the Net Pension Liability associated with the School	$ 6,498,334	$ 7,235,543	$ 8,933,027	$ 18,154,879	$ 22,220,588	$ 12,803,263
School's covered payroll	$ 2,120,532	$ 2,277,130	$ 2,632,144	$ 3,004,450	$ 3,204,976	$ 3,487,340
School's proportionate share of the Net Pension Liablility as a percentage of its covered payroll	306.4%	317.7%	339.4%	604.3%	693.3%	367.1%
Plan fiduciary net position as a percentage of the total pension liability	64.07%	62.80%	59.18%	43.10%	43.96%	57.01%

Notes:

This schedule is reported as of December 31, as that is the plan year end.

This schedule will report ten years of data when it is available.

See the accompanying independent auditors' report.

LINCOLN ACADEMY

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
SCHOOL DISTRICT TRUST FUND

Years Ended June 30,

	2014	2015	2016	2017	2018	2019
Statutorily required contributions	$ 385,625	$ 440,350	$ 540,515	$ 582,839	$ 628,072	$ 697,646
Contributions in relation to the Statutorily required contributions	385,625	440,350	540,515	582,839	628,072	697,646
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
School's covered payroll	$ 2,204,736	$ 2,402,608	$ 2,868,448	$ 3,117,939	$ 3,279,616	$ 3,591,870
Contributions as a percentage of covered payroll	17.49%	18.33%	18.84%	18.69%	19.15%	19.42%

Notes:
This schedule will report ten years of data when it is available

See the accompanying independent auditors' report.

LINCOLN ACADEMY

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
HEALTH CARE TRUST FUND

Years Ended December 31,

	2016	2017	2018
School's proportionate share of the Net OPEB Liability	0.0381%	0.0390%	0.0413%
School's proportionate share of the Net OPEB Liability	$ 470,436	$ 507,424	$ 562,529
School's covered payroll	$ 3,004,450	$ 3,204,976	$ 3,487,340
School's proportionate share of the Net OPEB Liability as a percentage of its covered payroll	604.3%	604.3%	604.3%
Plan fiduciary net position as a percentage of the total OPEB Liability	16.72%	17.53%	17.03%

Notes:
This schedule is reported as of December 31, as that is the plan year end.

This schedule will report ten years of data when it is available

See the accompanying independent auditors' report.

LINCOLN ACADEMY

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
HEALTH CARE TRUST FUND

Years Ended June 30,

	2017	2018	2019
Statutorily required contributions	$ 31,803	$ 33,452	$ 36,637
Contributions in relation to the Statutorily required contributions	31,803	33,452	36,637
Contribution deficiency (excess)	$ -	$ -	$ -
School's covered payroll	$ 3,117,939	$ 3,279,616	$ 3,591,870
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%

Notes:
This schedule will report ten years of data when it is available

See the accompanying independent auditors' report.