# LITTLETON PREPARATORY CHARTER SCHOOL

## FINANCIAL STATEMENTS

## YEAR ENDED JUNE 30, 2019

**LITTLETON PREPARATORY CHARTER SCHOOL**
**ROSTER OF SCHOOL OFFICIALS**
**YEAR ENDED JUNE 30, 2019**

## GOVERNING BOARD

Chris Hillary, President

J.D. McCrumb, Vice President

Chris Sanders, Treasurer

Robert Franklin, Secretary

Adrian Davis, Member

## ADMINISTRATION

Kim Ash, Principal, Director of Academics

Lisa Lira, Director of Operations

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**YEAR ENDED JUNE 30, 2019**

# INDEPENDENT AUDITORS' REPORT

Governing Board
Littleton Preparatory Charter School
Littleton, Colorado

## Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Littleton Preparatory Charter School, a component unit of Arapahoe County School District Number Six, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the entity's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditors' Responsibility*

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

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

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

### *Opinions*

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

### *Other Matters*

*Required Supplementary Information*

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

### Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 11, 2019 on our consideration of Littleton Preparatory Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of Littleton Preparatory Charter School's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Littleton Preparatory Charter School's internal control over financial reporting and compliance.

CliftonLarsonAllen LLP

**CliftonLarsonAllen LLP**

Greenwood Village, Colorado
October 11, 2019

As management of Littleton Preparatory Charter School (the School), we offer readers of the School financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2019.

## Financial Highlights

The School's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by ($11,312,169). This is largely due to the implementation of accounting pronouncement GASB Statement No. 68 during fiscal year 2015 (see Note 7 of the Financial Statements).

At the close of the fiscal year, the School's governmental funds reported a combined ending fund balance of $2,243,586.

## Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements themselves.

## Government-wide Financial Statements

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

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

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

The government-wide statement of activities distinguishes functions/programs of the School supported primarily by per pupil revenue (PPR) or property taxes passed through from Arapahoe County School District Number Six (the District). The governmental activities of the School include instruction and supporting services expenses.

The government-wide financial statements can be found on pages 9-10 of this report.

## Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other governmental units or charter schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School are included as one category: governmental funds.

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

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

The School maintains two individual governmental funds, the General Fund and Special Revenue Fund. They are presented separately in the fund financial statements as they are classified as major funds.

The School adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the budget.

The Littleton Preparatory Charter School Building Corporation (the Building Corporation) is a nonprofit finance organization whose sole purpose is to acquire and lease facilities to the School for governmental use. The Building Corporation provides services entirely to the School. Due to this relationship, the Building Corporation is reported as if it were part of or blended with the School's operations as a Special Revenue Fund.

**Notes to the Financial Statements**: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This information is provided in pages 14-40.

## Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the School, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by $11,312,169 due to the implementation of accounting pronouncement GASB Statement No. 68 during fiscal year 2015 and GASB Statement No. 75 during fiscal year 2018.

## Condensed Statement of Net Position

| | June 30, 2019 | June 30, 2018 |
|---|---|---|
| **ASSETS** | | |
| Current and Other Assets | $ 2,556,797 | $ 2,485,359 |
| Capital Assets | 6,881,415 | 6,461,814 |
| Total Assets | 9,438,212 | 8,947,173 |
| **DEFERRED OUTFLOWS OF RESOURCES** | | |
| Related to OPEB | 21,338 | 15,988 |
| Related to Pension | 2,715,691 | 5,437,057 |
| Total Deferred Outflow of Resources | 2,737,029 | 5,453,045 |
| **LIABILITIES** | | |
| Current Liabilities | 486,389 | 480,345 |
| Noncurrent Liabilities | 16,058,176 | 26,201,247 |
| Total Liabilities | 16,544,565 | 26,681,592 |
| **DEFERRED INFLOWS OF RESOURCES** | | |
| Related to OPEB | 5,314 | 10,972 |
| Related to Pension | 6,937,531 | 886,618 |
| Total Deferred Inflow of Resources | 6,942,845 | 897,590 |
| **NET POSITION** | | |
| Net Investment in Capital Assets | 499,969 | (59,706) |
| Restricted | 414,631 | 487,274 |
| Unrestricted | (12,226,769) | (13,606,532) |
| Total Net Position | $ (11,312,169) | $ (13,178,964) |

$414,631 of the School's net position is restricted for emergencies, debt service, and repair and replacement of the building. The School's overall net position increased by $1,886,795 during this fiscal year, which is largely due to net pension liability reported as required by GASB Statement No. 68 and the other post-employment benefit liability reported as required by the newly implemented GASB 75 and the related pension income and OPEB expense recorded for the year ended June 30, 2019. Additional information on the pension liability and the OPEB liability can be found in Notes 7 and 8 to the School's financial statements.

## Condensed Statement of Activities

| | Years Ended | |
|---|---|---|
| | June 30, 2019 | June 30, 2018 |
| Program Revenue: | | |
| Charges for Services | $ 406,647 | $ 370,525 |
| Operating Grants and Contributions | 86,999 | 70,765 |
| Capital Grants and Contributions | 537,811 | 143,507 |
| Total Program Revenue | 1,031,457 | 584,797 |
| General Revenue: | | |
| Per Pupil Revenue | 4,238,815 | 4,009,469 |
| District Mill Levy | 376,068 | 376,068 |
| Investment Income | 52,752 | 29,206 |
| Other | 145,152 | 163,823 |
| Total General Revenue | 4,812,787 | 4,578,566 |
| Total Revenue | 5,844,244 | 5,163,363 |
| Expenses: | | |
| Current: | | |
| Instructional | 2,301,020 | 6,153,935 |
| Supporting Services | 1,341,441 | 2,070,123 |
| Interest on Long-Term Debt | 334,988 | 341,530 |
| Total Expenses | 3,977,449 | 8,565,588 |
| Change in Net Position | 1,866,795 | (3,402,225) |
| Net Position - Beginning of Year | (13,178,964) | (9,776,739) |
| Net Position - End of Year | $ (11,312,169) | $ (13,178,964) |

Program and general revenues increased $680,881 from fiscal year 2018 to fiscal year 2019 due to an increase in per pupil funding of $449 per student, contributed capital assets from Littleton Public Schools of $375,248, as well as an increase in other revenues as a result of the on-behalf payment made by the state for the PERA retirement plan. Over the same period, instructional expenses, supporting services, and interest expenses decreased ($4,588,139) due primarily to a decrease in pension expense.

## Financial Analysis of the Government's Funds

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

**Governmental Funds**: The focus of the School's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the School's net resources available for spending at the end of the fiscal year.

Total revenues of the General Fund were $5,522,125 during fiscal year 2019 with $4,238,815 (77%) related to Per Pupil Revenue (PPR). During the current year of operations, the School reported a student count of 542. PPR increased by $449 or 6% per student from fiscal year 2018 to fiscal year 2019. Mill Levy Overrides continue to be received through the District as a component of local revenue. Earnings on investments and student fees were received in support of the general operation of the School. Field trip and community service activities were processed through the School's General Fund with minimal impact to ending fund balance. Total revenue increased 7.0% overall from the prior year.

Total expenditures of the General Fund were $5,467,441 for fiscal year 2019 (including transfers). Salaries and benefits were $3,973,384 purchased services, other expenditures and transfers out were $1,494,057. Total expenditures increased by $467,274 from prior-year reporting.

During fiscal year 2013, the School established and began reporting the Special Revenue Fund, to account for activity related to acquisition, financing and construction of the School's new facility. The fund's fiscal year 2019 activity included primarily debt service interest on bonds of $340,625 and principal of $135,000.

## General Fund Budgetary Highlights

The School approves a budget no later than June, based on enrollment projections for the following school year and submits it to the District for approval. Actual revenues were greater than budgeted revenues by $21,299. Actual expenditures, including transfers out, were less than budgeted expenditures by $33,385. See the notes to the required supplementary information for additional information.

## Capital Asset and Debt Administration

**Capital assets**: At June 30, 2019, the School's capital assets, net of accumulated depreciation is $6,881,415, which represents an increase of $419,601 compared to June 30, 2018, due to current year additions to capital assets offset by current year depreciation expense.

**Long-term debt**: At June 30, 2019, the School's long-term debt is $6,861,696 which represents a decrease of $140,074 from the prior year, due to amortization of the loan premium and payment of principal.

Additional information on capital assets and long-term debt can be found in Notes 3 and 5, respectively, to the School's financial statements.

**Economic Factors and Next Year's Budget:**

The primary aspect driving the budget for the School is the future of the Colorado state budget and related Per Pupil Revenue for K-12 education. The School has been conservative when preparing its three year budget, in anticipation of unpredictable state funding. The School continues to monitor the state legislature and economic news, and is confident in its preparation for potential funding challenges in the years to come.

**Requests for Information**

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

Littleton Preparatory Charter School
5301 S. Bannock St.
Littleton, CO 80120

**LITTLETON PREPARATORY CHARTER SCHOOL**
**STATEMENT OF NET POSITION**
**JUNE 30, 2019**

| | Governmental Activities |
|---|---|
| **ASSETS** | |
| Cash and Investments | $ 1,797,012 |
| Restricted Cash and Investments | 759,785 |
| Capital Assets, Not Depreciated | 1,245,248 |
| Capital Assets, Depreciated, Net of Accumulated Depreciation | 5,636,167 |
| Total Assets | 9,438,212 |
| **DEFERRED OUTFLOWS OF RESOURCES** | |
| Related to OPEB | 21,338 |
| Related to Pension | 2,715,691 |
| Total Deferred Outflows of Resources | 2,737,029 |
| **LIABILITIES** | |
| Accounts Payable | 32,847 |
| Accrued Salaries and Benefits | 269,254 |
| Unearned Revenue | 11,110 |
| Accrued Interest | 28,104 |
| Noncurrent Liabilities: | |
| Due in One Year | 145,074 |
| Due in More Than One Year | 6,716,622 |
| Net OPEB Liability | 436,336 |
| Net Pension Liability | 8,905,218 |
| Total Liabilities | 16,544,565 |
| **DEFERRED INFLOWS OF RESOURCES** | |
| Related to OPEB | 5,314 |
| Related to Pension | 6,937,531 |
| Total Deferred Inflows of Resources | 6,942,845 |
| **NET POSITION** | |
| Net Investment in Capital Assets | 499,969 |
| Restricted: | |
| Emergencies | 163,200 |
| Debt Service | 91,431 |
| Repair and Replacement | 160,000 |
| Unrestricted | (12,226,769) |
| Total Net Position | $ (11,312,169) |

*See accompanying Notes to the Basic Financial Statements.*

# LITTLETON PREPARATORY CHARTER SCHOOL
## STATEMENT OF ACTIVITIES
## YEAR ENDED JUNE 30, 2019

| Functions/Programs | Expenses | Program Revenues: Charges for Services | Program Revenues: Operating Grants and Contributions | Program Revenues: Capital Grants and Contributions | Net (Expense) Revenue and Changes in Net Position: Governmental Activities |
|---|---|---|---|---|---|
| **Governmental Activities** | | | | | |
| Instructional | $ 2,301,020 | $ - | $ 86,061 | $ 318,961 | $ (1,895,998) |
| Supporting Services | 1,341,441 | 406,647 | 938 | 218,850 | (715,006) |
| Interest on Long-Term Debt | 334,988 | - | - | - | (334,988) |
| Total Government Activities | $ 3,977,449 | $ 406,647 | $ 86,999 | $ 537,811 | (2,945,992) |
| General Revenues: | | | | | |
| Per Pupil Revenue | | | | | 4,238,815 |
| District Mill Levy | | | | | 376,068 |
| Investment Income | | | | | 52,752 |
| Other | | | | | 145,152 |
| Total General Revenues | | | | | 4,812,787 |
| **CHANGE IN NET POSITION** | | | | | 1,866,795 |
| Net Position - Beginning of Year | | | | | (13,178,964) |
| **NET POSITION - END OF YEAR** | | | | | $ (11,312,169) |

*See accompanying Notes to the Basic Financial Statements.*

# LITTLETON PREPARATORY CHARTER SCHOOL
## BALANCE SHEET – GOVERNMENTAL FUNDS
## JUNE 30, 2019

| | General | Special Revenue | Total Governmental Funds |
|---|---|---|---|
| **ASSETS** | | | |
| Cash and Investments | $ 1,797,012 | $ - | $ 1,797,012 |
| Restricted Cash and Investments | - | 759,785 | 759,785 |
| Total Assets | $ 1,797,012 | $ 759,785 | $ 2,556,797 |
| **LIABILITIES AND FUND BALANCES** | | | |
| **LIABILITIES** | | | |
| Accounts Payable | $ 32,847 | $ - | $ 32,847 |
| Accrued Salaries and Benefits | 269,254 | - | 269,254 |
| Unearned Revenue | 11,110 | - | 11,110 |
| Total Liabilities | 313,211 | - | 313,211 |
| **FUND BALANCES** | | | |
| Restricted: | | | |
| Emergencies | 163,200 | - | 163,200 |
| Debt Service | - | 599,785 | 599,785 |
| Repair and Replacement | - | 160,000 | 160,000 |
| Assigned: | | | |
| Working Capital | 60,000 | - | 60,000 |
| Unassigned | 1,260,601 | - | 1,260,601 |
| Total Fund Balances | 1,483,801 | 759,785 | 2,243,586 |
| Total Liabilities and Fund Balances | $ 1,797,012 | $ 759,785 | $ 2,556,797 |

Amounts reported to governmental activities in the statement of net position are different because:

| | |
|---|---|
| Total Fund Balances of Governmental Funds | $ 2,243,586 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. | 6,881,415 |
| Long-term liabilities, including loans payable, are not due and payable in the current period, and therefore, are not reported in the governmental funds. | |
| Revenue Bonds Payable | (6,745,000) |
| Premium on Bonds Payable | (116,696) |
| Accrued Interest Payable | (28,104) |
| Net OPEB Liability | (436,336) |
| Net Pension Liability | (8,905,218) |
| Deferred pension outflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. | |
| Related to OPEB | 21,338 |
| Related to Pension | 2,715,691 |
| Deferred pension inflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. | |
| Related to OPEB | (5,314) |
| Related to Pension | (6,937,531) |
| Net Position of Governmental Activities | $ (11,312,169) |

*See accompanying Notes to the Basic Financial Statements.*

**LITTLETON PREPARATORY CHARTER SCHOOL**
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS**
**YEAR ENDED JUNE 30, 2019**

| | General | Special Revenue | Total Governmental Funds |
|---|---|---|---|
| **REVENUES** | | | |
| Per Pupil Revenue | $ 4,238,815 | $ - | $ 4,238,815 |
| District Mill Levy | 376,068 | - | 376,068 |
| Charges for Services | 406,647 | - | 406,647 |
| Contributions | 80,745 | - | 80,745 |
| State Contributions - Pension | 72,321 | - | 72,321 |
| Intergovernmental Revenue | 162,563 | - | 162,563 |
| Other Revenue | 145,153 | - | 145,153 |
| Investment Income | 39,813 | 12,939 | 52,752 |
| Total Revenues | 5,522,125 | 12,939 | 5,535,064 |
| **EXPENDITURES** | | | |
| Current: | | | |
| Instructional | 3,289,422 | - | 3,289,422 |
| Supporting Services | 1,515,229 | - | 1,515,229 |
| Capital Outlay | 184,957 | - | 184,957 |
| Debt Service: | | | |
| Principal | - | 135,000 | 135,000 |
| Interest | - | 340,625 | 340,625 |
| Total Expenditures | 4,989,608 | 475,625 | 5,465,233 |
| **EXCESS OF REVENUES OVER (UNDER) EXPENDITURES** | 532,517 | (462,686) | 69,831 |
| **OTHER FINANCING SOURCES (USES)** | | | |
| Transfers In | 48,953 | 477,833 | 526,786 |
| Transfers Out | (477,833) | (48,953) | (526,786) |
| Total Other Financing Sources (Uses) | (428,880) | 428,880 | - |
| **NET CHANGE IN FUND BALANCES** | 103,637 | (33,806) | 69,831 |
| Fund Balances - Beginning of Year | 1,380,164 | 793,591 | 2,173,755 |
| **FUND BALANCES - END OF YEAR** | $ 1,483,801 | $ 759,785 | $ 2,243,586 |

*See accompanying Notes to the Basic Financial Statements.*

# LITTLETON PREPARATORY CHARTER SCHOOL
# 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 Change in Fund Balances of Governmental Funds | $ | 69,831 |
| Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and are allocated over their estimated useful lives as annual depreciation expense in the statement of activities: | | |
| Capital Outlay | | 184,957 |
| Contributed Asset | | 375,248 |
| Depreciation Expense | | (139,968) |
| Loss on Disposal | | (636) |
| The issuance of long-term debt provides current financial resources to funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. | | |
| Principal Payments | | 135,000 |
| Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities: | | |
| Amortization of Premium | | 5,074 |
| Interest payable on debt is not recorded on the fund statements because it is not a current use of cash. Interest is accrued on the government-wide statements since the liability is to be paid in the near term. | | 563 |
| Some items reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. The (increases) decreases in these activities consist of: | | |
| OPEB Income | | 6,209 |
| Pension Income | | 1,225,816 |
| Change in Contributions Subsequent to Measurement Date | | 4,701 |
| Change in net position of governmental activities | $ | 1,866,795 |

*See accompanying Notes to the Basic Financial Statements.*

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Littleton Preparatory Charter School (the School) was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Arapahoe County School District Number Six (the District). The School began operations in the fall of 1998.

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

### Financial Reporting Entity

The Governmental Accounting Standards Board (GASB) has specified the criteria to be used in defining a governmental entity for financial reporting purposes:

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

The School's charter was granted by the District and the majority of the School's funding is provided by the District. The School has been determined to be a component unit of the District.

### Blended Component Unit

The Littleton Preparatory Charter School Building Corporation (the Building Corporation) is a nonprofit finance organization whose sole purpose is to acquire and lease facilities to the School for governmental use. The Building Corporation provides services entirely to the School. Due to the above relationships, the Building Corporation is reported as if it were part of or blended with the School's operations as a special revenue fund. No separate financial statements for the Building Corporation have been issued.

### Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the School. 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 (Continued)

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

### Fund Financial Statements

The accounts of the School are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The major funds presented in the accompanying basic financial statements are as follows:

*Major Governmental Funds*

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

*Special Revenue Fund* – This fund is used to account for the activity of the Building Corporation.

### Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. 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. With this measurement focus, operating statements present increases and decreases in net current assets and fund balance as a measure of available spendable resources. This means that only current liabilities are generally included on their balance sheets.

All governmental funds use the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. “Measureable” means the amount of the transaction can be determined and “available” means collectible within the current period, or soon thereafter, to pay liabilities of the current period. Revenues are considered to be available if collected within 30 days after year-end; 90 days for grants.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Grants and entitlement revenues are recognized when compliance with matching requirements is met. A receivable is established when the related expenditures exceed revenue receipts and an unearned revenue or deferred inflow account is established when receipts exceed the related expenditures.

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 School's policy to use restricted resources first and the unrestricted resources as they are needed.

**Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position**

*Investments* – Investments are reported at amortized cost.

*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 School 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 acquisition cost or estimated acquisition cost if purchased or constructed. Donated capital assets are recorded at acquisition cost value at the date of donation.

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net position in the government-wide financial statements.

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

| | |
|---|---|
| Building | 50 years |
| Building improvements | 10-25 years |
| Equipment | 5-20 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 and issuance costs are expensed. 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.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position (Continued)**

*Net Pension and OPEB Liabilities* – The School's governmental activities report a net pension and OPEB liability as of June 30, 2019. The School is required to report its proportionate share of PERA's unfunded Pension and OPEB Liabilities. See Notes 7 and 8 for additional information.

*On – Behalf Payments* - GAAP requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of Colorado makes direct on-behalf payments for retirement benefits to Colorado PERA. Beginning on July 1, 2018, the State of Colorado is required to make a payment to PERA each year equal to $225 million. PERA allocates the contribution to the trust funds of the State, School, Denver Public Schools, and Judicial Division Trust Funds of PERA, as proportionate to the annual payroll of each division. This annual payment is required on July 1st of each year thereafter until there are no unfunded actuarial accrued liabilities of any division of PERA that receives the direct distribution. The amount of on-behalf payments made for the School by the State of Colorado has been recorded in the fund financial statements.

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

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

*Deferred Outflows of Resources* - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. See Notes 7 and 8 for deferred pension and deferred OPEB outflows of resources.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position (Continued)**

*Deferred Inflows of Resources* - In addition to liabilities, the School's financial statements will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. See Notes 7 and 8 for the deferred pension and deferred OPEB inflows of resources.

*Net Position* – In the government-wide financial statements, net position is restricted when constraints placed on the net position are externally imposed.

*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 School 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:

- Nonspendable – This classification includes amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. The School did not have any nonspendable resources as of June 30, 2019.

- 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 School has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies. Restricted balances relate to Emergency Reserves and capital projects in the General Fund and required debt restrictions in the Special Revenue Fund.

- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Governing Board.

  These amounts cannot be used for any other purpose unless the Governing Board removes or changes the specified use by taking the same type of action (i.e. 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 School did not have any committed resources as of June 30, 2019.

## NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

**Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position (Continued)**

- Assigned – This classification includes amounts that are subject to a purpose constraint that represents an intended use, but does not meet the criteria to be classified as restricted or committed. The purpose of this assignment must be narrower than the purpose of the General Fund. The School had $60,000 of assigned resources as of June 30, 2019.

- Unassigned – This classification includes the residual fund balance for the General Fund.

When both restricted and unrestricted resources are available, the School would typically use restricted fund balances first, followed by committed then assigned, then unassigned.

## NOTE 2 CASH AND INVESTMENTS

The following is a summary of cash and investments at June 30, 2019 as follows:

| | |
|---|---|
| Cash Held by the District | $ 1,797,012 |
| Investment | 759,785 |
| Total | $ 2,556,797 |

Cash and investments are reported in the financial statements at June 30, 2019 as follows:

| | |
|---|---|
| Cash and Investments | $ 1,797,012 |
| Restricted Cash and Investments | 759,785 |
| Total | $ 2,556,797 |

**Deposits**

The School's deposits are governed by Colorado statute. 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 regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all uninsured public deposits as a group is to be maintained by another institution or held in trust. The fair value of the collateral must be at least equal to the aggregate uninsured deposits.

The State Regulatory Commissions for banks and financial services are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pools.

At June 30, 2019, the School's cash held by the District includes equity in pooled cash maintained by the District, all of which was covered by federal depository insurance or collateralized under PDPA.

## NOTE 2 CASH AND INVESTMENTS (CONTINUED)

**Investments**

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest, which include:

- Obligations of the United States and certain U.S. Government Agency securities and World Bank
- General obligation and revenue bonds of U.S. local government entities
- 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

Investments at June 30, 2019 consist of the following:

| | Maturity | Value |
|---|---|---|
| Morgan Stanley Government Liquidity Fund #8352 | Less Than One Year | $ 759,785 |

*Fair Value of Investments* – As of June 30, 2019, the School had invested $759,785 in the Morgan Stanley Government Liquidity Fund #8352, a money market mutual fund which, complies with the Rule 2a-7 definition of a government money market fund. The Fund is rated AAAm by Standard & Poor's and is valued at amortized cost. Based on the valuation method, additional disclosures are not required under GASB Statement No. 72.

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

*Credit Risk* is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law limits investments for school districts to U.S. Treasury issues, other federally backed notes and credits, and other agency offerings without limitation. Other investment instruments including bank obligation, general obligation bonds, and commercial paper are limited to at least one of the highest rating categories of at least one nationally recognized rating agency. State law further limits investments in money market funds that are organized according to the Federal Investment Company Act of 1940, as specified in rule 2a-7, as amended, as long as such rule does not increase remaining maturities beyond a maximum of three years. Investments in these funds require that the institutions have assets in excess of $1 billion or the highest credit rating from one or more of a nationally recognized rating agency. The School's investment at June 30, 2019 was rated AAAm by Standard & Poors.

## NOTE 2 CASH AND INVESTMENTS (CONTINUED)

*Concentration of Credit Risk* – state statutes do not generally limit the amount the School may invest in one issuer.

**Restricted Cash and Investments**

Cash and investments of $759,785 have been restricted by the Building Corporation for debt service and repair and replacement.

## NOTE 3 CAPITAL ASSETS

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

| | Balance June 30, 2018 | Additions | Disposals | Balance June 30, 2019 |
|---|---|---|---|---|
| **Governmental Activities** | | | | |
| Capital Assets, Not Depreciated: | | | | |
| Land | $ 870,000 | $ - | $ - | $ 870,000 |
| Construction in Process | - | 375,248 | - | 375,248 |
| Total Capital Assets, Not Depreciated | 870,000 | 375,248 | - | 1,245,248 |
| Capital Assets, Being Depreciated: | | | | |
| Building | 6,090,858 | 56,160 | - | 6,147,018 |
| Building Improvements | 123,020 | 113,000 | (25,425) | 210,595 |
| Equipment | 24,419 | 15,797 | - | 40,216 |
| Total Capital Assets, Being Depreciated | 6,238,297 | 184,957 | (25,425) | 6,397,829 |
| Accumulated Depreciation: | | | | |
| Building | (590,370) | (127,682) | - | (718,052) |
| Building Improvements | (35,506) | (8,647) | 24,789 | (19,364) |
| Equipment | (20,607) | (3,639) | - | (24,246) |
| Total Accumulated Depreciation | (646,483) | (139,968) | 24,789 | (761,662) |
| Total Capital Assets, Being Depreciated, Net | 5,591,814 | 44,989 | (636) | 5,636,167 |
| Total Capital Assets | $ 6,461,814 | $ 420,237 | $ (636) | $ 6,881,415 |

Depreciation expense of $139,968 was charged to supporting services ($20,995) and to instruction ($118,973) for the year ended June 30, 2019.

## NOTE 4 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 nine months. The salaries and benefits earned, but unpaid, as of June 30, 2019, were $269,254 in the General Fund.

## NOTE 5 LONG-TERM DEBT

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

| | Balance June 30, 2018 | Additions | Retirements | Balance June 30, 2019 | Current | Long-Term |
|---|---|---|---|---|---|---|
| Revenue Bonds | $ 6,880,000 | $ - | $ (135,000) | $ 6,745,000 | $ 140,000 | $ 6,605,000 |
| Bond Premium | 121,770 | - | (5,074) | 116,696 | 5,074 | 111,622 |
| Total | $ 7,001,770 | $ - | $ (140,074) | $ 6,861,696 | $ 145,074 | $ 6,716,622 |

On January 31, 2013, the Colorado Educational and Cultural Facilities Authority (CECFA) issued $7,340,000 Charter School Revenue Bonds, Series 2013. Proceeds of the Series 2013 Bonds were used by the Building Corporation to acquire and remodel the School's building. The School is obligated under a lease agreement to make monthly lease payments to the Building Corporation for using the building. The Building Corporation is required to make semi-annual loan payments to the Trustee for payment of the bonds. Bond interest payments are due semi-annually on December 1 and June 1, with interest accruing at a rate of 5.00%. Principal payments are due annually on December 1, beginning 2014 through 2042.

Annual debt service requirements to maturity for the long-term debt transactions are as follows:

| Year Ending June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2020 | $ 140,000 | $ 333,750 | $ 473,750 |
| 2021 | 145,000 | 326,625 | 471,625 |
| 2022 | 155,000 | 319,125 | 474,125 |
| 2023 | 160,000 | 311,250 | 471,250 |
| 2024 | 170,000 | 303,000 | 473,000 |
| 2025-2029 | 1,000,000 | 1,373,750 | 2,373,750 |
| 2030-2034 | 1,270,000 | 1,091,250 | 2,361,250 |
| 2035-2039 | 1,610,000 | 733,250 | 2,343,250 |
| 2040-2043 | 2,095,000 | 250,875 | 2,345,875 |
| Total | $ 6,745,000 | $ 5,042,875 | $ 11,787,875 |

## NOTE 6 INTERFUND TRANSFERS

During the year ended June 30, 2019, the General Fund transferred $477,833 to the Special Revenue Fund for debt service expenditures, and the Special Revenue Fund transferred $48,953 of excess debt service reserves to the General Fund which are eliminated in the statement of activities.

## NOTE 7 DEFINED BENEFIT PENSION PLAN

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

## NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

*Benefits Provided*

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

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

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

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

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

As of December 31, 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.

## NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

Contributions: Eligible employees of the School are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401 and 24-51-413, et seq. Eligible employees are required to contribute 8% of their PERA-includable salary. The employer contribution requirements are summarized in the table below:

| | January 1, 2018 Through December 31, 2018 | January 1, 2019 Through June 30, 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] | 5.00 | 5.50 |
| Total Employer Contribution Rate to the SCHDTF[1] | 19.13 % | 19.13 % |

[1]Rates 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.

## NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 $522,693 for the year ended June 30, 2019.

**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 2018 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 $8,905,218 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the School as its proportionate share of the net pension liability, the related State support, and the total portion of the net pension liability that was associated with the School were as follows:

| | | |
|---|---|---|
| School's Proportionate Share of the Net Pension Liability | $ | 8,905,218 |
| State's Proportionate Share of the Net Pension Liability | | 1,217,665 |
| Total | $ | 10,122,883 |

At December 31, 2018, the School's proportion was 0.0502919%, which was a decrease of 0.008254% from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the School recognized pension income of $1,225,816 and revenue of $6,256 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:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Difference Between Expected and Actual Experience | $ 302,075 | $ - |
| Changes of Assumptions or Other Inputs | 1,662,198 | 5,538,088 |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | 485,390 | - |
| Changes in Proportion and Differences Between Contributions Recognized and Proportionate Share of Contributions | - | 1,399,443 |
| Contributions Subsequent to the Measurement Date | 266,028 | - |
| Total | $ 2,715,691 | $ 6,937,531 |

## NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

$266,028 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 Ending June 30, | Amount |
|---|---|
| 2020 | $ (905,982) |
| 2021 | (2,320,777) |
| 2022 | (1,526,627) |
| 2023 | 265,518 |
| | $ (4,487,868) |

*Actuarial Assumptions*

The December 31, 2017 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions, and other inputs:

| | Actuarial Assumptions |
|---|---|
| Actuarial Cost Method | Entry Age |
| Price Inflation | 2.40% |
| Real Wage Growth | 1.10% |
| Wage Inflation | 3.50% |
| Salary Increases, Including Wage Inflation | 3.50 - 9.70% |
| Long-Term Investment Rate of Return, Net of Pension Plan Investment Expenses, Including Price Inflation | 7.25% |
| Discount rate | 4.78% |
| Future Post Retirement Benefit Increases: | |
| PERA Benefit Structure Hired Prior to January 1, 2007; and DPS Benefit Structure (Automatic) | 2.00% Compounded Annually |
| PERA Benefit Structure hired after December 31, 2006 (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% |
| Future Post Retirement Benefit Increases: | |
| PERA Benefit Structure Hired Prior to January 1, 2007; and DPS Benefit Structure (Automatic) | 0% through 2019 and 1.5% Compounded Annually, Thereafter |
| PERA Benefit Structure hired after December 31, 2006 (Ad Hoc, Substantively Automatic) | Financed by the Annual Increase Reserve |

## NOTE 7 DEFINED BENEFIT PENSION PLAN (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, 2017 valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012 through December 31, 2015, as well as, the October 28, 2016 actuarial assumptions workshop and were adopted by PERA's Board during the November 18, 2016 Board meeting.

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

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

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

## NOTE 7 DEFINED BENEFIT PENSION PLAN (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%.

*Discount Rate*

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

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

- Employee contributions were assumed to be made at the member contribution 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 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 0.5% 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.

## NOTE 7 DEFINED BENEFIT PENSION PLAN (CONTINUED)

- As specified in law, the State of Colorado, as a nonemployer contributing entity, will provide an annual direct distribution of $225,000,000, commencing July 1, 2018, and is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon 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 used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- The Annual Increase Reserve (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.

Based on the above assumptions and methods, the GASB Statement No. 67 projection test indicates the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%.

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

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

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|---|---|---|---|
| Proportionate Share of the Net Pension Liability | $ 11,321,461 | $ 8,905,218 | $ 6,877,582 |

*Pension Plan Fiduciary Net Position*

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

## NOTE 8 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

### General Information about the OPEB Plan

*Plan Description*

Eligible employees of the School are provided with OPEB through the Health Care Trust Fund (HCTF) – a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan administered by the Public Employees' Retirement Association of Colorado (PERA). The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. 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 Division, School Division, Local Government Division and Judicial Division Trust Funds), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

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

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

## NOTE 8 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (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% reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

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

*Contributions*

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the School were $27,870 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 $436,336 for its proportionate share of the net OPEB liability. The net OPEB liability 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 pension liability to December 31, 2018. The School's proportion of the net OPEB liability was based on their 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's proportion was 0.0320707%, which was a decrease of 0.0011946% from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the School recognized OPEB income of $6,209. 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 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Difference between Expected and Actual Experience | $ 1,584 | $ 664 |
| Changes of Assumptions or other Inputs | 3,061 | - |
| Net Difference between Projected and Actual Earnings on OPEB Plan Investments | 2,509 | - |
| Changes in Proportion and Differences between Contributions Recognized and Proportionate Share Share of Contributions | - | 4,650 |
| Contributions Subsequent to the Measurement Date | 14,184 | - |
| Total | $ 21,338 | $ 5,314 |

$14,184 reported as deferred outflows of resources related to OPEB resulting from the School's contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ended June 30, 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, | Amount |
|---|---|
| 2020 | $ (3) |
| 2021 | (3) |
| 2022 | (2) |
| 2023 | 1,740 |
| 2024 | 103 |
| Thereafter | 5 |
| Total | $ 1,840 |

*Actuarial Assumptions*

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

| | |
|---|---|
| Actuarial Cost Method | Entry Age |
| Price Inflation | 2.40% |
| Real Wage Growth | 1.10% |
| Wage Inflation | 3.50% |
| Salary Increases, Including Wage Inflation | 3.50 % in the Aggregate |
| Long-Term Investment Rate of Return, Net of OPEB Plan Investment Expenses, Including Price Inflation | 7.25% |
| Discount rate | 7.25% |
| Health Care Cost Trend Rates | |
| Service-based Premium Subsidy | 0.00% |
| PERACare Medicare Plans | 5.00% |
| Medicare Part A Premiums | 3.25% for 2018, Gradually Rising to 5.00% in 2025 |

## NOTE 8 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

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

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.

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 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (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.

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.

## NOTE 8 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

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

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

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

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

The following healthcare cost 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.

- 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 of five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

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

## NOTE 8 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (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%.

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

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

| | 1% Decrease in Trend Rates | Current Trend Rates | 1% Increase in Trend Rates |
|---|---|---|---|
| PERACare Medicare Trend Rate | 4.00% | 5.00% | 6.00% |
| Initial Medicare Part A Trend Rate | 2.25% | 3.25% | 4.25% |
| Ultimate Medicare Part A Trend Rate | 4.00% | 5.00% | 6.00% |
| Proportionate Share of the Net OPEB Liability | $ 424,287 | $ 436,336 | $ 450,194 |

## NOTE 8 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

*Discount Rate*

The discount rate used to measure the total OPEB liability was 7.25%. The projection of cash flows used to determine the discount rate 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 used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

*Sensitivity of The School's proportionate share of the Net OPEB Liability to Changes in the Discount Rate*

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

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|---|---|---|---|
| Proportionate Share of the Net OPEB Liability | $ 488,222 | $ 436,336 | $ 391,978 |

## NOTE 8 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) (CONTINUED)

*OPEB Plan Fiduciary Net Position*

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

## NOTE 9 COMMITMENTS AND CONTINGENCIES

**Claims and Judgments**

The School 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 School may be required to reimburse the grantor government.

## NOTE 10 TAX, SPENDING AND DEBT LIMITATIONS

Article X, Section 20 of the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR) contains tax, spending, revenue and debt limitations, which apply to the State of Colorado and all local governments. Spending and revenue limits are determined based on the prior year's Fiscal Year Spending adjusted for allowable increased based upon inflation and local growth. Fiscal Year Spending is generally defined as expenditures plus reserve increases with certain exceptions. Revenue in excess of the Fiscal Year Spending limit must be refunded unless the voters approve retention of such revenue.

TABOR requires local governments to establish Emergency Reserves. These reserves must be at least 3% of Fiscal Year Spending (excluding bonded debt service). Local governments are not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls, or salary or benefit increases.

TABOR is complex and subject to interpretation. Many of the provisions, including the interpretation of how to calculate Fiscal Year Spending limits will require judicial interpretation. The School believes it has complied with the Amendment. As required by the Amendment, the School has established a reserve for emergencies. At June 30, 2019, the reserve of $163,200 was recorded as a restriction of fund balance in the General Fund.

## NOTE 11 RISK MANAGEMENT

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

# LITTLETON PREPARATORY CHARTER SCHOOL
## SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES – BUDGET AND ACTUAL – GENERAL FUND
## YEAR ENDED JUNE 30, 2019

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|---|---|---|---|---|
| **REVENUES** | | | | |
| Per Pupil Revenue | $ 4,127,760 | $ 4,230,079 | $ 4,238,815 | $ 8,736 |
| District Mill Levy | 376,068 | 376,068 | 376,068 | - |
| Charges for Services | 385,000 | 406,647 | 406,647 | - |
| Contributions | - | 80,745 | 80,745 | - |
| Intergovernmental Revenue | 150,000 | 150,000 | 162,563 | 12,563 |
| Other Revenue | 59,000 | 145,153 | 145,153 | - |
| Investment Income | 15,000 | 39,813 | 39,813 | - |
| Total Revenues | 5,112,828 | 5,428,505 | 5,449,804 | 21,299 |
| **EXPENDITURES** | | | | |
| Salaries and Benefits | 3,882,994 | 3,925,868 | 3,973,384 | (47,516) |
| Purchased Services and Other | 1,227,334 | 1,385,467 | 758,946 | 626,521 |
| Capital Outlay | 2,500 | 117,170 | 184,957 | (67,787) |
| Total Expenditures | 5,112,828 | 5,428,505 | 4,917,287 | 511,218 |
| **OTHER FINANCING SOURCES (USES)** | | | | |
| Transfers In | - | - | 48,953 | 48,953 |
| Transfers Out | - | - | (477,833) | (477,833) |
| Total Other Financing Sources (Uses) | - | - | (428,880) | (428,880) |
| **NET CHANGE IN FUND BALANCES** | - | - | 103,637 | 103,637 |
| Fund Balance - Beginning | 1,222,111 | 1,380,164 | 1,380,164 | - |
| **FUND BALANCE - ENDING** | $ 1,222,111 | $ 1,380,164 | $ 1,483,801 | $ 103,637 |

**Reconciliation to GAAP Basis:**

| | |
|---|---|
| Expenditures Total Above | $ 5,395,120 |
| On-Behalf Contribution to PERA Retirement Plan | 72,321 |
| Total Expenditures, GAAP Basis | 5,467,441 |
| Revenues Total Above | 5,498,757 |
| On-Behalf Contribution to PERA Retirement Plan | 72,321 |
| Total Revenues, GAAP Basis | 5,571,078 |
| Change in Fund Balance GAAP Basis | 103,637 |
| Fund Balance - Beginning of Year, GAAP Basis | 1,380,164 |
| **Fund Balance - End of Year, GAAP Basis** | $ 1,483,801 |

## NOTE 1 STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

### Budgets and Budgetary Accounting

A budget was adopted for the General Fund for fiscal year 2019, on a basis consistent with generally accepted accounting principles, with the exception of the on-behalf payments for retirement benefits to Colorado PERA paid by the State of Colorado. A budget was not adopted for the Special Revenue Fund for fiscal year 2019.

School management submits to the Governing Board (the Board) a proposed budget for the fiscal year commencing the following July 1. The budget is adopted by the Board prior to June 30.

Expenditures may not legally exceed appropriations at the fund level. Revisions must be approved by the Board. The budget includes proposed expenditures and the means of financing them. All appropriations lapse at fiscal year-end.

# LITTLETON PREPARATORY CHARTER SCHOOL
# SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
# OF THE NET PENSION LIABILITY
# LAST TEN FISCAL YEARS

## Notes to Schedule:

| Fiscal Year | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|
| Plan Measurement Date | December 31, 2018 | December 31, 2017 | December 31, 2016 | December 31, 2015 | December 31, 2014 | December 31, 2013 |
| School's Proportion of the Net Pension Liability | 0.0502919236% | 0.0585455692% | 0.0581739819% | 0.0562788929% | 0.0562278382% | 0.0567314879% |
| School's Proportionate Share of the Net Pension Liability | $ 8,905,218 | $ 18,907,777 | $ 17,320,645 | $ 8,607,459 | $ 7,620,760 | $ 7,236,086 |
| State's Proportionate Share of the Net Pension Liability associated with the School ** | 1,217,665 | - | - | - | - | - |
| Total | $ 10,122,883 | $ 18,097,777 | $ 17,320,645 | $ 8,607,459 | $ 7,620,760 | $ 7,236,086 |
| School's Covered Payroll | 2,708,988 | 2,700,638 | 2,612,453 | 2,379,564 | 2,352,749 | 2,220,810 |
| School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 328.7% | 700.1% | 663.0% | 361.7% | 323.9% | 325.8% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 57.01% | 43.96% | 43.1% | 59.2% | 62.8% | 64.1% |

The amounts presented for each fiscal year were determined as of December 31 based on the measurement date of the Plan. Information earlier than 2014 was not available.

** A direct distribution provision to allocate funds from the State of Colorado budget to Colorado PERA on an annual basis began in July 2018 based on Senate Bill 18-200..

# LITTLETON PREPARATORY CHARTER SCHOOL
# SCHEDULE OF PENSION CONTRIBUTIONS AND RELATED RATIOS
# LAST TEN FISCAL YEARS

## Notes to Schedule:

| Fiscal Year | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|---|---|---|
| Contractually Required Contribution | $ 522,693 | $ 500,795 | $ 507,823 | $ 435,056 | $ 399,710 | $ 371,230 | $ 318,790 | $ 286,386 |
| Contributions in Relation to the Contractually Required Contribution | 522,693 | 500,795 | 507,823 | 435,056 | 399,710 | 371,230 | 318,790 | 286,386 |
| Contribution Deficiency (Excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| School's Covered Payroll | $ 2,732,322 | $ 2,651,411 | $ 2,761,941 | $ 2,451,885 | $ 2,367,360 | $ 2,322,013 | $ 2,111,876 | $ 2,018,585 |
| Contributions as a Percentage of Covered Payroll | 19.13% | 18.88% | 18.38% | 17.74% | 16.88% | 15.99% | 15.10% | 14.19% |

The amounts presented for each fiscal year were determined as of June 30.

This schedule is presented to illustrate the requirement to show information for 10 years. Information for years prior to the year ended June 30, 2012 is not readily available.

## LITTLETON PREPARATORY CHARTER SCHOOL
## SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
## OF THE NET OPEB LIABILITY
## LAST TEN FISCAL YEARS

| Fiscal Year | 2019 | 2018 | 2017 |
|---|---|---|---|
| Plan Measurement Date | December 31, 2018 | December 31, 2017 | December 31, 2016 |
| School's Proportion (Percentage) of the Collective Net OPEB Liability | 0.03207073% | 0.03326537% | 0.03308579% |
| School's Proportionate Share of the Collective Net OPEB Liability | $ 436,336 | $ 431,774 | $ 428,720 |
| Covered payroll | $ 2,708,988 | $ 2,700,638 | $ 2,612,453 |
| School's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll | 16.11% | 15.99% | 16.41% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 17.03% | 17.53% | 16.72% |

**Notes to Schedule:**

The amounts presented for each fiscal year were determined as of December 31.

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

## LITTLETON PREPARATORY CHARTER SCHOOL
## SCHEDULE OF OPEB CONTRIBUTIONS AND RELATED RATIOS
## LAST TEN FISCAL YEARS

| Fiscal Year | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 | 2013 | 2012 |
|---|---|---|---|---|---|---|---|---|
| Contractually Required Contribution | $ 27,870 | $ 27,044 | $ 28,172 | $ 25,009 | $ 24,147 | $ 23,685 | $ 21,541 | $ 20,590 |
| Contributions in Relation to the Contractually Required Contribution | 27,870 | 27,044 | 28,172 | 25,009 | 24,147 | 23,685 | 21,541 | 20,590 |
| Contribution Deficiency (Excess) | $ - | $ - | $ - | $ - | $ - | $ - | $ - | $ - |
| School's Covered Payroll | $ 2,732,322 | $ 2,651,411 | $ 2,761,941 | $ 2,451,885 | $ 2,367,360 | $ 2,322,013 | $ 2,111,876 | $ 2,018,585 |
| Contributions as a Percentage of Covered Payroll | 1.02% | 1.02% | 1.02% | 1.02% | 1.02% | 1.02% | 1.02% | 1.02% |

### Notes to Schedule:

The amounts presented for each fiscal year were determined as of June 30.

This schedule is presented to illustrate the requirement to show information for 10 years. Information for years prior to the year ended June 30, 2011 is not readily available.

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

Governing Board
Littleton Preparatory Charter School
Littleton, Colorado

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities and each major fund of Littleton Preparatory Charter School, a component unit of Arapahoe County School District Number Six, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise Littleton Preparatory Charter School's basic financial statements, and have issued our report thereon dated October 11, 2019.

## Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Compliance and Other Matters**

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

**Purpose of this Report**

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

CliftonLarsonAllen LLP

**CliftonLarsonAllen LLP**

Greenwood Village, Colorado
October 11, 2019