# Eagle County Charter Academy
## (A Component Unit of Eagle County School District)
## Financial Report

**June 30, 2019**

**Eagle County Charter Academy**
**(A Component Unit of Eagle County School District)**
**June 30, 2019**

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# INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors**
**Eagle County Charter Academy**
**Avon, Colorado**

***Report on Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the aggregate discretely presented component units, and the General Fund of the Eagle County Charter Academy (the "School"), as of and for the year ended June 30, 2019, which collectively comprise the School's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

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

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

***Auditor's Responsibility***

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of 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 the General Fund of Eagle County Charter Academy as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

*To the Board of Directors*
*Eagle County Charter Academy*

***Other Matters***

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis in Section B, the Schedule of Employer's Proportionate Share of the Net Pension Liability and the Schedule of Employer Contributions, Schedule of the Employer's Other Post-Employment Benefit, Schedule of Employer's Proportionate Share of the Other Post-Employment Benefits Liabilities, and the Notes to the Required Supplemental Information in Section E, 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.

The budgetary comparison schedule in Section E is not a required part of the District's basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures in accordance with auditing standards generally accepted in the United States of America. However, 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.

McMahan and Associates, L.L.C.

**McMahan and Associates, L.L.C.**
**October 29, 2019**

# MANAGEMENT’S DISCUSSION AND ANALYSIS

## Introduction

As management of the Eagle County Charter Academy (the "Academy"), we offer readers of the financial statements this narrative overview and analysis of the financial activities of the Academy for the fiscal year ended June 30, 2019.

## Financial Highlights

Eagle County Charter Academy was formed in 1994 pursuant to the Colorado Charter School Act to form and operate a charter school within the Eagle County School District.

For FY 2019 and FY 2018, the government-wide assets and deferred outflows of the Academy exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by $1,986,246 and $1,899,544 (net position) for the Primary Government - Charter School respectively.

For FY 2019 and FY 2018 the Component Unit – Eagle County Charter Academy Education Foundation (the "Foundation") ended with $398,177 and $407,291 (net position) respectively.

At the close of the fiscal year the Academy's governmental fund reported an ending fund balance of $1,515,706, an increase of $97,570. The operations of the Academy are funded primarily by tax revenue received under the State School Finance Act (the Act). Tax revenue for the year from Per Pupil Revenue was $2,792,769. The Academy also received $831,818 in Mill Levy Override revenue.

The governmental activities ending net position increased from $1,899,544 to $1,986,246. A portion of the net position is a negative unrestricted balance of $7,932,910. The negative unrestricted balance is due primarily to the adoption of GASB Statement No. 68, resulting in a net pension liability of $6,247,163, representing the Academy's proportionate share of the plan's net pension liability. The School also participates in a Postemployment Healthcare Benefit Plan and as a result of GASB statement No. 75 has recorded a Net OPEB Liability as of June 30, 2019 of $312,007. In addition, at June 30, 2019, $126,364 of net position was restricted for the emergency contingency required by Article X, Section 20 of the Colorado Constitution (TABOR), $238,602 was restricted for capital renewal and $9,554,190 reflects the net investment in capital assets.

Senate Bill 18-200, signed in to law on June 4, 2018, modifies several of the Public Employees' Retirement Association (PERA) pension plan provisions, including contribution rates. In addition, the State is required to contribute $225 million each year to PERA beginning on July 1, 2018. The proportionate share of this contribution to the School during this fiscal year was $50,734.

The Foundation's ending net position decreased from $398,177 and $407,291. This decrease was largely caused by the decrease in contributions during the year. These funds will provide resources to support the operations of the Academy.

## Overview of Financial Statements

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

## Government-wide Financial Statements

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

The statement of net position presents information on all of the Academy's assets and liabilities, and deferred inflows and outflows, 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 Academy is improving or deteriorating.

The statement of activities presents information showing how the Academy'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 in 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 Academy supported primarily by per pupil revenue (PPR) or property taxes passed through from the District. The governmental activities of the Academy include instruction and supporting services expense.

The government-wide financial statements include not only the Academy itself (known as the primary government), but also a legally separate Foundation for which the Academy is financially accountable. Financial information for the component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages C1 – C2 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 Academy, like other governmental units or charter schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Academy's activities are reported under one fund: governmental fund.

**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 Academy'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 Academy's near-term financing decisions. The governmental fund balance sheet and statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The Academy maintains one governmental fund. Information is presented in the governmental balance sheet and statement of revenues, expenditures and changes in fund balance for the general fund because it is considered to be a major fund.

The Academy adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund to demonstrate compliance with the budget.

**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 D1- D27.

**Government-wide Financial Analysis**

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

The statement of net position presents information on all of the Academy's assets and liabilities, and deferred inflows and outflows, 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 Academy is improving or deteriorating.

In the case of the Academy, assets exceeded liabilities by $1,986,246 at the close of the most recent fiscal year.

### Eagle County Charter Academy's Net Position – Governmental Activities

| | June 30, 2019 | June 30, 2018 |
|---|---|---|
| Cash and Investments | $ 1,950,479 | $ 1,838,136 |
| Accounts Receivable | 5,102 | 1,292 |
| Accounts Receivable-Foundation | 30,255 | 200 |
| Due from other governments | 29,148 | |
| Inventories | 14,549 | 8,675 |
| Prepaid Expenses | 2,527 | 4,542 |
| Capital Assets, Net of Accumulated Depreciation | 9,554,190 | 9,941,028 |
| Total Assets | 11,586,250 | 11,793,873 |
| Deferred Outflows of Resources | | |
| Pensions, Net of Accumulated Amortization | 2,555,647 | 5,047,288 |
| OPEB, Net of Accumulated Amortization | 41,187 | 45,662 |
| Total Deferred Outflows of Resources | 2,596,834 | 5,092,950 |
| Current liabilities | 516,354 | 434,710 |
| Noncurrent Liabilities | | |
| Net Pension Liability | 6,247,163 | 13,600,472 |
| Net OPEB Liability | 312,007 | 310,577 |
| Total Liabilities | 7,075,524 | 14,345,759 |
| Deferred Inflows of Resources | | |
| Deferred pension expenses | 5,110,246 | 636,325 |
| Deferred OPEB expenses | 11,068 | 5,195 |
| Total Deferred Inflows of Resources | 5,121,314 | 641,520 |
| Net Position | | |
| Net Investment in Capital Assets | 9,554,190 | 9,941,028 |
| Restricted for Emergencies | 126,364 | 119,000 |
| Restricted for Capital Renewal | 238,602 | 198,835 |
| Unrestricted | (7,932,910) | (8,359,319) |
| Total Net Position | $ 1,986,246 | $ 1,899,544 |

A portion of the Academy's governmental assets, 16.8% is in Cash and Investments and 82.5% is in Capital Assets.

**Eagle County Charter Academy's Change in Net Position**
**For the Year Ended June 30, 2019 and 2018**
**Governmental Activities**

| | June 30, 2019 | June 30, 2018 |
|---|---|---|
| Program Revenue: | | |
| Tuition and Fees | $ 296,736 | $ 382,664 |
| Operating Grants and Contributions | 54,908 | 2,442 |
| Total Program Revenue | 351,644 | 385,106 |
| General Revenue: | | |
| Per Pupil Revenue | 2,792,769 | 2,639,715 |
| District Mill Levy Revenue | 831,818 | 819,664 |
| Foundation Contributions – Unrestricted | 257,192 | 347,935 |
| State Capital Construction | 99,519 | 87,582 |
| Other Contributions | 3,177 | 14,999 |
| Investment Income | 37,356 | 21,313 |
| Other | 0 | 0 |
| Total General Revenue | 4,021,831 | 3,931,208 |
| Total Revenue | 4,373,475 | 4,316,314 |
| Expenses: | | |
| Instruction | 3,185,688 | 4,742,985 |
| Supporting Services | 1,193,721 | 2,055,305 |
| Total Expenses | 4,379,409 | 6,798,290 |
| Increase (Decrease) in Net Position | 86,702 | (2,481,976) |
| Beginning Net Position | 1,899,544 | 4,381,520 |
| Ending Net Position | $1,986,246 | $1,899,544 |

**Financial Analysis of the Academy's Funds**
As noted earlier, the Academy uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

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

The amount received for each student from the State increased for FY 2019 by 6.1%. Salary and benefit expenditures increased by 8.7% or $243,851. This was the result of staff raises and increases in employee benefit costs. The net change in fund balance reflected an increase of $97,571.

**General Fund Budgetary Highlights**
The Academy approves a budget in June based on enrollment projections for the following school year. In October after enrollment stabilizes, adjustments are made to the budget. The Academy approved a supplemental budget during the year to true up the beginning fund balance and adjustments in revenues for the actual student count. The original general fund budget was $4,335,928 and it was adjusted to $4,469,316. Expenditures were less than budget by $105,165.

**Capital Assets**
In August 2011, the Eagle County Charter Academy was fortunate to have been awarded a Building Excellent Schools Today (BEST) grant from the State of Colorado in the amount of $9,302,653. The Academy used $8,822,188 in grant proceeds and matching funds in the amount of $2,785,954 to construct a new educational facility. The Academy broke ground in August 2012 and opened in the new facility in fall 2013. Additional information on the Academy's capital assets is provided in Note IV-C to the financial statements. The Academy added $49,843 to capital assets during FY 2019. This included an upgrade to the network system used by the school and improvements to the playground area.

**Economic Factors and Next Year's Budget**
The FY 2020 budget projects the Academy's general fund balance will have a planned decrease of approximately $90,449 in order to meet some of the educational needs. After the utilization of the fund balance the remaining fund balance will remain in excess of the legal requirements of required reserves and financial goals established by the Board and our target 10% operating reserve. The economic outlook for FY 2020 is improving with the increase of $376 per funded FTE or 4.5% in PPR funding. Enrollment is projected to remain at the current 346 students in FY 2019. Below are the historical enrollment numbers:

| Fiscal Year | Enrollment |
|---|---|
| 2009 / 2010 | 293 |
| 2010 / 2011 | 299 |
| 2011 / 2012 | 315 |
| 2012 / 2013 | 325 |
| 2013 / 2014 | 346 |
| 2014 / 2015 | 346 |
| 2015 / 2016 | 346 |
| 2016 / 2017 | 346 |
| 2017 / 2018 | 346 |
| 2018/2019 | 346 |

## Requests for Information

This financial report is designed to provide a general overview of the Eagle County Charter Academy's finances for all those with an interest in the Academy's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Rick Boos, Chief Financial Officer, 1105 Miller Ranch Road, Edwards, Colorado 81632.

## GOVERNMENT-WIDE FINANCIAL STATEMENTS / FUND FINANCIAL STATEMENTS

# EAGLE COUNTY CHARTER ACADEMY
## (A Component Unit of Eagle County School District)
## Statement of Net Position
## June 30, 2019

| | Primary Government | Component Units |
|---|---|---|
| **ASSETS** | **Governmental Activities** | **Foundation** |
| Current assets: | | |
| Cash and investment | 1,950,479 | 429,767 |
| Accounts receivable, net of allowance | 5,102 | - |
| Due from foundation | 30,255 | - |
| Due from other governments | 29,148 | - |
| Inventories | 14,549 | - |
| Prepaid expenses | 2,527 | 755 |
| Capital assets, net of accumulated depreciation | 9,554,190 | - |
| **Total Assets** | 11,586,250 | 430,522 |
| | | |
| **DEFERRED OUTFLOWS OF RESOURCES:** | | |
| Pension related deferred outflows | 2,555,647 | - |
| Post-employment health benefits related deferred outflow | 41,187 | - |
| Total deferred outflows of resources | 2,596,834 | - |
| | | |
| **LIABILITIES** | | |
| Current liabilities: | | |
| Accounts payable | 125,896 | 2,090 |
| Due to school | - | 30,255 |
| Accrued payroll and related liabilities | 377,661 | - |
| Prepaid tuition and fees | 12,797 | - |
| Total current liabilities | 516,354 | 32,345 |
| | | |
| Noncurrent liabilities: | | |
| Net pension liability | 6,247,163 | - |
| Net OPEB liability | 312,007 | - |
| Total noncurrent liabilities | 6,559,170 | - |
| | | |
| Total liabilities | 7,075,524 | 32,345 |
| | | |
| **DEFERRED INFLOWS OF RESOURCES:** | | |
| Pension related deferred inflows | 5,110,246 | - |
| Post-employment health benefits related deferred inflow | 11,068 | - |
| Total deferred inflows of resources | 5,121,314 | - |
| | | |
| **NET POSITION** | | |
| Net investment in capital assets | 9,554,190 | - |
| Restricted for capital reserve | 238,602 | - |
| Restricted for emergencies | 126,364 | - |
| Unrestricted | (7,932,910) | 398,177 |
| | | |
| Total net position | 1,986,246 | 398,177 |

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

# EAGLE COUNTY CHARTER ACADEMY
## (A Component Unit of Eagle County School District)
## Statement of Activities
## For the Year Ended June 30, 2019

| | | Program Revenues | | | Net (Expenses) Revenue and and Changes in Net Position | |
|---|---|---|---|---|---|---|
| | | | | | Primary Government | |
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | Component Units |
| **Functions/Programs:** | | | | | | |
| Governmental Activities: | | | | | | |
| Current: | | | | | | |
| Instruction | 3,185,688 | 148,508 | 59,296 | 99,519 | (2,878,365) | |
| Support services | 1,193,721 | 88,248 | - | - | (1,105,473) | |
| Interest on long-term debt | - | - | - | - | - | |
| Total Primary Government | 4,379,409 | 236,756 | 59,296 | 99,519 | (3,983,838) | |
| Component Units: | | | | | | |
| Foundation | 345,996 | - | - | - | | (345,996) |
| Total component units | 345,996 | - | - | - | | (345,996) |
| **General revenues:** | | | | | | |
| Per pupil revenue | | | | | 2,792,769 | - |
| District mill levy | | | | | 831,818 | - |
| Grants and contributions not restricted to specific programs | | | | | 408,597 | 333,057 |
| Investment income | | | | | 37,356 | 3,825 |
| Special item | | | | | - | - |
| Total general revenues, transfers, and special item | | | | | 4,070,540 | 336,882 |
| Change in net position | | | | | 86,702 | (9,114) |
| Net position, beginning | | | | | 1,899,544 | 407,291 |
| Net position, ending | | | | | 1,986,246 | 398,177 |

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

# Eagle County Charter Academy
## (A Component Unit of Eagle County School District)
## Balance Sheet
## June 30, 2019

| | General Fund |
|---|---|
| **Assets:** | |
| Cash and investment | 1,950,479 |
| Accounts receivable, net of allowance | 5,102 |
| Due from foundation | 30,255 |
| Due from other governments | 29,148 |
| Inventories | 14,549 |
| Prepaid expenses | 2,527 |
| **Total Assets** | 2,032,060 |
| | |
| **Liabilities:** | |
| **Current Liabilities:** | |
| Accounts payable | 125,896 |
| Due to school | - |
| Accrued payroll and related liabilities | 377,661 |
| Prepaid tuition and fees | 12,797 |
| **Total Liabilities** | 516,354 |
| | |
| **Fund Balance:** | |
| Non-spendable | 17,076 |
| Assigned | 819,356 |
| Restricted | |
| Capital reserve | 238,602 |
| Emergencies | 126,364 |
| Unassigned | 314,308 |
| **Total Fund Balance** | 1,515,706 |
| | |
| **Total Liabilities and Fund Balance** | 2,032,060 |

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

| | |
|---|---|
| Total Fund Balance of the Governmental Fund | $ 1,515,706 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds | 9,554,190 |
| Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds: | |
| Net pension liability | (6,247,163) |
| Pension-related deferred outflows of resources | 2,555,647 |
| Pension-related deferred inflows of resources | (5,110,246) |
| Net OPEB liability | (312,007) |
| OPEB-related deferred outflows of resources | 41,187 |
| OPEB-related deferred inflows of resources | (11,068) |
| Total Net Position of Governmental Activities | $ 1,986,246 |

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

## Eagle County Charter Academy
## (A Component Unit of Eagle County School District)
## Statement of Revenues, Expenditures and Changes in Fund Balance
## For the Year Ended June 30, 2019

| | General Fund |
|---|---|
| **Revenues:** | |
| Per pupil funding | 2,792,769 |
| District mill levy | 831,818 |
| Tuition and fees | 148,508 |
| Investment income | 37,356 |
| Contributions from private sources | 258,296 |
| State sources | 154,427 |
| Hot lunch program | 88,248 |
| Student activities | 146,988 |
| Other | 3,313 |
| **Total Revenues** | 4,461,723 |
| **Expenditures / Expenses:** | |
| Instruction | 3,054,884 |
| Support Services | 1,309,269 |
| **Total Expenditures / Expenses** | 4,364,153 |
| **Excess (Deficiency) of Revenues over Expenditures** | 97,570 |
| **Fund Balance / Net Position:** | |
| Beginning of the Year | 1,418,136 |
| End of the Year | 1,515,706 |

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

**EAGLE COUNTY CHARTER ACADEMY**
**(A Component Unit of Eagle County School District)**
**Reconciliation of Governmental Funds Statement of Revenues, Expenses and Changes in Fund Balance to the Statement of Net Activities**
**June 30, 2019**

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

| | | |
|---|---|---|
| Net Change in Fund Balance of the Governmental Fund | $ | 97,570 |
| Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. These amounts are as follows: | | |
| Capital Outlay | | 49,843 |
| Depreciation expense | | (436,680) |
| Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This includes changes in the following. | | |
| Net pension liability | | 7,353,309 |
| Pension-related deferred outflows of resources | | (2,491,641) |
| Pension-related deferred inflows of resources | | (4,475) |
| Net OPEB liability | | (1,430) |
| OPEB-related deferred outflows of resources | | (4,473,921) |
| OPEB-related deferred inflows of resources | | (5,873) |
| Change in Net Position of Governmental Activities | $ | 86,702 |

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

## NOTES TO THE FINANCIAL STATEMENTS

## *I. Summary of Significant Accounting Policies

Eagle County Charter Academy (the "School") was formed in 1994 pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Eagle County School District (the "District") in the State of Colorado. The School is governed by a Board of Directors consisting of five parents or community members, two staff members, and the School's principal, a non-voting member.

The School's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established by GAAP used by the School are discussed below.

### A. Reporting Entity

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

The School includes the Eagle County Charter Academy Education Foundation (the Foundation) within its reporting entity. The Foundation is a non-profit organization formed to develop cooperative relationships with businesses and the School, to provide a vehicle by which individuals and businesses may support the School, and to maintain real or personal property exclusively for educational, charitable or literary purposes. The Foundation is discretely presented in the School's financial statements and does not issue separate financial statements.

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

### B. School-wide and Fund Financial Statements

#### 1. School-wide Financial Statements

The School's basic financial statements include both school-wide (financial activities of the overall School) and fund financial statements (reporting the School's major funds). Both the school-wide and fund financial statements categorize primary activities as either governmental or business type. The School does not have any business-type activities, only governmental activities. Governmental activities generally are financed through per pupil revenue allocations from the State Department of Education, fees charged for services, intergovernmental revenues, and other non-exchange transactions.

In the school-wide Balance Sheet / Statement of Net Position, the Statement of Net Position column is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The School's net position is reported in three parts—net investment in capital assets; restricted net position; and unrestricted net position.

## I. Summary of Significant Accounting Policies (continued)

### B. School-wide and Fund Financial Statements (continued)

#### 1. School-wide Financial Statements (continued)

The School-wide focus is on the sustainability of the School as an entity and the change in the School's net position resulting from the current year's activities. The primary government is reported separately from the legally separate component unit.

#### 2. Fund Financial Statements

The financial transactions of the School are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprises its assets, liabilities, reserves, fund equity, revenues and expenditures / expenses. The fund focus is on current available resources and budget compliance.

The School reports the following major governmental fund:

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

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

Measurement focus refers to whether financial statements measure changes in current resources only (current financial focus) or changes in both current and long-term resources (long-term economic focus). Basis of accounting refers to the point at which revenues, expenditures, or expenses are recognized in the accounts and reported in the financial statements. Financial statement presentation refers to classification of revenues by source and expenses by function.

#### 1. Long-term Economic Focus and Accrual Basis

Governmental activities in the school-wide financial statements use the long-term economic focus and are presented on the accrual basis of accounting. Revenues are recognized when earned and expenses are recognized when incurred, regardless of the timing of the related cash flows. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

#### 2. Current Financial Focus and Modified Accrual Basis

The School fund financial statements use the current financial focus and are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. The School considers all revenues reported in the governmental funds to be available if they are collected within sixty days after year-end. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term liabilities and acquisitions under capital leases are reported as other financing sources.

## I. Summary of Significant Accounting Policies (continued)

### D. Financial Statement Accounts

#### 1. Cash and Investment

Cash and investment are defined as deposits that can be withdrawn at any time without notice or penalty and investments with original maturities of three months or less.

#### 2. Receivables

The School uses the allowance method for recognition of uncollectible receivables, whereby an allowance for possible uncollectibility is established when collection becomes doubtful.

#### 3. Capital Assets

Capital assets, which include buildings and improvements, furniture, fixtures, and equipment, are reported in the school-wide financial statements. The School defines capital assets as assets with an initial cost of $5,000 or more and an estimated useful life in excess of two years. Such assets are recorded at historical cost where historical records are available and at an estimated historical cost where no historical record exists. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed asset, as applicable.

Capital outlay for projects is capitalized as projects are constructed. Interest incurred during the construction phase, if applicable, is capitalized as part of the value of the assets.

Buildings and improvements, furniture, fixtures and equipment are depreciated using the straight-line method over the following estimated useful lives:

| Capital Assets | Years |
|---|---|
| Buildings and improvements | 15 - 30 |
| Furniture, fixtures and equipment | 5 - 10 |

#### 4. Long-term Obligations

In the school-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the Statements of Net Position. In the fund financial statements, the School records the face amount of debt issued as other financing sources.

## I. Summary of Significant Accounting Policies (continued)

### D. Financial Statement Accounts (continued)

#### 5. Pensions

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

#### 6. Defined Benefit Other Post Employment Benefit (OPEB) Plan

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

#### 7. Deferred Inflows and 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, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense / expenditure) until then. The School has two items that qualifies for reporting in this category, the pension and OPEB related deferred outflows reported in the statement of net position.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School has two items that qualify for reporting in this category, the pension and OPEB related deferred inflows reported in the statement of net position.

See Note IV (F) and Note IV (G) below for discussion on pension related and OPEB related deferred outflows and inflows.

## I. Summary of Significant Accounting Policies (continued)

### D. Financial Statement Accounts (continued)

#### 8. Categories and Classification of Fund Balance

Governmental accounting standards establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Fund balance classifications, include Non-spendable, Restricted, Committed, Assigned, and Unassigned. These classifications reflect not only the nature of funds, but also provide clarity to the level of restriction placed upon fund balance. Fund Balance can have different levels of restraint, such as external versus internal compliance requirements. Unassigned fund balance is a residual classification within the general fund. The general fund should be the only fund that reports a positive unassigned balance. In all other funds, unassigned is limited to negative residual fund balance. For further details of the various fund balance classifications refer to Note IV (H).

#### 9. Use of Estimates

The preparation of financial statements in conformity with GAAP requires the School's management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amount of revenues and expenditures or expenses during the reporting period. Actual results could differ from those estimates.

## II. Reconciliation of School-wide and Fund Financial Statements

### A. Explanation of differences between the governmental fund Balance Sheet and the school-wide Statement of Net Position

The governmental fund Balance Sheet / school-wide Statement of Net Position includes an adjustment column. Explanations of adjustments included in this column are as follows:

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds. The adjustment of represents the net book value of capital assets of $11,947,417 and accumulated depreciation of $2,393,227 at June 30, 2019.

Another element of the reconciliation represents long-term liabilities that are not due and payable with current financial resources. The adjustments of $6,247,163 and $312,007 represent the net pension liability and net OPEB liability balances respectively at June 30, 2019.

Other reconciling items include changes in pension and OPEB related actuarial assumptions, proportion of collective pension amounts, difference between actual and expected experience and investment earnings, and difference between actual and annualized contributions to the pension plan are recorded as deferred inflows or outflows of resources and amortized over the average remaining service life of all active and inactive plan members. For the year ending June 30, 2019 pension changes include:

## II. Reconciliation of School-wide and Fund Financial Statements (continued)

### A. Explanation of differences between the governmental fund Balance Sheet and the school-wide Statement of Net Position (continued)

| | |
|---|---|
| Unamortized Pension-related Deferred Outflows: | |
| Change in investment return difference | $ 340,509 |
| Change in proportionate share | 645,041 |
| Change in contributions after measurement date | 192,126 |
| Change in actuarial assumptions | 1,166,061 |
| Change in pension experience | 211,910 |
| Total | $ 2,555,647 |

| | |
|---|---|
| Unamortized Pension-related Deferred Inflows: | |
| Change in proportionate share | $ 1,225,182 |
| Change in actuarial assumptions | 3,885,064 |
| Total | $ 5,110,246 |

For the year ending June 30, 2019 OPEB changes include:

| | | |
|---|---|---|
| Unamortized Pension-related Deferred Outflows: | | |
| Change in investment return difference | $ | 1,794 |
| Change in proportionate share | | 25,853 |
| Change in contributions after measurement date | | 10,219 |
| Change in actuarial assumptions | | 2,189 |
| Change in OPEB experience | | 1,132 |
| Total | $ | 41,187 |

| | | |
|---|---|---|
| Unamortized Pension-related Deferred Inflows: | | |
| Change in proportionate share | $ | 10,594 |
| Change in OPEB experience | | 474 |
| Total | $ | 11,068 |

The governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance / school-wide Statement of Activities includes an adjustment column. Explanations of adjustments included in this column are as follows:

One element of the adjustment column accounts for governmental funds reporting capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. Depreciation expense for the year was $436,680.

Another element of the adjustment column accounts for the governmental funds reporting capital outlay as expenditures. However, the expenditure increases capital assets in the Statement of Net Position. The School has capital outlay expenditure of $49,844.

The difference between employer contributions to pension and OPEB plans and change in pension and OPEB liabilities and amortization of deferrals are as follows:

| | |
|---|---|
| Amortization of Pension related deferrals | $383,359 |
| Amortization of OPEB related deferrals | $11,778 |

## III. Stewardship, Compliance, and Accountability

### A. Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. As required by Colorado Statutes, all funds have legally adopted budgets and appropriations. The total expenditures for each fund may not exceed the amount appropriated. Appropriations for a fund may be increased if unanticipated revenues offset them. All appropriations lapse at year-end.

As required by Colorado Statutes, the School followed the required timetable noted below in preparing, approving, and enacting its budget for 2019.

1. The proposed budget was submitted to the Board of Education by May 31 of the year proceeding the budget year. The proposed budget must include a description of major educational objectives and how the proposed budget fulfills those objectives.

2. Notice was published within ten (10) days which contained: availability of proposed budget for inspection, date and time of budget adoption meeting, and that any County taxpayer may file objections prior to the adoption of the budget.

3. The Board of Education certified revenue requirements to the local County Commissioners prior to December 15.

4. The final budget was adopted prior to June 30, along with an appropriation resolution.

### B. TABOR Amendment – Revenue and Spending Limitation Amendment

In November 1992, Colorado voters approved the Tabor Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The Amendment is subject to interpretation, but management believes the School is in substantial compliance with the Amendment. In accordance with the Amendment, the School has established a reserve for emergencies, representing 3% of qualifying expenditures. At June 30, 2019, the reserve was reported as restricted fund balance in the General Fund, in the amount of $126,364.

## IV. Detailed Notes on all Funds

### A. Deposits

The School's deposits are entirely covered by federal depository insurance (FDIC) or by collateral held under Colorado's Public Deposit Protection Act ("PDPA"). The FDIC insures the first $250,000 of the School's deposits at each financial institution. All deposit balances over $250,000 are collateralized as required by PDPA.

## IV. Detailed Notes on all Funds (continued)

### A. Deposits (continued)

The deposits held by the School at June 30, 2019, were as follows:

| | Standard and Poor's Rating | Carrying Amounts | Maturities: Less than One Year | Maturities: Less than Five Years |
|---|---|---|---|---|
| **Deposits:** | | | | |
| Petty Cash | Not rated | $ 318 | $ 318 | |
| Checking | Not rated | 394,392 | 394,392 | $ - |
| Investment | AAAm | 1,555,769 | 1,555,769 | - |
| | | $ 1,950,479 | $ 1,950,479 | $ - |

**Credit Risk.** Colorado statutes specify instruments in which local governments may invest, including:

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

### B. Receivables

Receivables as of year-end for the School's funds, including applicable allowances for uncollectible accounts, are as follows:

| | General Fund |
|---|---|
| **Current Receivables:** | |
| Accounts receivable | $ 5,102 |
| Intergovernmental | 29,148 |
| Due from component unit | 30,255 |
| Gross receivables | 64,505 |
| Less: Allowance for uncollectible | - |
| **Total** | $ 64,505 |

## IV. Detailed Notes on all Funds (continued)

### C. Capital Assets

Capital asset activity for the year ended June 30, 2019 was as follows:

| | Beginning Balance | Increases | Decreases | Ending Balance |
|---|---|---|---|---|
| Capital assets, being depreciated: | | | | |
| Buildings and building improvements | $ 11,662,278 | - | - | $ 11,662,278 |
| Furniture, fixtures and equipment | 235,296 | 49,843 | - | 285,139 |
| Total capital assets, being depreciated | 11,897,574 | 49,843 | - | 11,947,417 |
| | | | | |
| Less accumulated depreciation for: | | | | |
| Buildings and building improvements | $ (1,874,064) | (390,458) | - | $ (2,264,522) |
| Furniture, fixtures and equipment | (82,482) | (46,223) | - | (128,705) |
| Total accumulated depreciation | (1,956,546) | (436,681) | - | (2,393,227) |
| | | | | |
| **Total Capital Assets, Net** | $ 9,941,028 | (386,838) | - | $ 9,554,190 |

The School's depreciation expense for the year ended June 30, 2019 was as follows:

| | |
|---|---|
| **Function:** | |
| Instruction | $ 390,458 |
| Support Services | 46,223 |
| **Total Depreciation** | $ 436,681 |

### D. Operating Leases

#### 1. Ground Lease

On February 11, 2004, the District and the Foundation entered into a charter school ground lease agreement. On December 8, 2011, the District and the Foundation amended the Lease to assign, grant, transfer set over, and convey to the School, all of the Foundation's right, title and interest in the Lease. The lease agreement allows the School to use real property owned by the District for a term of forty years, through December 8, 2051. No monetary rent is required.

Ownership of the educational facilities located on the real property vests with the School during the term of the lease. However, any sale of the facilities requires prior written approval of the District, and upon expiration or termination of the ground lease, ownership of the facilities will revert to the District.

## IV. Detailed Notes on all Funds (continued)

### E. Changes in Long-term Debt

The following is a summary of changes in long-term debt for the year ended June 30, 2019:

| | Beginning Balance | Additions | Deletions | Ending Balance | Due Within One Year |
|---|---|---|---|---|---|
| Net unfunded pension liability | $ 13,600,472 | - | $ (7,353,309) | $ 6,247,163 | - |
| Net unfunded OPEB liability | 310,577 | 1,430 | - | 312,007 | - |
| | $ 13,911,049 | $ 1,430 | $ (7,353,309) | $ 6,559,170 | $ - |

### F. Defined Benefit Pension – Plan, Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources

*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 (CAFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

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

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

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

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

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit
- $15 times the first 10 years of service credit plus $20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

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

## IV. Detailed Notes on all Funds (continued)

### F. Defined Benefit Pension – Plan, Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

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

As of December 31, 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 lesser of an annual increase of 1.5 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The automatic adjustment provision may raise or lower the aforementioned AI for a given year by up to one-quarter of 1 percent based on the parameters specified C.R.S. § 24-51-413.

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

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

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

## IV. Detailed Notes on all Funds (continued)

### F. Defined Benefit Pension – Plan, Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

| | January 1, 2018 through December 31, 2018 | January 1, 2019 through June 30, 2019 |
|---|---|---|
| Employer Contribution Rate | 10.15% | 10.15% |
| Amount of the Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. 24-51-208(1)(f) | (1.02)% | (1.02)% |
| Amount Apportioned to the SCHDTF | 9.13% | 9.13% |
| Amortization Equalization Disbursement (AED) as specified in C.R.S. 24-51-411 | 4.50% | 4.50% |
| Supplemental Amortization Equalization Disbursement (SAED as presented in C.R.S. 24-51-411 | 5.50% | 5.50% |
| Total Employer Contribution Rate to the SCHDTF | 19.13% | 19.13% |

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

As specified in C.R.S. § 24-51-413, the State is required to contribute $225 million each year to PERA starting on July 1, 2018.

A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes.

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the School were $383,774 for the year ended June 30, 2019.

*Pension Liabilities.* The net pension liability for the SCHDTF was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total pension liability to December 31, 2018. The School's proportion of the net pension liability was based on the School's contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2019, the School reported a liability of $6,247,163 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 support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the School were as follows:

## IV. Detailed Notes on all Funds (continued)

### F. Defined Benefit Pension – Plan, Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

| | |
|---|---|
| The School's proportionate share of the net pension liability | 6,247,163 |
| The State's proportionate share of the pension liability as a nonemployer contributing entity associated with the School | 751,461 |
| Total | $ 6,998,624 |

At December 31, 2018, the School proportion was 0.0353%, as compared to its proportion of 0.0421% measured as of December 31, 2017.

*Pension Expense:* For the year ended June 30, 2019, the School recognized pension expense and revenue of $55,122 for support from the State as a nonemployer contributing entity.

*Deferred Outflows of Resources and Deferred Inflows of Resources:* At June 30, 2019, the District 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 | $ 211,910 | $ - |
| Changes of assumptions or other inputs | 1,166,061 | (3,885,064) |
| Net difference between projected and actual earnings on pension plan investments | 340,509 | - |
| Changes of assumptions or other | | |
| Changes in proportionate share of contributions | 645,041 | (1,225,182) |
| Contributions subsequent to the measurement date | 192,126 | - |
| | $ 2,555,647 | $ (5,110,246) |

Contributions subsequent to the measurement date of December 31, 2018 , which are reported as deferred outflows of resources related to pensions, will be recognized as a reduction of the net pension liability calculated at the December 31, 2019 measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

## IV. Detailed Notes on all Funds (continued)

### F. Defined Benefit Pension – Plan, Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

| Year ended June 30: | | |
|---|---|---|
| 2020 | $ | (265,275) |
| 2021 | | (1,534,696) |
| 2022 | | (1,133,016) |
| 2023 | | 186,262 |
| Total | $ | (2,746,725) |

*Actuarial assumptions.* The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial assumptions and other inputs:

| | |
|---|---|
| Actuarial cost method | Entry age |
| Price inflation | 2.40 percent |
| Real wage growth | 1.10 percent |
| Wage inflation | 3.50 percent |
| Salary increases, including wage inflation | 3.50 - 9.70 percent |
| Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation | 7.25 percent |
| Discount rate | 4.78 percent |
| Future post-retirement benefit increases: | |
| PERA Benefit Structure hired prior to 1/1/07; and DPS Benefit Structure (automatic) | 2.00 percent |
| PERA Benefit Structure hired prior to 12/3/06; (ad hoc, substantively automatic) | Financed by the Annual Increase Reserve |

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

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

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.

## IV. Detailed Notes on all Funds (continued)

### F. Defined Benefit Pension – Plan, Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

- **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 changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

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

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

Several factors were considered in evaluating the long-term rate of return assumption for the SCHDTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed 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:

| 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%.

## IV. Detailed Notes on all Funds (continued)

### F. Defined Benefit Pension – Plan, Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

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

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

- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

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

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

- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

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

## IV. Detailed Notes on all Funds (continued)

### F. Defined Benefit Pension – Plan, Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

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

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

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

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|---|---|---|---|
| Collective net pension liability | $ 22,511,490,000 | 17,707,054,000 | 13,675,322,000 |
| Proportionate share of net pension liability | $ 7,942,199 | $ 6,247,163 | $ 4,824,742 |

*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](www.copera.org/investments/pera-financial-reports).

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

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

- Increases employer contribution rates by 0.25 percent on July 1, 2019.
- Increases employee contribution rates by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- Directs the state to allocate $225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution will be allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the other divisions eligible for the direct distribution.

## IV. Detailed Notes on all Funds (continued)

### F. Defined Benefit Pension – Plan, Liabilities, Expense, Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.
- Member contributions, employer contributions, the direct distribution from the state, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

### G. Other Postemployment Benefits – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

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

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

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

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

## IV. Detailed Notes on all Funds (continued)

### G. Other Postemployment Benefits – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

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

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

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

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. For the year ended June 30, 2019, the District's contributions to HCTF were approximately $20,437.

## IV. Detailed Notes on all Funds (continued)

### G. Other Postemployment Benefits – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

*Liabilities.* At June 30, 2019, the School reported a liability for Other Post-Employment Benefits (“OPEB”) of $312,007 or its proportionate share of net OPEB. 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 OPEB liability to December 31, 2018. The School proportion of the net OPEB liability was based on School contributions to the Health Care Trust Fund (“HCTF”). for the calendar year 2018 relative to the total contributions of participating employers to the HCTF.

At December 31, 2018, the School proportion was , as compared to its proportion of measured as of December 31, 2017.

For the year ended June 30, 2019, the School incurred other post-employment benefit expense of $11,778 . The School incurred OPEB expense due to the increase in employer proportionate share from 2017 to 2018. At June 30, 2019, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Outflows of Resources | Inflows of Resources |
|---|---|---|
| Difference between expected and actual experience | 1,133 | (475 |
| Net difference between projected and actual earnings on plan investments | 1,794 | - |
| Changes in proportionate share of contributions | 25,852 | (10,593 |
| Difference between actual and reported contributions recognized | 2,189 | - |
| Contributions subsequent to measurement date | 10,219 | - |
| | $ 41,187 | $ (11,068 |

Contributions subsequent to the measurement date of December 31, 2018 which are reported as deferred outflows of resources related to pensions, will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year Ended June 30, | Amortization |
|---|---|
| 2020 | $ 4,973 |
| 2021 | 4,973 |
| 2022 | 4,974 |
| 2023 | 6,219 |
| 2024 | (1,169) |
| 2025 | (70) |
| | $ 19,900 |

## IV. Detailed Notes on all Funds (continued)

### G. Other Postemployment Benefits – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

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

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

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

The actuarial assumptions used in the December 31, 2017, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as discussed below.

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:

## IV. Detailed Notes on all Funds (continued)

### G. Other Postemployment Benefits – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

| 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.

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:

## IV. Detailed Notes on all Funds (continued)

### G. Other Postemployment Benefits – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

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

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

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

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

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

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

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

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

## IV. Detailed Notes on all Funds (continued)

### G. Other Postemployment Benefits – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

For disabled retirees, the mortality assumption was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.The following health care costs assumptions were updated and used in the measurement of the obligations for the HCTF:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2018 plan year.

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

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

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

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

| 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 Bonds | 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% | |

## IV. Detailed Notes on all Funds (continued)

### G. Other Postemployment Benefits – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

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

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

| | 1% Decrease in Trend Rates | Current Trend Rates | 1% Increase in Trend Rates |
|---|---|---|---|
| PERA Care 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 | 4.00% | 5.00% | 6.00% |
| Collective Net OPEB Liability | $ 1,322,972,000 | $ 1,360,542,000 | $ 1,403,754,000 |
| Proportionate Share OPEB Liability | 303,392 | 312,008 | 321,917 |

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2018, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

## IV. Detailed Notes on all Funds (continued)

### G. Other Postemployment Benefits – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (continued)

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

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

| | 1% Decrease 6.25% | Current Discount 7.25% | 1% Increase 8.25% |
|---|---|---|---|
| Collective Net OPEB Liability | $1,522,328,000 | $1,360,542,000 | $1,222,230,000 |
| Proportionate Share OPEB Liability | $349,110 | $312,008 | $280,289 |

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

### H. Fund Balances

The School classifies governmental fund balances as follows:

*Non-spendable.* includes fund balance amounts inherently non-spendable since they represent inventories, prepaid items, long-term portion of loans receivable, etc.

*Spendable:*

- Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.
- Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority which is the Board of Education.
- Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund Balance may be assigned by the Board or its management designee.
- Unassigned - includes residual positive fund balance within the General Fund which has not been classified within the other above-mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

The School uses restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the School would first use committed, then assigned, and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

## IV. Detailed Notes on all Funds (continued)

### H. Fund Balances

The School governmental funds had the following equity designations at June 30, 2019:

| | Balance | Reason |
|---|---|---|
| Non-spendable | $ 17,076 | Prepaids and inventories |
| Assigned | 819,356 | Operating reserve and mill levy project |
| Restricted | 364,966 | TABOR and capital renewal reserve |
| Total | $ 1,201,398 | |

## V. Other Information

### A. Defined Contribution Pension Plan

*Plan Description.* Employees of the School who are members of the SDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the CRS, as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Plan. That report may be obtained online at www.copera.org/investments/pera-financial-reports.

*Funding Policy.* Voluntary Investment Program is fund by voluntary member contributions up to a maximum limit set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions, employer contributions and investment earnings. There were no 401(k) plan member contributions from the School for the year ended June 30, 2019.

### B. Risk Management

*Risk of Loss.* The School is exposed to various risks of loss related to workers' compensation; general liability; unemployment; torts; theft of, damage to, and destruction of assets; and errors and omissions. The School has acquired commercial coverage for these risks and claims, if any, are not expected to exceed the commercial insurance

*Pupil Counts.* Each year the School submits data regarding pupil counts to the Colorado Department of Education (CDE). The purpose of this data collection is to obtain required student level data as provided for by state statute (s), including information regarding students' funding eligibility as outlined in the Public School Finance Act of 1994 (22-54-101, C.R.S.).

The Student October Count is based on a one (1) day membership count in which districts are asked to report all students who are actively enrolled and attending classes through their district on that date. In an effort to ensure accurate reporting of those data fields associated with student funding, CDE conducts periodic compliance audits of each district's student October count data. This data not only determine per pupil funding, but also at risk and English Language Proficiency Act (ELPA) funding. CDE audits districts every one to four years, the frequency of which is determined by a number of factors including, but not limited to, the size and location of the district, as well as issues or concerns that might have arisen from prior audits.

The School believes its pupil count information is accurate and any adjustment would not be material.

## REQUIRED SUPPLEMENTARY INFORMATION

**Eagle County Charter Academy**
**(A Component Unit of Eagle County School District)**
**Schedule of Revenues and Expenditures and Changes in Fund Balances - Budget (Non-GAAP Basis) and Actual**
**General Fund**
**For the Year Ended June 30, 2019**

| | 2019 | | | |
|---|---|---|---|---|
| | Original Budget | Final Budget | Actual | Final Budget Variance Positive (Negative) |
| **Revenues:** | | | | |
| Per pupil funding | 2,783,557 | 2,795,302 | 2,792,769 | (2,533) |
| District mill levy | 825,893 | 823,266 | 831,818 | 8,552 |
| Tuition and fees | 147,122 | 147,122 | 148,508 | 1,386 |
| Investment income | 19,000 | 31,200 | 37,356 | 6,156 |
| Contributions from private sources | 262,580 | 261,272 | 258,296 | (2,976) |
| State sources | 87,055 | 96,717 | 154,427 | 57,710 |
| Hot lunch program | 96,900 | 96,900 | 88,248 | (8,652) |
| Student activities | 173,627 | 173,627 | 146,988 | (26,639) |
| Other | 3,060 | 3,060 | 3,313 | 253 |
| **Total Revenues** | 4,398,794 | 4,428,466 | 4,461,723 | 33,257 |
| **Expenditures:** | | | | |
| Instruction: | | | | |
| Salaries | 1,632,413 | 1,685,518 | 1,669,984 | 15,534 |
| Employment benefits | 634,980 | 666,197 | 712,391 | (46,194) |
| Purchased services | 545,828 | 552,983 | 493,716 | 59,267 |
| Supplies | 133,140 | 135,140 | 123,837 | 11,303 |
| Property | 80,000 | 80,000 | 54,955 | 25,045 |
| Support services: | | | | |
| Salaries | 495,632 | 500,958 | 502,565 | (1,607) |
| Employment benefits | 180,890 | 176,537 | 176,924 | (387) |
| Purchased services | 393,540 | 422,816 | 402,012 | 20,804 |
| Supplies | 146,550 | 146,550 | 127,230 | 19,320 |
| Property | 88,055 | 97,717 | 97,639 | 78 |
| Other | 4,900 | 4,900 | 2,898 | 2,002 |
| **Total Expenditures** | 4,335,928 | 4,469,316 | 4,364,151 | 105,165 |
| **Excess (Deficiency) of Revenues Over Expenditures** | 62,866 | (40,850) | 97,572 | 138,422 |
| **Fund Balance - Beginning of the Year** | 1,264,673 | 1,418,136 | 1,418,136 | - |
| **Fund Balance - End of the Year** | 1,327,539 | 1,377,286 | 1,515,708 | 138,422 |

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

**Eagle County Charter Academy**
**(A Component Unit of Eagle County School District)**
**Schedule of Employer's Proportionate Share of the Net Pension Liability**
**Colorado Public Employees' Retirement Association School Division Trust Fund**
**Last 10 Fiscal Years ***

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|
| School's proportion of the net pension liability | 0.0353% | 0.0421% | 0.0368% | 0.0373% | 0.0393% | 0.0396% |
| School's proportionate share of the net pension liability | $ 6,247,163 | $ 13,600,472 | $ 10,962,675 | $ 5,710,235 | $ 5,326,168 | $ 5,045,468 |
| School's covered-employee payroll | $ 1,954,834 | $ 1,940,145 | $ 1,652,538 | $ 1,627,083 | $ 1,646,294 | $ 1,594,664 |
| School's proportionate share of the net pension liability as a percentage of its covered-employee payroll | 320% | 701% | 663% | 351% | 324% | 316% |
| Plan fiduciary net position as a percentage of the total pension liability | 57% | 44% | 43% | 59% | 63% | 64% |

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. Information is only available beginning in fiscal year 2014.

**Eagle County Charter Academy**
**(A Component Unit of Eagle County School District)**
**Schedule of Employer Contributions**
**Colorado Public Employees' Retirement Association School Division Trust Fund**
**Last 10 Fiscal Years ***

| | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|---|
| Contractually required contribution | $ 383,774 | $ 362,252 | $ 334,760 | $291,016 | $274,694 | $259,558 |
| Contributions in relation to the contractually required contribution | (383,774) | (362,252) | (334,760) | (291,016) | (274,694) | (259,558) |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - |
| School's covered-employee payroll | $ 1,954,834 | $ 1,919,289 | $ 1,820,012 | $1,642,754 | $1,629,423 | $1,625,411 |
| Contributions as a percentage of covered-employee payroll | 19.63% | 18.87% | 18.39% | 17.72% | 16.86% | 15.97% |

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. Information is only available beginning in fiscal year 2014.

**Eagle County Charter Academy**
**(A Component Unit of Eagle County School District)**
**Schedule of Employer's Proportionate Share of the Net Other Post-Employment Benefit Liability**
**Colorado Public Employees' Retirement Association School Division Trust Fund**
**Last 10 Fiscal Years ***

| | 2019 | 2018 |
|---|---|---|
| School's proportion of the net Other Post-Employment Benefit liability | 0.02293% | 0.02390% |
| School's proportionate share of the net Other Post-Employment Benefit liability | 312,008 | 310,577 |
| School's covered-employee payroll | 1,954,834 | 1,940,145 |
| School's proportionate share of the net Other Post-Employment Benefit liability as a percentage of its covered-employee payroll | 16% | 16% |
| Plan fiduciary net position as a percentage of the total Other Post-Employment Benefit liability | 57% | 18% |

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

**Eagle County Charter Academy**
**(A Component Unit of Eagle County School District)**
**Schedule of Employer Other Post-Employment Benefits Contributions**
**Colorado Public Employees' Retirement Association Health Care Trust Fund**
**Last 10 Fiscal Years ***

| | 2019 | 2018 |
|---|---|---|
| Contractually required contributions | $ 20,437 | $ 19,577 |
| Contributions in relation to the contractually required contribution | $ (20,437) | $ (19,577) |
| Contribution deficiency (excess) | $ - | $ - |
| School's covered-employee payroll | $ 1,954,834 | $ 1,940,145 |
| Contributions as a percentage of covered-employee payroll | 1.05% | 1.01% |

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

## I. Schedule of School's Proportionate Share of the Net Pension Liability

### A. Changes to assumptions or other inputs

#### 1. Changes since the December 31, 2017 actuarial valuation:

- The single equivalent interest rate ("SEIR") was increased from 4.78 percent to 7.25 percent to reflect the changes to the projection's valuation basis, which no longer resulted in a projected year of depletion of the FNP, thereby eliminating the need to apply the municipal bond index rate.

#### 2. Changes since the December 31, 2016 actuarial valuation:

- The single equivalent interest rate ("SEIR") was lowered from 5.26 percent to 4.78 percent to reflect the changes to the projection's valuation basis, a projected year of depletion of the FNP, and the resulting application of the municipal bond index rate.
- The municipal bond index rate used in the determination of the SEIR changed from 3.86 percent on the prior measurement date to 3.43 percent on the measurement date.

#### 3. Changes since the December 31, 2015 actuarial valuation:

- The investment return assumption was lowered from 7.50 percent to 7.25 percent
- The wage inflation assumption was lowered from 3.90 percent to 3.50 percent
- The post-retirement mortality assumption for healthy lives for the School and DPS Divisions was changed to the RP-2014 White Collar Healthy Annuitant Mortality Table with adjustments for credibility and gender adjustments of a 93 percent factor applied to ages below 80 and a 113 percent factor applied to age 80 and above, projected to 2018, or males, and a 68 percent factor applied to ages below 80 and a 106 percent factor applied to age 80 and above, projected to 2020, for females.
- For disabled retirees, the mortality assumption was changed to reflect 90 percent of RP-2014 Disabled Retiree Mortality Table.
- The mortality assumption for active members was changed to 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.
- The rates of retirement, withdrawal, and disability were revised to reflect more closely actual experience.
- The estimated administrative expense as a percentage of covered payroll was increased from 0.35 percent to 0.40 percent.
- The single equivalent interest rate (the "SEIR") for the SCHDTF was lowered from 7.50 percent to 5.26 percent to reflect the changes to the projection's valuation basis, a projected year of depletion of the fiduciary net position (the "FNP"), and the resulting application of the municipal bond index rate
- The SEIR for the DPS Division was lowered from 7.50 percent to 7.25 percent, reflecting the change in the long-term expected rate of return.

## I. Schedule of School's Proportionate Share of the Net Pension Liability (continued)

### A. Changes to assumptions or other inputs (continued)

#### 4. Changes since the December 31, 2014 actuarial valuation

- Valuation of the full survivor benefit without any reduction for possible remarriage.
- Reflection of the employer match on separation benefits for all eligible years.
- Reflection of one year of service eligibility for survivor annuity benefit.
- Refinement of the 18-month annual increase timing.
- Refinements to directly value certain and life, modified cash refund and pop-up benefit forms.
- Recognition of merit salary increases in the first projection year.
- Elimination of the assumption that 35% of future disabled members elect to receive a refund.
- Removal of the negative value adjustment for liabilities associated with refunds of future terminating members.
- Adjustments to the timing of the normal cost and unfunded actuarial accrued liability payment calculations to reflect contributions throughout the year.

### B. Changes of benefit terms.

No changes during the years presented.

### C. Changes of size or composition of population covered by benefit terms.

No changes during the years presented.

## II. Notes to the Schedule of School Contributions

### A. Changes to assumptions or other inputs

No changes during the years presented.

### B. Changes of benefit terms.

No changes during the years presented.

### C. Changes of size or composition of population covered by benefit terms.

No changes during the years presented.

## III. Schedule of School's Proportionate Share of the OPEB Liability

### A. Changes to assumptions or other inputs

No changes during the years presented.

### B. Changes of benefit term

No changes during the years presented.

### C. Changes of size or composition of population covered by terms

No changes during the years presented.

## IV. Notes to the Schedule of School OPEB Contributions

### A. Changes to assumptions or other inputs

No changes during the years presented.

### B. Changes of benefit terms.

No changes during the years presented.

### C. Changes of size or composition of population covered by benefit terms.

No changes during the years presented.