

IMAGINE CHARTER SCHOOL AT FIRESTONE

BASIC FINANCIAL STATEMENTS

June 30, 2018

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November 15, 2018

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JOHN CUTLER & ASSOCIATES

Board of Directors
Imagine Charter School at Firestone
Firestone, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of Imagine Charter School of Firestone (the "School"), component unit of the St. Vrain Valley School District, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the basic financial statements of the School, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Imagine Charter School of Firestone as of June 30, 2018, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, schedule of the school's proportionate share, and schedule of the school's contributions on pages 37-41 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

John Luttrell & Associates, LLC

October 15, 2018



Management's Discussion and Analysis

As management of Imagine Charter School at Firestone (hereinafter Imagine Firestone, or School), we offer readers of Imagine Firestone's financial statements this narrative overview and analysis of the financial activities of Imagine Firestone for the fiscal year ended June 30, 2018.

Financial Highlights

The year ended June 30, 2018 is the tenth year of operations for Imagine Firestone. As of June 30, 2018, the school's net position decreased to (\$10,263,857) based on the implementation of new regulations under the Governmental Accounting Standards Board Statement (GASB) Number 68. Based on the timing of implementing the regulation in 2014, the Beginning Net Position of the Government Type Activities was restated for FY2015. Further information about GASB 68 is provided in Note 6 of the financial statements.

At the close of the fiscal year Imagine Firestone's general fund ending fund balance was \$1,885,018, a decrease of \$107,518 from the prior year. Capital Reserve and Grant Funds maintain a \$0 fund balance.

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to Imagine Firestone's basic financial statements. Imagine Firestone's basic financial statements are comprised of two components: 1) government-wide financial statements and 2) notes to the financial statements.

Government-wide Financial Statements

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

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

The statement of activities presents information showing how the School's net assets changed during the most recent fiscal year. All changes in net assets 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 expenses and earned but unpaid salary and benefits).

The government-wide statement of activities distinguishes functions/programs of Imagine Firestone supported primarily by per pupil operating revenue (PPR) or other revenue passed through from the District (St. Vrain Valley RE-1J). The governmental activities of Imagine Firestone include instruction and supporting services expense.

The government-wide financial statements can be found on pages 1-5 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. Imagine Charter School at Firestone, like other governmental units or charter schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Imagine Charter School at Firestone are categorized as governmental funds.

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

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

Imagine Charter School at Firestone maintains three individual governmental funds, however all funds are presented in one financial statement covering all funds.

Imagine Charter School at Firestone adopts an annual appropriated budget for its funds. Budgetary comparison statements have been provided for these funds 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 6-36.

Government-wide Financial Analysis - Statement of Net Position

As noted earlier, net position may serve over time as a useful indicator of the School's financial position. In the case of Imagine Firestone, liabilities exceeded assets resulting in a Net Position of (\$10,263,857) in FY 2017-2018. As in FY17, this is **directly related** to the new pension liability reporting requirement under GASB 68.

	Governmental Activities <u>June 30, 2018</u>	Governmental Activities <u>June 30, 2017</u>
ASSETS		
Cash and Investments	2,064,945	2,171,443
Accounts Receivable	43,873	31,503
Prepaid Expenses	0	10,892
Total Assets	<u>2,108,818</u>	<u>2,213,838</u>
DEFERRED OUTFLOW OF RESOURCES		
Related to Pensions	4,843,597	5,970,739
Related to OPEB	20,453	
Total Deferred Outflow of Resources	<u>4,894,050</u>	<u>5,970,739</u>
LIABILITIES		
Accounts Payable	13,370	2,475
Due to District	6247	
Accrued Salaries/Benefits	170,946	179,249
Deferred Revenues	33,237	39,578
Non-Current Liabilities:		
Due in One Year	11,827	10,655
Due in More than One Year	30,282	42,108
Net Pension Liability	15,948,377	14,343,581
Net OPEB Liability	364,197	
Total Liabilities	<u>16,578,483</u>	<u>14,617,646</u>
DEFERRED INFLOWS OF RESOURCES		
Related to pensions	652,149	91,537
Related to OPEB	6,093	
Total Deferred Inflows of Resources	<u>658,242</u>	<u>91,537</u>
NET POSITION		
Restricted for Emergencies (TABOR)	179,000	165,000
Unrestricted	<u>(10,442,857)</u>	<u>(6,689,606)</u>
Total Net Assets	<u>(10,263,857)</u>	<u>(6,524,606)</u>

The largest portion of Imagine Charter School at Firestone's assets is in cash and investments for FY2018.

Imagine Charter School at Firestone – Statement of Activities

For the Years Ended June 30, 2017 and June 30, 2018

	Governmental Activities <u>June 30, 2018</u>	Governmental Activities <u>June 30, 2017</u>
Program Revenue:		
Charges for Services	\$516,079	\$519,255
Operating Grants and Contributions (READ)	93,251	92,119
Capital Grants and Contributions	<u>135,055</u>	<u>148,297</u>
Total Program Revenue	<u>744,385</u>	<u>759,671</u>
General Revenue:		
Per Pupil Operating Revenue	3,809,524	3,878,210
Taxes and Other	1,264,169	1,128,680
Capital Contributions from SVVSD	<u>69,017</u>	<u>5,648</u>
Total General Revenue	<u>5,142,710</u>	<u>5,012,538</u>
Expenses (include pension related items):		
Current:		
Instruction	5,410,039	4,997,539
Supporting Services	<u>3,872,456</u>	<u>3,517,589</u>
Total Expenses	<u>9,282,495</u>	<u>8,515,128</u>
Increase (Decrease) in Net Position	(3,395,400)	(2,742,919)
Beginning Net Position	<u>(6,868,457)</u>	<u>(3,781,687)</u>
Ending Net Position	<u><u>(10,263,857)</u></u>	<u><u>(6,524,606)</u></u>

The largest portion of Imagine Firestone’s revenues come from per pupil revenue: 65% in FY2018.

Financial Analysis of the Government's Funds

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

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

As of the end of the fiscal year, the school's general fund reported an ending fund balance of \$1,885,018, a decrease of \$107,518. Per Pupil Revenue decreased by \$68,686, which is reflective of a decrease in enrollment and an increase in funding from FY17 to FY18.

The School's enrollment had a decrease last year. Below are the historical enrollment numbers:

Fiscal Year	Enrollment
2010 / 2011	566
2011 / 2012	588
2012 / 2013	629
2013 / 2014	600
2014 / 2015	606
2015 / 2016	551
2016 / 2017	534
2017 / 2018	506

General Fund Budgetary Highlights

The School approves a budget in April based on enrollment projections for the following school year. In December after enrollment stabilizes, adjustments are made to the budget. The School approved an Amended budget in December to true up the beginning fund balance and adjust to the actual student count. The Amended budget included spending down the reserve by \$197,987, however actual expenditures were less than budgeted expenditures, reducing actual use of reserves to \$107,518.

Capital Asset and Debt Administration

Capital assets. Imagine Charter School at Firestone's has no capital assets at June 30, 2018.

Long-term debt. Imagine Charter School at Firestone has long term debt related to an equipment lease as outlined in Note 5 of the Notes to Financial Statements.

Economic Factors and Next Year's Budget

In November of 2000 voters in Colorado approved a provision to the Colorado constitution providing that K-12 funding would increase at pupil growth, plus inflation, plus 1% for 10 years and thereafter, growth plus inflation. This provision was thought to stabilize the school finance act and removes

funding from the political process. However, with the downturn in the economy and state shortfalls the school finance act was not exempt from budget cuts. Funding for FY 2011/2012 was adjusted downward by approximately \$336 per student because of those cuts.

Funding has been trending slightly upward since FY 2011/2012. PPR for FY2012/2013 was initially approved at the same per student amount as the end of the 2011/2012 fiscal year, and then was revised upward to \$6332 per FTE early in the fiscal year. The FY 2013/2014 PPR was approved at \$6506 per FTE, bringing funding back to approximately the 2009 level. Funding increased for 2014/2015 (to \$6898), again for 2015/2016 (to \$7122), and again for 2016/2017 (to \$7223).

The FY 2017/2018 budget projected that Imagine Charter School at Firestone's general fund balance would show a decrease, which the school was able to mitigate with aggressive cost controls. The FY18/19 budget again shows usage of the school's reserve, though a smaller amount than the FY17/18 budget allocated, and the school plans to again employ aggressive cost controls to avoid spending reserves if possible. The school is actively engaged in marketing activities in an effort to increase enrollment for FY18 and beyond.

Requests for Information

This financial report is designed to provide a general overview of Imagine Charter School at Firestone's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Lori Olson, Business Manager, Imagine Charter School at Firestone, 5753 Twilight Avenue, Firestone, CO 80504.

BASIC FINANCIAL STATEMENTS

IMAGINE CHARTER SCHOOL AT FIRESTONE

STATEMENT OF NET POSITION

As of June 30, 2018

	<u>Governmental Activities</u>	
	<u>2018</u>	<u>2017</u>
ASSETS		
Cash and Investments	\$ 2,064,945	\$ 2,171,443
Accounts Receivable	43,873	31,503
Prepaid Expenses	-	10,892
	<u>2,108,818</u>	<u>2,213,838</u>
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	4,843,597	5,970,739
Related to OPEB	20,453	-
	<u>4,864,050</u>	<u>5,970,739</u>
LIABILITIES		
Accounts Payable	13,370	2,475
Accrued Salaries and Benefits	170,946	179,249
Due to District	6,247	-
Unearned Revenues	33,237	39,578
Noncurrent Liabilities		
Due in One Year	11,827	10,655
Due in More Than One Year	30,282	42,108
Net Pension Liability	15,948,377	14,343,581
Net OPEB Liability	364,197	-
	<u>16,578,483</u>	<u>14,617,646</u>
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	652,149	91,537
Related to OPEB	6,093	-
	<u>658,242</u>	<u>91,537</u>
NET POSITION		
Restricted for Emergencies	179,000	165,000
Unrestricted	(10,442,857)	(6,689,606)
	<u>\$ (10,263,857)</u>	<u>\$ (6,524,606)</u>

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

IMAGINE CHARTER SCHOOL AT FIRESTONE

STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
					2018	2017
PRIMARY GOVERNMENT						
Governmental Activities						
Instructional	\$ 5,410,039	\$ 516,079	\$ 93,251	\$ -	\$ (4,800,709)	\$ (4,386,165)
Supporting Services	3,872,456	-	-	204,072	(3,668,384)	(3,369,292)
Total Governmental Activities	<u>\$ 9,282,495</u>	<u>\$ 516,079</u>	<u>\$ 93,251</u>	<u>\$ 204,072</u>	(8,469,093)	(7,755,457)
GENERAL REVENUES						
					3,809,524	3,878,210
					855,908	791,451
					408,261	337,229
SPECIAL ITEM						
					-	5,648
					<u>5,073,693</u>	<u>5,012,538</u>
CHANGE IN NET POSITION						
					(3,395,400)	(2,742,919)
					<u>(6,868,457)</u>	<u>(3,781,687)</u>
					<u>\$ (10,263,857)</u>	<u>\$ (6,524,606)</u>

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

IMAGINE CHARTER SCHOOL AT FIRESTONE

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2018

	TOTAL	
	2018	2017
ASSETS		
Cash and Investments	\$ 2,064,945	\$ 2,171,443
Accounts Receivable	43,873	31,503
Prepaid Expenses	-	10,892
	<hr/>	<hr/>
TOTAL ASSETS	<u>\$ 2,108,818</u>	<u>\$ 2,213,838</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	\$ 13,370	\$ 2,475
Accrued Salaries and Benefits	170,946	179,249
Due to the District	6,247	-
Unearned Revenues	33,237	39,578
	<hr/>	<hr/>
TOTAL LIABILITIES	<u>223,800</u>	<u>221,302</u>
FUND BALANCES		
Nonspendable	-	10,892
Restricted for Emergencies	179,000	165,000
Unassigned	1,706,018	1,816,644
	<hr/>	<hr/>
TOTAL FUND BALANCES	1,885,018	1,992,536
Amounts reported for governmental activities in the statement of net position are different because:		
Long-term liabilities and related assets are not due and payable in the current period and, therefore, are not reported in the funds. This liability includes capital lease payable of (\$42,109), net pension liability (\$15,948,377), net OPEB liability (\$364,197), deferred outflows related to pensions \$4,843,597, deferred outflows related to OPEB \$20,453, deferred inflows related to pensions (\$652,149) and deferred inflows related to OPEB (\$6,093).	<hr/>	<hr/>
	(12,148,875)	(8,517,142)
Net Position of governmental funds	<u>\$ (10,263,857)</u>	<u>\$ (6,524,606)</u>

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

IMAGINE CHARTER SCHOOL AT FIRESTONE

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2018

	TOTAL	
	2018	2017
REVENUES		
Local Sources	\$ 5,589,772	\$ 5,526,145
State Sources	228,306	240,416
TOTAL REVENUES	<u>5,818,078</u>	<u>5,766,561</u>
EXPENDITURES		
Current		
Instruction	2,928,227	2,855,634
Supporting Services	3,066,386	2,870,038
TOTAL EXPENDITURES	<u>5,994,613</u>	<u>5,725,672</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(176,535)</u>	<u>40,889</u>
OTHER FINANCING SOURCES		
Capital Contribution from the District	69,017	5,648
TOTAL OTHER FINANCING SOURCES (USES)	<u>69,017</u>	<u>5,648</u>
NET CHANGE IN FUND BALANCES	(107,518)	46,537
FUND BALANCES, Beginning	<u>1,992,536</u>	<u>1,945,999</u>
FUND BALANCES, Ending	<u><u>\$ 1,885,018</u></u>	<u><u>\$ 1,992,536</u></u>

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

IMAGINE CHARTER SCHOOL AT FIRESTONE

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2018

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ (107,518)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This includes capital lease payments.	10,654
Deferred Charges related to pensions are not recognized in the governmental funds. However, for the government-wide funds those amounts are capitalized and amortized.	<u>(3,298,536)</u>
Change in net position of governmental activities	<u>\$ (3,395,400)</u>

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

IMAGINE CHARTER SCHOOL AT FIRESTONE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Imagine Charter School at Firestone (the “School”) was formed in June 2008, pursuant to the Colorado Charter Schools Act to form and operate a charter school. The School’s focus is to provide a Core-Knowledge curriculum that encourages students to become well-educated, virtuous citizens who will embody the following attributes: Competence, Curiosity, Courage, Conscience, Compassion, and Citizenship.

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

Reporting Entity

The financial reporting entity consists of the School and organizations for which the School is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the School. In addition, any 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 the organization provides benefits to, or imposes financial burdens on the School.

Based upon the application of these criteria, there are no organizations that should be included in the School’s reporting entity.

The School is a component unit of the St. Vrain Valley School District (the “District”).

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of Net Position and the statement of activities) report information on all of the activities of the School. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported in a single column.

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

IMAGINE CHARTER SCHOOL AT FIRESTONE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

Major individual governmental funds are reported in separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

The School reports the following major governmental fund:

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

IMAGINE CHARTER SCHOOL AT FIRESTONE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Balance/Net Position

Capital Assets – Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. At June 30, 2018, none of the School's expenditures qualify for capitalization.

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

In addition to liabilities, the statement of financial position and balance sheets 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 and fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Unearned Revenues – Unearned revenues include tuition payments that have been collected for the following school year.

Net Position – The government-wide fund financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted. Investment in capital assets is intended to reflect the portion of net position which is associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost. Restricted net position is liquid assets, which have third party limitations on their use. Unrestricted net position represents assets that do not have any third party limitations on their use.

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

IMAGINE CHARTER SCHOOL AT FIRESTONE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- Nonspendable – This classification includes amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. The School considers prepaid expenses to be nonspendable.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The School has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The School did not have any committed resources as of June 30, 2018.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

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

Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the School's financial position and operations. However, complete comparative data in accordance with generally accepted accounting principles has not been presented since its inclusion would make the financial statements unduly complex and difficult to read.

IMAGINE CHARTER SCHOOL AT FIRESTONE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Comparative Data (Continued)

Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

School management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1. The budget is adopted by the Board of Directors prior to June 30. Expenditures may not legally exceed appropriations at the fund level. Revisions must be approved by the Board of Directors. The budget includes proposed expenditures and the means of financing them. All appropriations lapse at fiscal year end.

NOTE 3: CASH AND INVESTMENTS

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At June 30, 2018, State regulatory commissioners have indicated that all financial institutions holding deposits for the School are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held.

The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The School has no policy regarding custodial credit risk for deposits.

IMAGINE CHARTER SCHOOL AT FIRESTONE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 3: CASH AND INVESTMENTS (Continued)

Deposits (Continued)

At June 30, 2018, the School had deposits with financial institutions with a carrying amount of \$2,064,945. The bank balances with the financial institutions were \$2,080,011. Of these balances, \$250,000 was covered by federal depository insurance and \$1,830,011 was covered by collateral held by authorized escrow agents in the financial institution's name (PDPA).

Investments

Interest Rate Risk

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

Credit Risk

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

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

At June 30, 2018 the School did not have any investments.

NOTE 4: ACCRUED SALARIES AND BENEFITS

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from August to July, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, as of June 30, 2018, were \$170,946. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements of the General Fund.

IMAGINE CHARTER SCHOOL AT FIRESTONE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 5: LONG-TERM DEBT

Following is a summary of the School's long-term debt transactions for the year ended June 30, 2018:

	Balance <u>June 30, 2017</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>June 30, 2018</u>	Due In <u>One Year</u>
Capital Lease	<u>52,763</u>	<u>\$ -</u>	<u>\$ 10,654</u>	<u>\$ 42,109</u>	<u>\$ 11,827</u>

Capital Lease

In August 2016, the School entered into lease purchase agreement with Frontier Business Produce to finance the purchase of 13 Sharp Aquos Boards. Principal and interest payments in the amount of \$1,307 are due monthly from September 1, 2016 through August 1, 2021.

Following is a schedule of the future minimum lease payments required under the outstanding capital lease obligations at June 30, 2018.

Year Ended June 30,

2019	\$ 15,684
2020	15,684
2021	15,684
2021	<u>2,615</u>
Total Minimum Lease Payments	49,667
Less: Interest	<u>(7,558)</u>
Present Value of Future Minimum Lease Payments	<u>\$ 42,109</u>

NOTE 6: DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

Pensions. The School participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension 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.

IMAGINE CHARTER SCHOOL AT FIRESTONE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. Governmental accounting standards require the net pension liability and related amounts of the SCHDTF for financial reporting purposes be measured using the plan provisions in effect as of the SCHDTF's measurement date of December 31, 2017. As such, the following disclosures do not include the changes to plan provisions required by SB 18-200 with the exception of the section titled *Changes between the measurement date of the net pension liability and June 30, 2018*.

General Information about the Pension Plan

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

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

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

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

IMAGINE CHARTER SCHOOL AT FIRESTONE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 6: **DEFINED BENEFIT PENSION PLAN** (Continued)

General Information about the Pension Plan (Continued)

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

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

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

As of December 31, 2017, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 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 receive an annual increase of the lesser of 2 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.

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

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

IMAGINE CHARTER SCHOOL AT FIRESTONE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

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

	For the Year Ended December 31, 2017	For the Year Ended December 31, 2018
Employer contribution rate ¹	10.15%	10.15%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) ¹	(1.02)%	(1.02)%
Amount apportioned to the SCHDTF ¹	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 ¹	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 ¹	5.00%	5.50%
Total employer contribution rate to the SCHDTF¹	18.63%	19.13%

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the School were \$463,008 for the year ended June 30, 2018.

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

At June 30, 2018, the School reported a liability of \$15,948,377 for its proportionate share of the net pension liability. The net pension liability for the SCHDTF was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total pension liability to December 31, 2017. The School's proportion of the net pension liability was based on the School's contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers to the SCHDTF.

IMAGINE CHARTER SCHOOL AT FIRESTONE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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

At December 31, 2017, the School's proportion was 0.04932%, which was an increase of 0.00115% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the School recognized pension expense of \$3,755,558. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$293,223	N/A
Changes of assumptions or other inputs	\$4,072,211	\$25,841
Net difference between projected and actual earnings on pension plan investments	N/A	\$626,308
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$257,104	N/A
Contributions subsequent to the measurement date	\$221,059	N/A
Total	\$4,843,597	\$652,149

\$221,059 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$2,640,070
2020	\$1,518,588
2021	\$47,412
2022	(\$235,681)

IMAGINE CHARTER SCHOOL AT FIRESTONE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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

Actuarial assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.70 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	5.26 percent
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 after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

A discount rate of 4.78 percent was used in the roll-forward calculation of the total pension liability to the measurement date of December 31, 2017.

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

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

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

IMAGINE CHARTER SCHOOL AT FIRESTONE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 6: **DEFINED BENEFIT PENSION PLAN** (Continued)

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

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

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

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

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

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:

IMAGINE CHARTER SCHOOL AT FIRESTONE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

Discount rate. The discount rate used to measure the total pension liability was 4.78 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 current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

IMAGINE CHARTER SCHOOL AT FIRESTONE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 6: **DEFINED BENEFIT PENSION PLAN** (Continued)

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

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

Based on the above assumptions and methods, the projection test indicates the SCHDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Bond Buyer, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.43 percent, resulting in a discount rate of 4.78 percent.

IMAGINE CHARTER SCHOOL AT FIRESTONE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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

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 3.86 percent were used in the discount rate determination resulting in a discount rate of 5.26 percent, 0.48 percent higher compared to the current measurement date.

Sensitivity of the School's proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 4.78 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 (3.78 percent) or 1-percentage-point higher (5.78 percent) than the current rate:

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate share of the net pension liability	\$20,145,500	\$15,948,377	\$12,528,183

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

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

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

- 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).

IMAGINE CHARTER SCHOOL AT FIRESTONE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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

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

At June 30, 2018, the School reported a liability of \$15,948,367 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 4.78%. For comparative purposes, the following schedule presents an estimate of what the School's proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SCHDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SCHDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	\$ 7,205,334

Recognizing that the changes in contribution and benefit provisions also affect the determination of the discount rate used to calculate proportionate share of the net pension liability, approximately \$8,743,033 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

IMAGINE CHARTER SCHOOL AT FIRESTONE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

Summary of Significant Accounting Policies

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

General Information about the OPEB Plan

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

IMAGINE CHARTER SCHOOL AT FIRESTONE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

General Information about the OPEB Plan (Continued)

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.

PERA Benefit Structure

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

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

IMAGINE CHARTER SCHOOL AT FIRESTONE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

General Information about the OPEB Plan (Continued)

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.

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the School were \$23,734 for the year ended June 30, 2018.

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

At June 30, 2018, the School reported a liability of \$364,197 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The School's proportion of the net OPEB liability was based on School's contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

IMAGINE CHARTER SCHOOL AT FIRESTONE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

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

At December 31, 2017, the School's proportion was 0.02802%, which was an increase of 0.00064% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the School recognized OPEB expense of \$29,720. At June 30, 2018, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$1,722	N/A
Net difference between projected and actual earnings on OPEB plan investments	N/A	\$6,093
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$6,944	N/A
Contributions subsequent to the measurement date	\$11,787	N/A
Total	\$20,453	\$6,093

\$11,787 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2019	\$180
2020	\$180
2021	\$180
2022	\$180
2023	\$1,703
Thereafter	\$150

IMAGINE CHARTER SCHOOL AT FIRESTONE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

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

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

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB	
plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.00 percent for 2017, gradually rising to 4.25 percent in 2023
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.

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.

IMAGINE CHARTER SCHOOL AT FIRESTONE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

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

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

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

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

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

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

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

IMAGINE CHARTER SCHOOL AT FIRESTONE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

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

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

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

- The assumed rates of PERACare participation were revised to reflect more closely actual experience.
- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2017 plan year.
- The percentages of PERACare enrollees who will attain age 65 and older ages and are assumed to not qualify for premium-free Medicare Part A coverage were revised to more closely reflect actual experience.

IMAGINE CHARTER SCHOOL AT FIRESTONE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

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

- The percentage of disabled PERACare enrollees who are assumed to not qualify for premium-free Medicare Part A coverage were revised to reflect more closely actual experience.
- Assumed election rates for the PERACare coverage options that would be available to future PERACare enrollees who will qualify for the “No Part A Subsidy” when they retire were revised to more closely reflect actual experience.
- Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees, who qualify for the “No Part A Subsidy” but have not reached age 65, were revised to more closely reflect actual experience.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.
- The rates of PERACare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.
- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

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

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.

IMAGINE CHARTER SCHOOL AT FIRESTONE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

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

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 Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100.00%	

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

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

IMAGINE CHARTER SCHOOL AT FIRESTONE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Net OPEB Liability	\$354,176	\$364,197	\$376,266

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, 2017, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

IMAGINE CHARTER SCHOOL AT FIRESTONE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

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

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$409,471	\$364,197	\$325,553

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 at www.copera.org/investments/pera-financial-reports.

IMAGINE CHARTER SCHOOL AT FIRESTONE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 8: DUE (TO)/FROM MANAGEMENT COMPANY

The School has entered into multiple agreements with the Imagine Schools, Inc, (“IMG), the management company. Imagine Schools, Inc. is responsible for organizing, developing, managing, staffing, and operating the School. During the year, the management company charged fees to the School for management services and certain equipment, if any, as described in Note 8. The due (to)/from management company also reflects activity for operating advances, if any, and certain expenses paid on behalf of the School.

The due (to)/from management company activity consists of the following as of and for the year ended June 30, 2018:

	<u>Operating Expenses</u>	<u>Management Fees</u>	<u>Due to/(from) Management One Year</u>
Balance at June 30, 2017	26,846	-	26,846
Invoiced from IMG	(110,092)	(532,033)	(642,125)
Invoiced from School to IMG	140,850	-	140,850
Payments to IMG	110,092	532,033	642,125
Payments from IMG	<u>(128,723)</u>	<u>-</u>	<u>(128,723)</u>
Balance at June 30, 2018	<u>\$ 38,973</u>	<u>\$ -</u>	<u>\$ 38,973</u>

NOTE 9: COMMITMENTS AND CONTINGENCIES

Building Lease

In September 2008, the School entered into an operating lease agreement for a building with Schoolhouse Finance, LLC. The lease requires an annual base rent payment of \$952,274, payable in monthly installments. The annual lease requirement escalates each July 1 at a rate equal to the lesser of 1.5% over the overall Consumer Price Index for the preceding calendar year or the maximum permitted by law. The lease agreement continues so long as the School’s operating agreement with Imagine School, Inc. remains in effect.

Total rent expense for the year ended June 30, 2018 for the lease was \$1,150,109.

IMAGINE CHARTER SCHOOL AT FIRESTONE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 9: COMMITMENTS AND CONTINGENCIES (Continued)

Management Service Contract

The School has entered into a service agreement in June 2008 with Imagine Schools, Inc. The contract is for management services and remains in effect until the expiration of the School's Charter, and may be cancelled or terminated pursuant to the terms and conditions as set forth in the agreement. Under the management agreement, the management company will manage and operate the School during the term of the agreement for an annual fee of 12% of PPR revenues. Current year management fees charged under this agreement totaled \$532,033 as shown in Note 7.

Claims and Judgments

The School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the School may be required to reimburse the grantor government. As of June 30, 2018, significant amounts of grant expenditures have not been audited, but the School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The School believes it has complied with the Amendment. As required by the Amendment, the School has established a reserve for emergencies. At June 30, 2018, the reserve of \$179,000 was recorded as a reservation of fund balance in the General Fund.

NOTE 10: CAPITAL CONTRIBUTION FROM THE DISTRICT

During the year ended June 30, 2017, the District agreed to allocate a portion of its 2016 Bond Proceeds to pay for various capital improvements and upgrades to the School's facility. As of June 30, 2018, improvements in the amount of \$74,865 were paid for by the District, \$69,017 and \$5,648 in the years ended June 30, 2018 and 2017, respectively. The contribution and related expenditure have been reported and an Other Financing Source in the General Fund and as a Capital Grant in the Statement of Activities.

IMAGINE CHARTER SCHOOL AT FIRESTONE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2018

NOTE 11: RESTATEMENT OF NET POSITIONS

The beginning net position of the governmental activities was decreased by \$343,851 as the School implemented Governmental Accounting Standards Board (GASB) Statement 75.

NOTE 12: DEFICIT NET POSITION

The School reported a deficit Net Position of the government type activities in the amount of \$10,263,857. This is due to the School including the Net Pension Liability per GASB No. 68 and the Net OPEB Liability per the requirements of GASB Statement No. 75.

REQUIRED SUPPLEMENTARY INFORMATION

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2018

	2018			VARIANCE Positive (Negative)	2017 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Local Sources					
Per Pupil Revenue	\$ 3,972,869	\$ 3,792,981	\$ 3,809,524	\$ 16,543	\$ 3,878,210
Mill Levy Override	700,000	791,451	855,908	64,457	791,451
Tuition and Fees	479,463	530,836	516,079	(14,757)	519,255
Other	143,700	446,976	408,261	(38,715)	337,229
State and Federal Sources					
Grants and Donations	227,567	209,337	228,306	18,969	240,416
TOTAL REVENUES	<u>5,523,599</u>	<u>5,771,581</u>	<u>5,818,078</u>	<u>46,497</u>	<u>5,766,561</u>
EXPENDITURES					
Instruction					
Salaries	1,776,430	1,896,169	1,880,588	15,581	1,800,815
Employee Benefits	757,992	825,020	826,680	(1,660)	791,170
Purchased Services	60,582	65,871	(18,056)	83,927	80,703
Supplies and Materials	68,671	53,048	199,632	(146,584)	121,097
Property	-	3,095	39,383	(36,288)	61,849
Other	1,500	1,500	-	1,500	-
Total Instruction	<u>2,665,175</u>	<u>2,844,703</u>	<u>2,928,227</u>	<u>(83,524)</u>	<u>2,855,634</u>
Supporting Services					
School Administration					
Salaries	445,129	583,409	623,591	(40,182)	558,180
Employee Benefits	194,448	209,362	140,651	68,711	123,640
Purchased Services	2,068,943	1,992,443	2,017,282	(24,839)	1,980,332
Supplies and Materials	232,500	235,000	213,328	21,672	199,245
Property	-	8,966	67,465	(58,499)	4,575
Other	4,240	4,048	4,069	(21)	4,066
Appropriated Reserves	673,285	720,027	-	720,027	-
Total Supporting Services	<u>3,618,545</u>	<u>3,753,255</u>	<u>3,066,386</u>	<u>686,869</u>	<u>2,870,038</u>
TOTAL EXPENDITURES	<u>6,283,720</u>	<u>6,597,958</u>	<u>5,994,613</u>	<u>603,345</u>	<u>5,725,672</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(760,121)</u>	<u>(826,377)</u>	<u>(176,535)</u>	<u>649,842</u>	<u>40,889</u>
OTHER FINANCING SOURCES					
Capital Contributions for District	-	-	69,017	69,017	5,648
CHANGE IN FUND BALANCE	<u>(760,121)</u>	<u>(826,377)</u>	<u>(107,518)</u>	<u>718,859</u>	<u>46,537</u>
FUND BALANCE, Beginning	<u>1,769,999</u>	<u>1,992,536</u>	<u>1,992,536</u>	<u>-</u>	<u>1,945,999</u>
FUND BALANCE, Ending	<u>\$ 1,009,878</u>	<u>\$ 1,166,159</u>	<u>\$ 1,885,018</u>	<u>\$ 718,859</u>	<u>\$ 1,992,536</u>

See the accompanying independent auditors' report.

IMAGINE CHARTER SCHOOL AT FIRESTONE

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

Years Ended December 31,

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>
School's proportionate share of the Net Pension Liability	0.039%	0.047%	0.048%	0.042%	0.049%
School's proportionate share of the Net Pension Liability	\$ 4,961,328	\$ 6,352,906	\$ 7,401,431	\$ 14,343,581	\$ 15,948,377
School's covered-employee payroll	\$ 1,486,549	\$ 2,104,809	\$ 2,153,001	\$ 2,162,183	\$ 2,267,151
School's proportionate share of the Net Pension Liability as a percentage of its covered-employee payroll	333.7%	301.8%	343.8%	663.4%	703.5%
Plan fiduciary net position as a percentage of the total pension liability	64.1%	62.8%	59.2%	43.1%	44.0%

See the accompanying independent auditors' report.

IMAGINE CHARTER SCHOOL AT FIRESTONE

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
SCHOOL DISTRICT TRUST FUND

Years Ended June 30,

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
Statutorily required contributions	\$ 322,095	\$ 367,378	\$ 404,061	\$ 425,305	\$ 463,008
Contributions in relation to the Statutorily required contributions	<u>322,095</u>	<u>367,378</u>	<u>404,061</u>	<u>425,305</u>	<u>463,008</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered-employee payroll	\$ 1,866,813	\$ 2,037,811	\$ 2,153,001	\$ 2,170,036	\$ 2,326,870
Contributions as a percentage of covered-employee payroll	17.25%	18.03%	18.77%	19.60%	19.90%

See the accompanying independent auditors' report.

IMAGINE CHARTER SCHOOL AT FIRESTONE

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

Years Ended December 31,

	<u>2016</u>	<u>2017</u>
School's proportionate share of the Net Pension Liability	0.027%	0.028%
School's proportionate share of the Net Pension Liability	\$ 363,337	\$ 364,197
School's covered-employee payroll	\$ 2,162,183	\$ 2,267,151
School's proportionate share of the Net Pension Liability as a percentage of its covered-employee payroll	16.8%	16.1%
Plan fiduciary net position as a percentage of the total pension liability	N/A	17.5%

See the accompanying independent auditors' report.

IMAGINE CHARTER SCHOOL AT FIRESTONE
 SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
 SCHOOL DISTRICT TRUST FUND

Years Ended June 30,

	2017	2018
Statutorily required contributions	\$ 22,134	\$ 23,734
Contributions in relation to the Statutorily required contributions	22,134	23,734
Contribution deficiency (excess)	\$ -	\$ -
School's covered-employee payroll	\$ 2,170,036	\$ 2,326,870
Contributions as a percentage of covered-employee payroll	1.02%	1.02%

See the accompanying independent auditors' report.