

Lake George Charter School

Financial Report

June 30, 2019



**Lake George Charter School
June 30, 2019**

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INDEPENDENT AUDITOR'S REPORT

**To the Board of Directors
Lake George Charter School
Lake George, CO**

We have audited the accompanying financial statements of the governmental activities and the general fund of the Lake George Charter School (the "School"), as of and for the year ended June 30, 2019, which collectively comprise the School's basic financial statements as listed in the table of contents, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with U.S. generally accepted accounting principles; 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 U.S. generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the general fund information of the Lake George Charter School as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with U.S. generally accepted accounting principles.

Member: American Institute of Certified Public Accountants

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Other Matters

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis in Section B, and the Schedule of the School's Proportionate Share of the Net Pension Liability and the Schedule of School Pension Contributions, the Schedule of the School's Proportionate Share of the Other Post-Employment Benefits Liabilities and the Schedule of the School's Other Post-Employment Benefit Contributions, and the Notes to the Required Supplemental Information in Section E, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the Management's Discussion and Analysis in Section B and the Pension Trust Schedules of Funding Progress and Employer Contributions in Section E in accordance with U.S. generally accepted auditing standards, 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.

McMahan and Associates, L.L.C.

McMahan and Associates, L.L.C.
November 21, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

The little school with the huge heart!



**Lake George Charter School
Management's Discussion and Analysis
As of and for the fiscal year ended June 30, 2019**

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

Financial Highlights

- The assets and deferred outflows of the School were exceeded by its liabilities and deferred inflows as of June 30, 2019 by \$2,834,822 resulting in deficit net position. The School was not able to report a positive amount for unrestricted assets, due to governmental standards requiring employers to recognize their long-term obligation for pension benefits and other post-employment benefits ("OPEB") as a liability on the Statement of Net Position.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements have three components: 1) School-wide financial statements; 2) Fund financial statements; and 3) Notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements.

School-wide Financial Statements: The School-wide financial statements are designed to provide readers with a broad overview of the School's finances, using accounting methods similar to those used by a private-sector business.

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

The Statement of Activities presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and changes in long-term compensated absences).

The School-wide financial statements distinguish functions of the School that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion their costs through user fees and charges (business-type activities). The school only reports governmental activities.

- **Governmental activities:** Most of the School's basic services are included here, such as instructional services, support services and student activities. Other services include activities relating to building maintenance and operations, student transportation, technology and administration.

The School-wide financial statements can be found on pages C1 and C2 of this report.

Fund Financial Statements: A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The fund financial statements provide more detailed information about the operations of the School by fund instead of the School as a whole. All of the funds of the School are governmental funds.

Governmental Funds: Governmental funds are used to account for essentially the same functions reported as governmental activities in the School-wide financial statements. However, unlike the School-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 a government's near-term financing requirements. The School's significant, or "major", governmental fund is the General Fund.

Because the focus of governmental funds is narrower than that of the School-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the School-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund Balance Sheet and the Statement of Revenues, Expenditures and Changes in Fund Balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School adopts an annual appropriated budget for all of its funds. The budgetary comparison statement has been provided to demonstrate compliance with state budget statutes.

The basic major governmental fund financial statements can be found on pages C1 - C3.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the School-wide and fund financial statements. The Notes to the Financial Statements can be found at section D this report.

School-wide Financial Analysis:

The following table provides a comparative summary of the School's net position as of June 30, 2019 and 2018:

Lake George Charter School Summary of Net Position

	2019	2018
Assets:		
Current and other assets	\$ 663,132	\$ 489,209
Total Assets	663,132	489,209
Deferred Outflows:		
Pension related deferred outflows	760,502	1,355,449
OPEB related deferred outflows	16,867	9,677
Total Deferred Outflows	777,369	1,365,126
Liabilities:		
Other liabilities	125,885	110,831
Long-term liabilities	2,558,763	4,675,842
Total Liabilities	2,684,648	4,786,673
Deferred Inflows:		
Pension related deferred inflows	1,590,492	244,632
OPEB related deferred inflows	183	1,746
Total Deferred Inflows	1,590,675	246,378
Net Position:		
Restricted for emergency	46,624	47,212
Restricted for capital reserves	103,500	93,200
Unrestricted	(2,984,946)	(3,319,128)
Total Net Position	\$ (2,834,822)	\$ (3,178,716)

Note that net position may serve as an indicator of the School's financial position over time. The School's net position for governmental activities has decreased during the current year (see further discussion below).

The following table presents a summary of activities and changes in net position for the fiscal years ended June 30, 2019 and 2018:

Lake George Charter School Summary of Activities and Changes in Net Position

	<u>2019</u>	<u>2018</u>
Revenues:		
Per pupil funding	\$ 1,258,207	\$ 1,108,952
Investment income	11,232	6,711
Federal sources	27,651	41,485
State sources	254,100	188,240
Other	52,090	31,662
Total Revenues	<u>1,603,280</u>	<u>1,377,050</u>
Expenditures/Expenses:		
Direct instruction	710,806	1,213,801
General administration	181,394	370,087
Support services	33,822	29,257
Custodial maintenance	224,360	317,259
Transportation	2,415	663
Community service	-	250
Food Service Operations	106,589	162,598
Total Expenditures/Expenses	<u>1,259,386</u>	<u>2,093,915</u>
Change in Net Position	343,894	(716,865)
Net Position - July 1	<u>(3,178,716)</u>	<u>(2,461,851)</u>
Net Position - June 30	<u>\$ (2,834,822)</u>	<u>\$ (3,178,716)</u>

Governmental Activities: Because the School's building and significant assets are owned by the District and the School has no debt, the governmental activities do not differ in any significant way from the School Fund activities.

The majority of School's operating revenues are generated from Total Program Funding as determined by the School Finance Act of 1994. Per pupil funding is comprised of general fund property taxes, specific ownership taxes, and state equalization as enumerated above.

Financial Analysis of the School's Funds

The School utilizes fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds: The focus of the School's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, unreserved fund balances 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 current fiscal year, the School's governmental funds reported ending fund balances of \$551,339 an increase change of \$156,570 from the prior year ending fund balances.

Budget Variances in the General Fund: The School's budget is prepared according to Colorado law and is based on accounting for certain transactions on a basis of cash receipts and disbursements. Original and final adopted budgets, as well as variances between actual revenues, expenditures, and final budgeted amounts are reflected in the Statement of Revenues and Expenditures on page C3 of the audited financial statements. The most significant budgeted variances are noted as follows:

<u>Account</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Reason</u>
Revenues:			
District funding	1,072,497	1,258,207	Conservative budgeting for fluctuations in district and state source revenues.
State sources	106,518	252,388	
Expenditures/Expenses:			
Direct instruction	960,708	830,488	Budgeted capital outlays and technical maintenance not spent.
Custodial maintenance	360,567	249,845	Budgeted maintenance supplies not spent.

Capital Assets: The School's capital assets are owned by the Park County School District.

Long-Term Liabilities: As of the end of the current fiscal year, the School has long-term liabilities of \$2,558,763. This includes Net Pension Liability of \$2,437,048 and Net OPEB Liability of \$121,715, which is required to be reported to recognize their long-term obligation for pension and OPEB benefits as a liability on the Statement of Net Position.

Additional information, as well as detailed classification of the School's long-term liabilities, can be found in the Notes to the Financial Statements section of this report.

Next Year's Budget and Fund Balance: The School's General Fund's equity balance at the end of fiscal year totaled \$551,339. The subsequent year's budget for fiscal year ended June 30, 2020 is fiscally balanced.

Request for Information

This financial report is designed to provide a general overview of the School's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Lake George Charter School, School Headmaster, P.O. Box 420, Lake George, Colorado 80827.

**GOVERNMENT-WIDE FINANCIAL STATEMENTS/
FUND FINANCIAL STATEMENTS**



Lake George Charter School
Balance Sheet/Statement of Net Position
June 30, 2019

	General Fund	Adjustments	Statement of Net Position
Assets:			
Cash and cash equivalents	654,909	-	654,909
Due from other governments	8,223	-	8,223
Total Assets	663,132	-	663,132
Deferred Outflows:			
Related to pension	-	760,502	760,502
Related to other post-employment benefits	-	16,867	16,867
Total Deferred Outflows	-	777,369	777,369
Current Liabilities:			
Accounts payable	16,064	-	16,064
Accrued payroll and related liabilities	95,729	14,092	109,821
Total Current Liabilities	111,793	14,092	125,885
Noncurrent Liabilities:			
Net pension liability	-	2,437,048	2,437,048
Net other post-employment benefit liability	-	121,715	121,715
Total Noncurrent Liabilities	-	2,558,763	2,558,763
Deferred Inflows:			
Related to pension	-	1,590,492	1,590,492
Related to other post-employment benefits	-	183	183
Total Deferred Inflows	-	1,590,675	1,590,675
Fund Balances/Net Position:			
Fund balance:			
Restricted for emergencies	46,624	(46,624)	
Restricted for capital reserves	103,500	(103,500)	
Unassigned	401,215	(401,215)	
Total Fund Balance	551,339	(551,339)	
Total Liabilities and Fund Balance	663,132		
Net Position:			
Restricted for emergencies		46,624	46,624
Restricted capital reserves		103,500	103,500
Unrestricted		(2,984,946)	(2,984,946)
Total Net Position		(2,834,822)	(2,834,822)

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

**Lake George Charter School
Statement of Revenues, Expenditures and
Changes in Fund Balance/Statement of Activities
For the Year Ended June 30, 2019**

	<u>General Fund</u>	<u>Adjustments</u>	<u>Statement of Activities</u>
Revenues:			
District funding	1,258,207	-	1,258,207
Investment income	11,232	-	11,232
Federal sources	27,651	-	27,651
State sources	252,388	1,712	254,100
Other	52,090	-	52,090
Total Revenues	<u>1,601,568</u>	<u>1,712</u>	<u>1,603,280</u>
Expenditures/Expenses:			
Direct instruction	830,488	(119,682)	710,806
General administration	207,707	(26,313)	181,394
Support services	33,822	-	33,822
Custodial maintenance	249,844	(25,484)	224,360
Transportation	2,415	-	2,415
Food Service Operations	120,722	(14,133)	106,589
Total Expenditures/Expenses	<u>1,444,998</u>	<u>(185,612)</u>	<u>1,259,386</u>
Excess (Deficiency) of Revenues Over Expenditures	156,570	187,324	343,894
Fund Balance/Net Position:			
Beginning of the Year	<u>394,769</u>		<u>(3,178,716)</u>
End of the Year	<u>551,339</u>		<u>(2,834,822)</u>

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

Lake George Charter School
Statement of Revenues and Expenditures
Budget and Actual
General Fund
For the Year Ended June 30, 2019
(With Comparative Actual Amounts for the Year Ended June 30, 2018)

	<u>2019</u>		<u>Variance Positive (Negative)</u>	<u>2018</u>
	<u>Original and Final Budget</u>	<u>Actual</u>		<u>Actual</u>
Revenues:				
District funding	1,072,497	1,258,207	185,710	1,108,952
Investment income	5,588	11,232	5,644	6,711
Federal sources	38,249	27,651	(10,598)	41,485
State sources	106,518	232,596	126,078	188,240
Other	26,400	52,090	25,690	31,662
Total Revenues	<u>1,249,252</u>	<u>1,581,776</u>	<u>332,524</u>	<u>1,377,050</u>
Expenditures/Expenses:				
Direct instruction	960,708	816,756	143,952	741,825
General administration	216,233	204,629	11,604	214,955
Support services	28,700	33,822	(5,122)	29,257
Custodial maintenance	360,567	246,862	113,705	219,462
Transportation	12,200	2,415	9,785	663
Community service	250	-	250	250
Food Service Operations	134,195	120,722	13,473	105,893
Contingency	56,668	-	56,668	-
Capital Outlay	1,184	-	1,184	-
Total Expenditures/Expenses	<u>1,770,705</u>	<u>1,425,206</u>	<u>345,499</u>	<u>1,312,305</u>
Excess (Deficiency) of Revenues Over Expenditures	(521,453)	156,570	678,023	64,745
Reconciliation to GAAP Basis:				
Pension direct distribution - Special funding		(19,792)		-
Pension expense - Special funding		19,792		-
Excess (Deficiency) of Revenues Over Expenditures - GAAP Basis:		<u>156,570</u>		<u>64,745</u>
Change in Fund Balance	(521,453)	156,570	678,023	64,745
Fund Balance:				
Beginning of the Year	522,453	394,769	(127,684)	330,024
End of the Year	<u>1,000</u>	<u>551,339</u>	<u>550,339</u>	<u>394,769</u>

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

NOTES TO THE FINANCIAL STATEMENTS



**Lake George Charter School
Notes to the Financial Statements
June 30, 2019**

I. Summary of Significant Accounting Policies

Lake George Charter School Lake George Charter School (the "School") was formed September 29, 1999 and operates under a charter from the Park County School District (the "District") and is a public entity. The School also created a non-profit 501(c) 3 corporation which is utilized for grants and large charitable contributions. The financial statements include both transactions of the non-profit and public entity.

On June 3, 1993, the Colorado State Legislature passed a statute, known as the Charter School Act (the "Act"), allowing the creation of public, non-sectarian, non-religious, nonhome-based schools to operate within a public school district. The schools, known as charter schools, allow for groups of parents, teachers, and community members to operate a school in a semi-autonomous environment. Under the Act, charter schools operate according to an approved charter application that serves as a contract between the charter school and the District's Board.

In 1995 the District approved a charter application through a resolution, allowing for the creation of the Lake George / Guffey Community Charter School. The charter contract was later amended to separate the schools into the Lake George Charter School and the Guffey Community Charter School.

Charter Schools are financed from a portion of School Finance Act revenues and from revenues generated by the School, within the limits established by the Charter School Act, *CRS Section 22-30-101*. The School operates under an elected Board of Directors and follows state and federal accounting and reporting requirements in compliance with the terms of its approved charter.

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

A. Reporting Entity

The reporting entity consists of (a) the primary government; i.e., the School, and (b) organizations for which the School is financially accountable. The School is considered financially accountable for legally separate organizations if it is able to appoint a voting majority of an organization's governing body and is either able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the School. Consideration is also given to other organizations, which are fiscally dependent; i.e., unable to adopt a budget, levy taxes, or issue debt without approval by the School. Organizations for which the nature and significance of their relationship with the School are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete are also included in the reporting entity.

Based on the criteria above, the School is not financially accountable for any other organization. The School is included in the District's reporting entity because of the nature and significance of their operational and financial relationships with the District. The School's financial transactions are reported within the District's as a discretely presented component unit.

Lake George Charter School
Notes to the Financial Statements
June 30, 2019
(Continued)

I. Summary of Significant Accounting Policies (continued)

B. School-wide and Fund Financial Statements

1. School-wide Financial Statements

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

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

The School-wide focus is on the sustainability of the School as an entity and the change in the School's net position resulting from the current year's activities.

2. Fund Financial Statements

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

The School reports the following major governmental fund:

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

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

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

Lake George Charter School
Notes to the Financial Statements
June 30, 2019
(Continued)

I. Summary of Significant Accounting Policies (continued)

C. Measurement Focus, Basis of Accounting and Financial Statement Presentation (continued)

1. Long-term Economic Focus and Accrual Basis

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

2. Current Financial Focus and Modified Accrual Basis

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

D. Financial Statement Accounts

1. Cash and Cash Equivalents

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

2. Investments

Investments are stated at fair value or net asset value. The change in fair value of investments is recognized as an increase or decrease to investment assets and investment income.

3. Receivables

The School uses the allowance method for recognition of uncollectible receivables, whereby an allowance for possible uncollectibility is established when collection becomes doubtful. No allowance was established at June 30, 2019, as all amounts were considered collectible.

Lake George Charter School
Notes to the Financial Statements
June 30, 2019
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

4. Capital Assets

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

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

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

Buildings and improvements, furniture, fixtures and equipment are depreciated using the straight line method over estimated useful lives. The building occupied by the School is owned and depreciated by the District. The School had no other assets with a cost meeting the statutory capitalization policy referred to above.

5. Long-term Obligations

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

6. 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.

Lake George Charter School
Notes to the Financial Statements
June 30, 2019
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

7. Defined Benefit Other Post Employment Benefit (OPEB) Plan

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

8. Deferred Inflows of Resources and Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. The separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future reporting period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School has two items that qualify for reporting in this category. That they are the collective deferred outflows related to the School's net pension and other post-employment benefit obligations ("OPEB"). Pension and OPEB contributions made after the measurement date, and the net difference between projected and actual earnings will be recognized as a reduction of the net pension or OPEB liability in future periods, see Notes IV.D and IV.E.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. The separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resource (revenue) until that time. The School has two items that qualify for reporting in this category. Collective deferred inflows related to the School's net pension and OPEB obligation are reported on the Statement of Net Position and are amortized over the average service lives of all active and inactive plan members, see Notes IV.D. and IV.E.

9. Use of Estimates

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

Lake George Charter School
Notes to the Financial Statements
June 30, 2019
(Continued)

I. Summary of Significant Accounting Policies (continued)

D. Financial Statement Accounts (continued)

10. Fund Balance

The School classifies governmental fund balances as follows:

Non-spendable - includes fund balance amounts that cannot be spent either because it is not in spendable form or because of legal or contractual requirements.

Restricted – includes fund balance amounts that are constrained for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

Committed – includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision-making authority which is the Board of Directors.

Assigned – includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted or committed. Fund balance may be assigned by the Board of Directors or its management designee.

Unassigned - includes residual positive fund balance within the General Fund which has not been classified within the other above-mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

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

II. Reconciliation of School-wide and Fund Financial Statements

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

The governmental fund Balance Sheet and school-wide Statement of Net Position includes a reconciling column. Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund. The adjustment of \$14,092, \$2,437,048, and \$121,715, represents the additional accrued compensation, net pension liability, and net OPEB liability respectively.

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

Lake George Charter School
Notes to the Financial Statements
June 30, 2019
(Continued)

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

B. Explanation of differences between the governmental fund Statement of Revenues, Expenditures and Changes in Fund Balance and the School-wide Statement of Activities

The governmental fund Statement of Revenue, Expenditures and Changes in Fund Balance and the school-wide Statement of Activities includes a reconciling column. The accrual for accrued compensation, the difference between employer contributions to pension and OPEB plan, change in pension and OPEB liability, revenue recognized from the State's contribution to the pension plan as a nonemployer entity, and amortization of pension and OPEB-related deferrals resulted in an adjustment of \$187,324.

III. Stewardship, Compliance, and Accountability

A. Budgets and Budgetary Accounting

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

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

1. The proposed budget was submitted to the School Board and the School's Board of Education by May 31 of the year proceeding the budget year. The proposed budget must include a description of major educational objectives and how the proposed budget fulfills those objectives.
2. Notice was published within ten (10) days which contained: availability of proposed budget for inspection, date and time of budget adoption meeting, and that any County taxpayer may file objections prior to the adoption of the budget.
3. The School's Board of Education certified revenue requirements to the local County Commissioners prior to December 15.
4. The final budget was adopted prior to June 30, along with an appropriation resolution.

B. TABOR Amendment – Revenue and Spending Limitation Amendment

In November 1992, Colorado voters amended Article X of the Colorado Constitution by adding Section 20; commonly known as the Taxpayer's Bill of Rights ("TABOR"). TABOR contains revenue, spending, tax and debt limitations that apply to the State of Colorado and local governments. TABOR requires, with certain exceptions, advance voter approval for any new tax, tax rate increase, mill levy above that for the prior year, extension of any expiring tax, or tax policy change directly causing a net tax revenue gain to any local government.

Except for refinancing bonded debt at a lower interest rate or adding new employees to existing pension plans, TABOR requires advance voter approval for the creation of any multiple fiscal year debt or other financial obligation unless adequate present cash reserves are pledged irrevocably and held for payments in all future fiscal years.

**Lake George Charter School
Notes to the Financial Statements
June 30, 2019
(Continued)**

III. Stewardship, Compliance, and Accountability (continued)

B. TABOR Amendment – Revenue and Spending Limitation Amendment (continued)

TABOR also requires local governments to establish emergency reserves to be used for declared emergencies only. Emergencies, as defined by TABOR, exclude economic conditions, revenue shortfalls, or salary or fringe benefit increases. These reserves are required to be 3% or more of fiscal year revenues. The School has reserved a portion of its June 30, 2019 year-end fund balance in the General Fund for emergencies as required under TABOR in the amount of \$46,624 .

On November 3, 1998, the School's electorate approved to: *“allow the School to collect, keep, and expend revenue from any sources received without regard to any spending, revenue raising, or other limitation on Article X, Section 20 of the Colorado constitution or other laws of the State.”*

The School's management believes it is in compliance with the financial provisions of TABOR. However, TABOR is complex and subject to interpretation. Many of its provisions, including the interpretation of how to calculate fiscal year spending limits, will require judicial interpretation.

IV. Detailed Notes on all Funds

A. Deposits and Investments

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

At June 30, 2019, the School had the following investments measured at net asset value:

Investments Measured at Net Asset Value	Total
Colotrust	\$ 525,192

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

	Standard and Poors Rating	Carrying Amounts	Maturities	
			Less than One Year	Less than Five Years
Deposits:				
Checking	Not rated	129,717	129,717	
Pools	AAAm	525,192	525,192	
		\$ 654,909	654,909	

The Investment Pool represents investments in COLOTRUST. The fair value of the pool is determined by the pool's share price. The School has no regulatory oversight for the pool. The School had no other recurring fair value measurements under the fair value hierarchy.

**Lake George Charter School
Notes to the Financial Statements
June 30, 2019
(Continued)**

IV. Detailed Notes on all Funds (continued)

A. Deposits and Investments (continued)

The School has addressed the following risks as noted:

Credit Risk – State statutes authorize the School to only invest in bank deposits, general obligations of the U.S. Government and its agencies, repurchase agreements of less than 180 days and collateralized by U.S. Treasury or Federal Instrumentality Securities with a maturity not exceeding 5 years, highest rated commercial paper, certain bankers acceptances, local government investment pools, money market funds and certificates of deposit. The School's policy is to restrict investments to only those permitted by state statute.

Colorado statutes specify instruments in which local governments may invest, including:

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

Concentration Risk – Investment diversification is utilized to avoid unreasonable risks inherent in overinvesting in specific instruments, individual financial institutions or maturities. The School's investments consist entirely of certificates of deposit within three financial institutions. However, these deposits are made with varied maturity dates and are collateralized for amounts over insured limits as required under Colorado State Statutes.

Interest Rate Risk – Colorado Revised Statutes limit the School's investment maturities to 5 years or less from the date of purchase. This limit on investment maturities is a means of limiting exposure to fair values arising from interest rates. The School's investment policy is to follow the State Statute in order to reduce interest rate risk.

B. Receivables

The School had receivables of \$8,223 as of June 30, 2019 for the governmental funds.

C. Changes in Long-term Obligations

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>	<u>Due Withi One Year</u>
Compensated absences	\$ 16,389	-	2,297	14,092	4,000
Net OPEB Liability	104,392	17,323	-	121,715	
Net Pension Liability	4,571,450	(2,134,402)	-	2,437,048	
	<u>\$ 4,692,231</u>	<u>(2,117,079)</u>	<u>2,297</u>	<u>2,572,855</u>	

Lake George Charter School
Notes to the Financial Statements
June 30, 2019
(Continued)

IV. Detailed Notes on all Funds (continued)

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

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

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

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

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

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

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

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

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.

**Lake George Charter School
Notes to the Financial Statements
June 30, 2019
(Continued)**

IV. Detailed Notes on all Funds (continued)

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

As of December 31, 2018, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments in certain years, referred to as annual increases in the C.R.S. Pursuant to SB 18-200, there are no annual increases (AI) for 2018 and 2019 for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure will receive an annual increase, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 1.5 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 will receive the lesser of an annual increase of 1.5 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The automatic adjustment provision may raise or lower the aforementioned AI for a given year by up to one-quarter of 1 percent based on the parameters specified C.R.S. § 24-51-413.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of disability. The disability benefit amount is based on the lifetime retirement benefit formula(s) shown above considering a minimum 20 years of service credit, if deemed disabled. Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

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

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

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

**Lake George Charter School
Notes to the Financial Statements
June 30, 2019
(Continued)**

IV. Detailed Notes on all Funds (continued)

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

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the School were \$143,321 for the year ended June 30, 2019.

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

At June 30, 2019, the School reported a liability of \$2,437,048 for its proportionate share of the net pension liability. The amount recognized by the School as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the School were as follows:

The School's proportionate share of the net pension liability	2,437,048
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the District	<u>293,148</u>
Total	<u><u>2,730,196</u></u>

At December 31, 2018, the School's proportion was 0.0138%, as compared to its proportion of 0.0141% measured as of December 31, 2017.

Lake George Charter School
Notes to the Financial Statements
June 30, 2019
(Continued)

IV. Detailed Notes on all Funds (continued)

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

Pension Expense. For the year ended June 30, 2019, the School recognized pension expense of \$168,375 and revenue of \$1,712 for support from the State as a nonemployer contributing entity. At June 30, 2019, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 82,668	\$ -
Changes of assumptions or other inputs	454,885	1,515,581
Net difference between projected and actual earnings on pension plan investments	132,834	-
Changes in proportionate share of contributions	15,251	74,911
Contributions subsequent to the measurement date	74,864	-
Total	\$ 760,502	\$ 1,590,492

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

Year ended June 30:	
2020	\$ (118,415)
2021	(510,977)
2022	(348,125)
2023	72,663
	\$ (904,854)

**Lake George Charter School
Notes to the Financial Statements
June 30, 2019
(Continued)**

IV. Detailed Notes on all Funds (continued)

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

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

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

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

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

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.

Lake George Charter School
Notes to the Financial Statements
June 30, 2019
(Continued)

IV. Detailed Notes on all Funds (continued)

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

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

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

For disabled retirees, the mortality assumption was changed to reflect 90 percent of the RP-2014 Disabled Retiree Mortality Table.

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

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

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

Lake George Charter School
Notes to the Financial Statements
June 30, 2019
(Continued)

IV. Detailed Notes on all Funds (continued)

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

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

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

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

Lake George Charter School
Notes to the Financial Statements
June 30, 2019
(Continued)

IV. Detailed Notes on all Funds (continued)

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

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

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

**Lake George Charter School
Notes to the Financial Statements
June 30, 2019
(Continued)**

IV. Detailed Notes on all Funds (continued)

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

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

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Collective net pension liability	\$ 22,511,490,000	17,707,054,000	13,675,322,000
Proportionate share of net pension liability	\$ 3,098,289.37	2,437,047	1,882,155

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.

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

- Increases employer contribution rates for the SCHDTF by 0.25 percent on July 1, 2019.
- Increases employee contribution rates for the SCHDTF by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- As specified in C.R.S. § 24-51-413, the State is required to contribute \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes.

Lake George Charter School
Notes to the Financial Statements
June 30, 2019
(Continued)

IV. Detailed Notes on all Funds (continued)

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

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

IV. Detailed Notes on all Funds (continued)

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

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

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

Lake George Charter School
Notes to the Financial Statements
June 30, 2019
(Continued)

IV. Detailed Notes on all Funds (continued)

E. Other Postemployment Benefits – Plan, Liabilities, Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (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.

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.

Lake George Charter School
Notes to the Financial Statements
June 30, 2019
(Continued)

IV. Detailed Notes on all Funds (continued)

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

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions. For the year ended June 30, 2019, the School's contributions to HCTF were approximately \$7,642.

Liabilities. At June 30, 2019, the School reported a liability for Other Post-Employment Benefits ("OPEB") of \$121,715 for its proportionate share of net OPEB. The net OPEB liability was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2018. The School proportion of the net OPEB liability was based on School contributions to the Health Care Trust Fund ("HCTF") for the calendar year 2018 relative to the total contributions of participating employers to the HCTF.

At December 31, 2018, the School proportion was 0.0089%, as compared to its proportion of 0.0080% measured as of December 31, 2017.

**Lake George Charter School
Notes to the Financial Statements
June 30, 2019
(Continued)**

IV. Detailed Notes on all Funds (continued)

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

Expense and Deferred Outflows of Resources and Deferred Inflows of Resources. For the year ended June 30, 2019, the School recognized OPEB expense of \$8,572. At June 30, 2019, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expenses and actual experience	\$ 442	18
Change of assumptions or other inputs	854	
Net difference between projected and actual earnings on plan investments	700	
Changes in proportionate share of contributions	10,878	
Contributions subsequent to measurement date	3,993	
	\$ 16,867	18

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

Year Ended June 30,	Amortization
2019	\$ 2,567
2020	2,567
2021	2,568
2022	2,769
2023	2,131
Thereafter	87
	\$ 12,689

**Lake George Charter School
Notes to the Financial Statements
June 30, 2019
(Continued)**

IV. Detailed Notes on all Funds (continued)

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

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

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

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

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

**Lake George Charter School
Notes to the Financial Statements
June 30, 2019
(Continued)**

IV. Detailed Notes on all Funds (continued)

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

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

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

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

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

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

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

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2017, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

**Lake George Charter School
Notes to the Financial Statements
June 30, 2019
(Continued)**

IV. Detailed Notes on all Funds (continued)

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

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

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

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

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

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

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

Lake George Charter School
Notes to the Financial Statements
June 30, 2019
(Continued)

IV. Detailed Notes on all Funds (continued)

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

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

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

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

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

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2018 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

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

**Lake George Charter School
Notes to the Financial Statements
June 30, 2019
(Continued)**

IV. Detailed Notes on all Funds (continued)

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

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

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

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

Sensitivity of the School's proportionate share of the net OPEB liability to changes in the 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:

	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rates</u>	<u>1% Increase in Trend Rates</u>
PERA Care Medicare Trent Rate	4.00%	5.00%	6.00%
Initial Medicare Part A Trend Rate	2.25%	3.25%	4.25%
Ultimate Medicare Part A Trend	4.00%	5.00%	6.00%
Collective Net OPEB Liability	1,322,972,000	1,360,542,000	1,403,754,000
Proportionate Share of the OPEB Liability	118,355	121,716	125,582

**Lake George Charter School
Notes to the Financial Statements
June 30, 2019
(Continued)**

IV. Detailed Notes on all Funds (continued)

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

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

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

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

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

	1% Decrease 6.25%	Current Discount 7.25%	1% Increase 8.25%
Proportionate Share of Net OPEB Liability	\$ 136,189	\$ 121,715	\$ 109,342

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

Lake George Charter School
Notes to the Financial Statements
June 30, 2019
(Continued)

V. Other Information

A. Voluntary Investment Program

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

Funding Policy. Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions, employer contributions and investment earnings. There were no 401(k) Plan member contributions from the School for the year ended June 30, 2019, 2018 and 2017.

B. Risk Management

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

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

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

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

C. Lease Agreement

The School entered into a lease agreement with Park County School School, effective July 1, 2009. The agreement provides for the School to occupy the School Building at no cost for a period of five years. Effective July 1, 2016, the agreement was renewed for a period of five years.

REQUIRED SUPPLEMENTARY INFORMATION



Lake George Charter School
Schedule of School's Proportionate Share of the Net Pension Liability
Colorado Public Employees' Retirement Association School Division Trust Fund
Last 10 Fiscal Years *

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
School's proportion of the net pension liability	0.0138%	0.0141%	0.0139%	0.0143%	0.0157%	0.0152%
School's proportionate share of the net pension liability	\$ 2,437,048	\$ 4,571,451	\$ 4,150,166	\$ 2,191,856	\$ 2,129,956	\$ 1,939,746
State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the School	293,148	-	-	-	-	-
Total proportionate share of the net pension liability associated with the School	<u>2,730,196</u>	<u>4,571,451</u>	<u>4,150,166</u>	<u>2,191,856</u>	<u>2,129,956</u>	<u>1,939,746</u>
School's covered payroll	747,984	651,910	593,327	576,156	601,627	608,823
School's proportionate share of the net pension liability as a percentage of its covered payroll	326%	701%	699%	380%	354%	319%
Plan fiduciary net position as a percentage of the total pension liability	57.01%	43.96%	59.20%	62.84%	62.84%	64.07%

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

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

**Lake George Charter School
Schedule of School Pension Contributions
Colorado Public Employees' Retirement Association School Division Trust Fund
Last 10 Fiscal Years ***

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 143,321	\$ 121,492	\$ 113,422	\$ 108,235	\$ 108,169	\$ 95,210
Contributions in relation to the contractually required contribution	<u>\$ (143,321)</u>	<u>\$ (121,492)</u>	<u>\$ (113,422)</u>	<u>\$ (108,235)</u>	<u>\$ (108,169)</u>	<u>\$ (95,210)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered payroll	\$ 749,195	\$ 651,910	\$ 593,327	\$ 576,156	\$ 601,627	\$ 608,823
Contributions as a percentage of covered payroll	19.13%	18.64%	19.12%	18.79%	17.98%	15.64%

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

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

Lake George Charter School
Schedule of School's Proportionate Share of the Net Other Post-Employment Liability
Colorado Public Employees' Retirement Association Health Care Trust Fund
Last 10 Fiscal Years *

	<u>2019</u>	<u>2018</u>	<u>2017</u>
School's proportion of the net OPEB liability	0.0089%	0.0080%	0.0079%
School's proportionate share of the net OPEB liability	121,716	104,393	102,725
School's covered payroll	747,984	651,910	699,785
School's proportionate share of the net OPEB liability as a percentage of its covered payroll	16%	16%	15%
Plan fiduciary net position as a percentage of the total OPEB liability	17.13%	17.53%	16.72%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within fiscal year. Information is only available beginning in fiscal year 2017.

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

**Lake George Charter School
Schedule of School Other Post-Employment Contributions
Colorado Public Employees' Retirement Association Health Care Trust Fund
Last 10 Fiscal Years ***

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually required contribution	7,642	6,652	6,381
Contributions in relation to the contractually required contribution	<u>(7,642)</u>	<u>(6,652)</u>	<u>(6,381)</u>
Contribution deficiency (excess)	<u><u>-</u></u>	<u><u>-</u></u>	<u><u>-</u></u>
School's covered payroll	749,195	651,910	593,327
Contributions as a percentage of covered payroll	1.02%	1.02%	1.08%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. Information is only available beginning in fiscal year 2017.

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

Lake George Charter School
Notes to the Required Supplementary Information
June 30, 2019
(continued)

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

A. Changes to assumptions or other inputs

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

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

2. Changes Since the December 31, 2016 Actuarial Valuation are as Follows:

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

3. Changes Since the December 31, 2015 Actuarial Valuation are as Follows:

- The investment return assumption was lowered from 7.5 percent to 7.25 percent
- The wage inflation assumption was lowered from 3.90 percent to 3.50 percent
- The post-retirement mortality assumption for healthy lives for the School and Denver Public School ("DPS") Divisions was changed to the RP-2014 White Collar Healthy Annuitant Mortality Table with adjustments for credibility and gender adjustments of a 93 percent factor applied to ages below 80 and a 113 percent factor applied to age 80 and above, projected to 2018, or males, and a 68 percent factor applied to ages below 80 and a 106 percent factor applied to age 80 and above, projected to 2020, for females.
- For disabled retirees, the mortality assumption was changed to reflect 90 percent of RP-2014 Disabled Retiree Mortality Table.
- The mortality assumption for active members was changed to RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.
- The rates of retirement, withdrawal, and disability were revised to reflect more closely actual experience.
- The estimated administrative expense as a percentage of covered payroll was increased from 0.35 percent to 0.40 percent.
- The single equivalent interest rate (the "SEIR") for the SCHDTF was lowered from 7.50 percent to 5.26 percent to reflect the changes to the projection's valuation basis, a projected year of depletion of the fiduciary net position (the "FNP"), and the resulting application of the municipal bond index rate

Lake George Charter School
Notes to the Required Supplementary Information
June 30, 2019
(continued)

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

A. Changes to assumptions or other inputs (continued)

4. Changes Since the December 31, 2014 Actuarial Valuation are as Follows:

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

B. Changes of benefit terms.

No changes during the years presented above.

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

No changes during the years presented above.

II. Notes to the Schedule of School Pension Contributions

A. Changes to assumptions or other inputs

No changes during the years presented above.

B. Changes of benefit terms

No changes during the years presented above.

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

No changes during the years presented above.

Lake George Charter School
Notes to the Required Supplementary Information
June 30, 2019
(continued)

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

A. Changes to assumptions or other inputs

No changes during the years presented.

B. Changes of benefit term

No changes during the years presented.

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

No changes during the years presented.

IV. Notes to the Schedule of School OPEB Contributions

A. Changes to assumptions or other inputs

No changes during the years presented.

B. Changes of benefit terms.

No changes during the years presented.

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

No changes during the years presented.