

**THOMAS MACLAREN STATE
CHARTER SCHOOL**

FINANCIAL STATEMENTS
With Independent Auditors' Report

For the Year Ended June 30, 2018

THOMAS MACLAREN STATE CHARTER SCHOOL
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JUNE 30, 2018

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Thomas MacLaren State Charter School

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Thomas MacLaren State Charter School, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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, the business-type activities, and each major fund of the Thomas MacLaren State Charter School, as of June 30, 2018, and the respective

changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As described in Note 1 to the financial statements, effective July 1, 2017, the School adopted new accounting guidance, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinion is not modified with respect to this matter.

Other-Matters

Required Supplementary Information

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

Hoelting & Company Inc.

Colorado Springs, Colorado
September 21, 2018

**THOMAS MACLAREN STATE CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2018**

As management of Thomas MacLaren State Charter School (the School) we offer readers of the School's annual financial report this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2018. Readers are encouraged to consider the information presented here in conjunction with the annual financial report.

FINANCIAL HIGHLIGHTS

- Liabilities and deferred inflows of the School exceeded its assets and deferred outflows by \$8,405,698 during the year resulting in a negative net position balance.
- Total assets decreased \$602,077, which represents an 3.61% percent decrease from FY2017. This was primarily due to the purchase of assets for the new building.
- At June 30, 2018 long-term liabilities were \$28,495,167. Of this amount, \$15,500,000 is related to the School's Series 2017 Charter School Revenue Bonds and the remaining \$12,995,167, is attributable to the recognition of the School's proportionate share of the net PERA pension and OPEB liabilities.
- The Thomas MacLaren School Foundation ("Foundation") was established to fund and purchase the new school building and land. The Foundation is accounted for as an enterprise fund. This fund had a deficit net position of \$1,196,449 at year-end, due to expenses exceeding revenues.
- As of the close of the current fiscal year, the School's general fund reported an ending fund balance surplus of \$1,440,357.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the School's basic financial statements. The School's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains required and other supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the School's finances as a whole, in a manner similar to a private-sector business and include two statements:

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

The *statement of activities* presents information reporting 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 result in cash flows in future fiscal periods. Accrued interest expense is an example of this type of item.

Both government-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 of their costs through user fees and charges (business-type activities). The governmental activities of the School include costs of running a sixth through twelfth grade charter school. Currently, the school has one business-type activity that owns and manages its buildings and related debt service.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The fund financial statements provide more detailed information about the School's operations, focusing on its most significant funds, not the School as a whole. The School has a general fund, which is a governmental fund.

Governmental Funds: The School's basic services are included in this governmental fund, which focuses on (1) how money flows into and out of the fund and (2) the balances left at year-end that are available for spending or reserves. Consequently, the governmental fund statements provide a detailed short-term view that helps determine the status of financial resources that can be spent in the near future to finance the School's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Thus, readers may better understand the long-term impact of the School's near-term financing decisions. To facilitate this comparison between governmental funds and governmental activities, reconciliations are provided for both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balance.

Proprietary funds. The School reports one proprietary fund, an enterprise fund. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The School uses an enterprise fund to account for its building lease activities. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. Individual fund data for the enterprise fund is provided in the other supplementary information in this report.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the School. The School adopts an annual appropriated budget for the general fund. A budgetary comparison schedule has been provided to demonstrate compliance with the budget. Four schedules have also been included to report certain pension and OPEB information.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the School's financial position. In the case of the School, total liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$8,405,698 as of June 30, 2018 resulting in a negative net position. A deficit of \$1,980,072 is the school's net investment in capital assets. \$124,500 of the funds are restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. \$750,070 of the funds are restricted for debt service. The remaining deficit of \$7,300,196 is unrestricted.

Condensed Statement of Net Position

	Governmental Activities		Business-type Activities	
	2018	2017	2018	2017
Current and other assets	\$ 1,688,322	\$ 1,552,155	\$ 1,871,419	\$ 4,530,033
Capital assets	16,036	-	12,496,557	10,592,233
Total assets	1,704,358	1,552,155	14,367,976	15,122,266
Deferred outflows of resources	4,904,053	5,028,217	-	-
Total deferred outflows of resources	4,904,053	5,028,217	-	-
Current liabilities	247,965	343,159	64,425	114,680
Noncurrent liabilities	12,995,167	10,193,070	15,500,000	15,500,000
Total liabilities	13,243,132	10,536,229	15,564,425	15,614,680
Deferred inflows of resources	574,528	147,522	-	-
Total deferred inflows of resources	574,528	147,522	-	-
Net position:				
Net investment in capital assets	16,036	-	(1,996,108)	(1,810,210)
Restricted	124,500	105,100	775,726	1,317,208
Unrestricted	(7,349,785)	(4,208,479)	23,933	588
Total net position	\$ (7,209,249)	\$ (4,103,379)	\$ (1,196,449)	\$ (492,414)

Condensed Statement of Activities

	Governmental Activities		Business-type Activities	
	2018	2017	2018	2017
Revenues:				
General revenues:				
Per pupil revenue	\$ 3,495,703	\$ 3,184,666	\$ -	\$ -
Other	204,960	6,498	51,283	2,196
Program revenue:				
Charges for services	161,632	113,708	-	-
Operating grants and contributions	577,877	340,074	-	-
Capital grants and contributions	126,741	125,501	-	-
Total revenues	4,566,913	3,770,447	51,283	2,196
Expenses:				
Instruction	4,709,137	3,929,771	940,663	495,198
Support services	2,534,516	1,748,033	-	-
Total expenses	7,243,653	5,677,804	940,663	495,198
Transfers	(185,345)	(588)	185,345	588
Change in net position	(2,862,085)	(1,907,945)	(704,035)	(492,414)
Net position, beginning, as originally stated	(4,103,379)	(2,195,434)	(492,414)	-
Prior period adjustment	(243,785)	-	-	-
Net position, beginning, as restated (deficit)	(4,347,164)	(2,195,434)	(492,414)	-
Net position, ending (deficit)	\$ (7,209,249)	\$ (4,103,379)	\$ (1,196,449)	\$ (492,414)

ANALYSIS OF THE SCHOOL'S FUNDS

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

The general fund is the operating fund of the School. The fund balance for the general fund was a surplus of \$1,440,357 at the end of the current fiscal year.

BUDGETARY HIGHLIGHTS

The School's budget is prepared in accordance with state law. During the year the School amended its General Fund budget primarily to reflect the following changes:

- Decrease in per pupil revenue of \$48,730 as final enrollment of 480.5 students was less than the projected enrollment of 495 students.
- Increase in anticipated expenditures of \$125,886.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Capital assets include all capital outlays related to capital assets at the school, building and improvements, and land. For its governmental activities, the investment in capital assets net of depreciation was \$16,036. For business-type activities, the investment in capital assets net of depreciation was \$12,496,557.

Debt Administration

At the end of current fiscal year, the School had \$15.5 million in debt outstanding. This was used to fund capital activities.

ECONOMIC FACTORS

- The primary factor driving the School's budget is student enrollment. Enrollment for the 2017-2018 school year was 480.5 students. The expanded to include an elementary school for the 2018-2019 school year. Projected enrollment for the 2018-2019 school year is 815 students. The waitlist totaled over 100 students as of August 1, 2018.
- The school applied for and received the federal start up grant. This funding could total \$743,250 payable over three years beginning in 2017-18.
- The outlook for state funding for K-12 education has improved much in recent years. Per Pupil Revenue (PPR) is based on state tax revenue, local specific ownership taxes, and local property taxes. The School's PPR is further adjusted by its at-risk population in comparison to that of the local school district. Adjusted PPR for 2017-18 was \$7,278, an increase of 3.35% over the 2016-2017 PPR. The School's PPR for 2018-19 is projected at \$7,738— an increase of 6.3%.

State legislation has allowed for charter schools to share in the mill levy revenue of school districts. The Colorado Charter School Institute has obtained \$5.5 million to be distributed across CSI schools. The school is expected to receive \$247,558 from this fund this school year.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Angie Stattman, Thomas MacLaren State Charter School, 1702 N. Murray Blvd., Colorado Springs, CO 80915.

BASIC FINANCIAL STATEMENTS

THOMAS MACLAREN STATE CHARTER SCHOOL
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash	\$ 1,244,329	\$ 49,589	\$ 1,293,918
Restricted cash and cash equivalents	-	1,971,830	1,971,830
Internal balance	150,000	(150,000)	-
Intergovernmental receivable	262,322	-	262,322
Other receivables	240	-	240
Prepaid expense	31,431	-	31,431
Capital assets not being depreciated			
Land	-	1,060,200	1,060,200
Construction in progress	-	2,095,155	2,095,155
Capital assets, net of accumulated depreciation			
Building and improvements	-	9,541,575	9,541,575
Furniture & equipment	47,180	-	47,180
Less: accumulated depreciation	(31,144)	(200,373)	(231,517)
Total assets	<u>1,704,358</u>	<u>14,367,976</u>	<u>16,072,334</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension outflows	4,861,087	-	4,861,087
Deferred OPEB outflows	42,966	-	42,966
Total deferred outflows of resources	<u>4,904,053</u>	<u>-</u>	<u>4,904,053</u>
LIABILITIES			
Accounts payable	73,355	-	73,355
Accrued salaries and benefits	170,922	-	170,922
Accrued interest payable	-	38,769	38,769
Unearned revenue	3,688	25,656	29,344
Noncurrent liabilities:			
Due in more than one year			
Net pension liability	12,705,038	-	12,705,038
Net OPEB liability	290,129	-	290,129
Bonds payable	-	15,500,000	15,500,000
Total liabilities	<u>13,243,132</u>	<u>15,564,425</u>	<u>28,807,557</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pension inflows	569,605	-	569,605
Deferred OPEB inflows	4,923	-	4,923
Total deferred inflows of resources	<u>574,528</u>	<u>-</u>	<u>574,528</u>
NET POSITION			
Net investment in capital assets	16,036	(1,996,108)	(1,980,072)
Restricted for:			
TABOR	124,500	-	124,500
Debt Service	-	750,070	750,070
Unrestricted	(7,349,785)	49,589	(7,300,196)
Total net position (deficit)	<u>\$ (7,209,249)</u>	<u>\$ (1,196,449)</u>	<u>\$ (8,405,698)</u>

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

**THOMAS MACLAREN STATE CHARTER SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction	\$ 4,709,137	\$ 161,632	\$ 577,877	\$ -	\$ (3,969,628)	\$ -	\$ (3,969,628)
Student support	167,175	-	-	-	(167,175)	-	(167,175)
Instructional staff	2,557	-	-	-	(2,557)	-	(2,557)
General administration	73,713	-	-	-	(73,713)	-	(73,713)
School administration	1,481,128	-	-	-	(1,481,128)	-	(1,481,128)
Business services	19,830	-	-	-	(19,830)	-	(19,830)
Maintenance and operations	579,286	-	-	126,741	(452,545)	-	(452,545)
Central services	210,827	-	-	-	(210,827)	-	(210,827)
Total governmental activities	<u>7,243,653</u>	<u>161,632</u>	<u>577,877</u>	<u>126,741</u>	<u>(6,377,403)</u>		<u>(6,377,403)</u>
Business-type activities:							
Foundation	940,663	-	-	-		(940,663)	(940,663)
Total primary government	<u>\$ 8,184,316</u>	<u>\$ 161,632</u>	<u>\$ 577,877</u>	<u>\$ 126,741</u>		<u>(940,663)</u>	<u>(7,318,066)</u>
General Revenues:							
Per pupil revenue					3,495,703	-	3,495,703
Investment income					404	51,283	51,687
Other income					204,556	-	204,556
Transfers					(185,345)	185,345	-
Total general revenues and transfers					<u>3,515,318</u>	<u>236,628</u>	<u>3,751,946</u>
Change in net position					(2,862,085)	(704,035)	(3,566,120)
Net position, beginning, as restated (deficit)					(4,347,164)	(492,414)	(4,839,578)
Net position, ending (deficit)					<u>\$ (7,209,249)</u>	<u>\$ (1,196,449)</u>	<u>\$ (8,405,698)</u>

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

**THOMAS MACLAREN STATE CHARTER SCHOOL
BALANCE SHEET
GENERAL FUND
JUNE 30, 2018**

ASSETS

Cash	\$ 1,244,329
Due from other funds	150,000
Intergovernmental receivable	262,322
Other receivables	240
Prepaid expenses	<u>31,431</u>
 Total assets	 <u><u>\$ 1,688,322</u></u>

LIABILITIES

Accounts payable	\$ 73,355
Accrued salaries and benefits	170,922
Unearned revenue	<u>3,688</u>
 Total liabilities	 <u>247,965</u>

FUND BALANCE

Nonspendable	31,431
Restricted for TABOR	124,500
Unassigned	<u>1,284,426</u>
 Total fund balance	 <u>1,440,357</u>

Total liabilities and fund balance	<u><u>\$ 1,688,322</u></u>
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The accompanying notes are an integral part of these financial statements.

**THOMAS MACLAREN STATE CHARTER SCHOOL
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018**

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Total Fund Balance of Governmental Funds		\$ 1,440,357
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		16,036
Other long-term assets are not available to pay for current period expenditures and, therefore, are reported as deferred outflows of resources.		
Pension outflows	4,861,087	
OPEB outflows	42,966	4,904,053
Net pension and OPEB liabilities are not due and payable in the current period and, therefore, are not reported in the funds.		
Net pension liabilities	(12,705,038)	
Net OPEB liabilities	(290,129)	(12,995,167)
Other long-term liabilities are not due and payable in the current period and, therefore, are reported as deferred inflows of resources.		
Pension inflows	(569,605)	
OPEB inflows	(4,923)	(574,528)
Net Position of Governmental Activities		\$ (7,209,249)

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

THOMAS MACLAREN STATE CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

REVENUES	
Local sources	\$ 564,364
State sources	3,800,401
Federal sources	<u>202,148</u>
Total revenues	<u>4,566,913</u>
EXPENDITURES	
Instruction	2,494,200
Student support	153,806
Instructional staff	2,557
General administration	73,713
School administration	749,022
Business services	19,830
Maintenance and operations	631,597
Central service	<u>210,827</u>
Total expenditures	<u>4,335,552</u>
Net change in fund balances	231,361
Fund balance, beginning	<u>1,208,996</u>
Fund balance, ending	<u><u>\$ 1,440,357</u></u>

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

**THOMAS MACLAREN STATE CHARTER SCHOOL
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018**

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Net Change in Fund Balance of Governmental Funds	\$	231,361
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Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current year.		16,036
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Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Pension expenses	(3,101,180)	
OPEB expenses	(8,302)	(3,109,482)

Change in Net Position of Governmental Activities	\$	(2,862,085)
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The accompanying notes are an integral part of these financial statements.

THOMAS MACLAREN STATE CHARTER SCHOOL
STATEMENT OF NET POSITION
ENTERPRISE FUND
JUNE 30, 2018

	Foundation
ASSETS	
Current Assets:	
Cash and cash equivalents	\$ 49,589
Restricted cash and cash equivalents	1,971,830
Total current assets	2,021,419
Noncurrent Assets:	
Capital assets not being depreciated:	
Land	1,060,200
Construction in progress	2,095,155
Capital assets being depreciated:	
Building and improvements	9,541,575
Less: accumulated depreciation	(200,373)
Total noncurrent assets	12,496,557
Total assets	14,517,976
LIABILITIES	
Current Liabilities:	
Accrued interest payable	38,769
Unearned revenue	25,656
Due to other funds	150,000
Total current liabilities	214,425
Noncurrent Liabilities:	
Bond payable	15,500,000
Total noncurrent liabilities	15,500,000
Total liabilities	15,714,425
NET POSITION	
Net investment in capital assets	(1,996,108)
Restricted for debt service	750,070
Unrestricted	49,589
Total net position (deficit)	\$ (1,196,449)

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

**THOMAS MACLAREN STATE CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Foundation
OPERATING REVENUES	
Rental income	\$ 185,344
Total operating revenues	185,344
OPERATING EXPENSES	
Interest expense	754,052
Total operating expenses	754,052
Net operating income (loss)	(568,708)
NON-OPERATING REVENUES (EXPENSES)	
Interest income	51,283
Miscellaneous revenue	1
Bank fees	(5,737)
Debt issuance costs	9,957
Depreciation expense	(190,831)
Total non-operating revenues (expenses)	(135,327)
Change in net position	(704,035)
Net position - beginning (deficit)	(492,414)
Net position - ending (deficit)	\$ (1,196,449)

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

**THOMAS MACLAREN STATE CHARTER SCHOOL
STATEMENT OF CASH FLOWS
ENTERPRISE FUND
FOR THE YEAR ENDED JUNE 30, 2018**

	Foundation
CASH FLOWS FROM OPERATING ACTIVITIES	
Lease payments received	\$ 211,000
Interest payments to bondholders	(751,683)
Other receipts	1
Other payments	(5,737)
	(546,419)
Net cash provided (used) by operating activities	(546,419)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from/(to) other funds	(25,002)
	(25,002)
Net cash provided (used) by noncapital financing activities	(25,002)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Bond fees	(68,323)
Acquisition and construction of capital assets	(2,095,155)
	(2,163,478)
Net cash provided (used) by capital and related financing activities	(2,163,478)
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	51,283
	51,283
Net cash provided (used) by investing activities	51,283
Net increase (decrease) in cash and cash equivalents	(2,683,616)
Cash and cash equivalents, beginning	4,705,035
Cash and cash equivalents, ending	\$ 2,021,419
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (568,708)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Other receipts	1
Other payments	(5,737)
<i>Increase (decrease) in liabilities:</i>	
Unearned revenue	25,656
Accrued interest payable	2,369
	27,985
Net cash provided (used) by operating activities	\$ (546,419)

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

NOTES TO FINANCIAL STATEMENTS

**THOMAS MACLAREN STATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Thomas MacLaren State Charter School (the School) was organized pursuant to the Colorado Charter Schools Act on July 11, 2007 to form and operate a charter school under the oversight of the Colorado Charter School Institute (CSI). The School began admitting students in the Fall of 2009. The School receives its State funding from CSI. The current charter runs through June 30, 2019 and may be renewed for an additional period by mutual agreement of the School and CSI.

The financial statements of the School have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the School are described below.

A. REPORTING ENTITY

The accompanying financial statements present the School and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government's operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government.

Blended component unit. Thomas MacLaren School Foundation (the Foundation) was organized for the purpose of acquiring, leasing, constructing, improving, equipping and financing various facilities, land, equipment and other improvements in connection with property intended to be leased to the School. The Foundation is reported as an enterprise fund and does not issue separate financial statements.

B. BASIS OF PRESENTATION—GOVERNMENT-WIDE FINANCIAL STATEMENTS

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the government's enterprise funds. Separate financial statements are provided for governmental funds and enterprise funds.

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government. *Governmental activities* are normally supported by per pupil revenue and intergovernmental revenues. *Business-type activities* rely to a significant extent on fees and charges to external customers for support. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

C. BASIS OF PRESENTATION—FUND FINANCIAL STATEMENTS

The accounts of the School are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements.

THOMAS MACLAREN STATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BASIS OF PRESENTATION—FUND FINANCIAL STATEMENTS (CONTINUED)

The School reports the following major governmental fund:

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

The School reports the following major proprietary fund:

An *Enterprise Fund* is used to account for those operations financed and operated in a manner similar to private business or where the board has decided that the determination of revenues earned, costs incurred, and/or net income is necessary for management accountability. The Foundation is accounted for as an enterprise fund.

During the course of operations, the School has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

THOMAS MACLAREN STATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Intergovernmental revenues, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants recognize revenue when the qualifying expenditures have been incurred and all other grant requirements have been met, and the amount is received during the period or within the availability period of this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE

Cash and cash equivalents

Cash and cash equivalents include cash on hand and in the bank and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments are stated at fair value.

Receivables

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible

Prepaid expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

THOMAS MACLAREN STATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)

Capital Assets

Capital assets, which include property, buildings, furniture and equipment, are reported in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Major outlays for capital assets and improvements are capitalized as projects are constructed.

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

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

Building and improvements	50 years
Furniture and equipment	7 years

When depreciable property is acquired, depreciation is included in expense for the year of acquisition for the number of months during the year the asset was in service. When depreciable property is retired or otherwise disposed of, depreciation is included in expense for the number of months in service during the year of retirement and the related costs and accumulated depreciation are removed from the accounts with any gain or loss reflected in the statement of revenue, expenses and changes in fund net position.

Pensions

Thomas MacLaren State Charter 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.

THOMAS MACLAREN STATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)

Pensions (continued)

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

Health Care Trust Fund

Thomas MacLaren State Charter 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.

Deferred outflows/inflows of resources

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

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

Long-term debt

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

THOMAS MACLAREN STATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)

Long-term debt (continued)

In the fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

Net position flow assumption

The School may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted—net position and unrestricted—net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School's policy to consider restricted—net position to have been depleted before unrestricted—net position is applied.

Fund Balance Classification

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

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action that was used when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

Assigned – This classification includes amounts that are constrained by the School's intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to management through the budgetary process. This classification also includes the remaining positive fund balance for any governmental funds except for the General Fund.

THOMAS MACLAREN STATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)

Fund Balance Classification (continued)

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

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

F. REVENUES AND EXPENDITURES/EXPENSES

Program revenues

Amounts reported as *program revenues* include 1) fees and charges to pupils and other users who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Revenues that are not classified as program revenues, including per pupil revenue, are reported as *general revenues*.

Compensated Absences

The School's employees accrue paid time off during the year for personal needs and illness. Accrued paid time off is not paid upon termination of employment. Up to five days may be rolled into the following year which may only be used for medical absences. Accumulated paid time off at June 30, 2018 is not considered to be material to the financial statements. As a result, a liability for unused paid time off is not recorded in the financial statements.

Proprietary funds operating and non-operating revenues and expenses

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the School's enterprise funds are rental income. Operating expenses for enterprise funds include interest expense. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

**THOMAS MACLAREN STATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

G. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

H. ADOPTION OF NEW ACCOUNTING STANDARDS

The School implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pension (OPEB)*, effective July 1, 2017. This Statement establishes standards of accounting and financial reporting for defined benefit Health Care Trust funds provided to the employees of state and local governmental employers through OPEB plans that are administered through trusts or equivalent arrangements. As a result, net position at June 30, 2017, was restated to reflect the cumulative effect of adopting the standards.

Net Position, June 30, 2017, as Originally Stated	\$(4,103,379)
Adjustment to fund balance	<u>(243,785)</u>
Net Position, June 30, 2017, as Restated (deficit)	<u><u>\$(4,347,164)</u></u>

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGET INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds. All annual appropriations lapse at fiscal yearend. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding year.

Budgets are required by Colorado State Statutes for all funds. Prior to the fiscal year end, management submits to the Board of Directors a proposed budget for all funds for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. Prior to June 30, the budget is adopted by formal resolution.

Formal budgetary integration is employed as a management control device during the year for the Governmental funds. The appropriated budget is prepared by fund. The legal level of control is the fund level.

**THOMAS MACLAREN STATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

BUDGET INFORMATION (CONTINUED)

Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Board of Directors.

Appropriations are based on total funds expected to be available in each budget year, including beginning fund balances and reserves as established by the Board of Directors. Variances between budget and actual are results from the non-expenditure of reserves, nonoccurrence of anticipated events, and normal operating variances.

The Board of Directors may authorize supplemental appropriations during the year. For budgetary management purposes, funds are appropriated for capital outlays.

A budget was not adopted for the Foundation.

DEFICIT NET POSITION

The Enterprise fund had a deficit net position balance of \$1,196,499 as of June 30, 2018. The deficit balance is due to expenses relating to the first year of operation exceeding revenues. In future years rental income is scheduled to recover debt service costs related to the assets being depreciated, the School expects this deficit balance to be eliminated when accumulated rental income exceeds accumulated depreciation and interest expenses.

NOTE 3 - DEPOSITS AND INVESTMENTS

Cash deposits with financial institutions

Custodial credit risk—deposits. Colorado State Statutes govern the entity's deposit of cash. The Public Deposit Protection Acts for banks and savings and loans require the state regulators to certify eligible depositories for public deposits. The acts require the eligible depositories with public deposits in excess of the federal insurance levels to create a single institution collateral pool of defined eligible assets. Eligible collateral includes obligations of the United States, obligations of the State of Colorado or local Colorado governments and obligations secured by first lien mortgages on real property located in the State. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the assets in the pool must be at least equal to 102% of the uninsured deposits.

At June 30, 2018, the carrying amount of the School's deposits was \$3,265,748 and the bank balances were \$3,477,105. Of the total bank balances, \$500,000 was covered by FDIC insurance and \$2,977,105 was uninsured but collateralized in accordance with the provisions of the Colorado Public Deposit Protection Act (PDPA). The collateral is pooled and held in a trust for all uninsured deposits as a group.

**THOMAS MACLAREN STATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 3 - DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

The School is required to comply with State statutes that specify investment instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest, which include the following. State statutes generally limit investments to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years. State statutes do not address custodial risk.

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

The School had no investments as of June 30, 2018.

NOTE 4 – INTERFUND RECEIVABLES AND PAYABLES

The School has activity between funds for various purposes. Balances are routinely cleared as a matter of practice.

The composition of interfund balances at June 30, 2018 is as follows:

Due to/from other funds:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General Fund	Foundation	<u>\$ 150,000</u>

THOMAS MACLAREN STATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	Beginning			Ending
	<u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u>
<i>Governmental Activities</i>				
Capital assets, being depreciated:				
Equipment	\$ 28,470	\$ 18,710	\$ -	\$ 47,180
Total capital assets, being depreciated	28,470	18,710	-	47,180
Less accumulated depreciation	<u>(28,470)</u>	<u>(2,674)</u>	<u>-</u>	<u>(31,144)</u>
Total capital assets being depreciated, net	<u>-</u>	<u>16,036</u>	<u>-</u>	<u>16,036</u>
Total capital assets, net	<u>\$ -</u>	<u>\$ (16,036)</u>	<u>\$ -</u>	<u>\$ 16,036</u>
	Beginning			Ending
	<u>Balance</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u>
<i>Business-type Activities</i>				
Capital assets, not being depreciated:				
Land	\$ 1,060,200	\$ -	\$ -	\$ 1,060,200
Construction in Progress	<u>-</u>	<u>2,095,155</u>	<u>-</u>	<u>2,095,155</u>
Total capital assets, not being depreciated	<u>1,060,200</u>	<u>2,095,155</u>	<u>-</u>	<u>3,155,355</u>
Capital assets, being depreciated:				
Building and improvements	<u>9,541,575</u>	<u>-</u>	<u>-</u>	<u>9,541,575</u>
Total capital assets, being depreciated	<u>9,541,575</u>	<u>-</u>	<u>-</u>	<u>9,541,575</u>
Less accumulated depreciation	<u>(9,542)</u>	<u>(190,831)</u>	<u>-</u>	<u>(200,373)</u>
Total capital assets being depreciated, net	<u>9,532,033</u>	<u>(190,831)</u>	<u>-</u>	<u>9,341,202</u>
Total capital assets, net	<u>\$ 10,592,233</u>	<u>\$ 1,904,324</u>	<u>\$ -</u>	<u>\$ 12,496,557</u>

**THOMAS MACLAREN STATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 5 - CAPITAL ASSETS (CONTINUED)

Depreciation expense was charged to functions/programs of as follows:

Governmental activities:

Instruction	\$ <u>2,674</u>
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NOTE 6 – LONG-TERM LIABILITIES

Series 2017 Charter School Revenue Bonds

Bonds to finance the capital projects in the original amount of \$15,500,000 due in varying monthly installments through June 1, 2024 at interest rates ranging from 5.0% to 5.25%. \$15,500,000

Annual debt service requirements to maturity for the bonds payable are as follows:

<u>Fiscal Year Ending June 30</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2019	\$ -	\$ 775,375
2020	5,000	775,375
2021	285,000	775,112
2022	295,000	760,500
2023	310,000	745,750
2024	<u>14,605,000</u>	<u>730,250</u>
Total	<u>\$ 15,500,000</u>	<u>\$ 4,562,362</u>

The changes in long-term debt for the year ended June 30, 2018 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Revenue bonds	<u>\$ 15,500,000</u>	<u>-</u>	<u>-</u>	<u>\$ 15,500,000</u>	<u>\$ -</u>

**THOMAS MACLAREN STATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 7 – OPERATING LEASES

Building Corporation Lease

On June 12, 2017, Thomas MacLaren State Charter School executed a new lease agreement with their blended component unit, Thomas MacLaren School Foundation. The lease term renews annually.

The future minimum lease payments for this lease are as follows:

Fiscal Year <u>Ending June 30</u>	
2019	\$ 541,625
2020	780,375
2021	1,060,112
2022	1,055,500
2023	1,055,750
2024	<u>1,060,250</u>
Total	<u>\$ 5,553,612</u>

NOTE 8 - DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

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

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

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

**THOMAS MACLAREN STATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 - DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

As of December 31, 2017, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA’s Annual Increase Reserve (AIR) for the SCHDTF.

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

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

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

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

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

**THOMAS MACLAREN STATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
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NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the Thomas MacLaren State Charter School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from Thomas MacLaren State Charter School were \$379,940 for the year ended June 30, 2018.

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

At June 30, 2018, the Thomas MacLaren State Charter School reported a liability of \$12,705,038 for its proportionate share of the net pension liability. The net pension liability for the SCHDTF was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total pension liability to December 31, 2017. The Thomas MacLaren State Charter School proportion of the net pension liability was based on Thomas MacLaren State Charter School contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2017, the Thomas MacLaren State Charter School's proportion was 0.0392901507 percent, which was an increase of 0.0050551944 from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the Thomas MacLaren State Charter School recognized pension expense of \$3,481,121. At June 30, 2018, the Thomas MacLaren State Charter School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual Experience	\$ 233,592	\$ -
Changes of assumptions or other inputs	3,244,068	20,586
Net difference between projected and actual earnings on pension plan investments	-	498,939
Changes in proportion and differences between contributions recognized and proportionate share of contributions	1,185,603	50,080
Contributions subsequent to the measurement date	197,824	N/A
Total	\$ 4,861,087	\$ 569,605

**THOMAS MACLAREN STATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
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NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

\$197,824 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30, 2018:	
2019	\$ 2,633,998
2020	\$ 1,522,108
2021	\$ 125,255
2022	\$ (187,703)
2023	-
Thereafter	-

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

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.70 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	5.26 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)	2.00 percent
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

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

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

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

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

**THOMAS MACLAREN STATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
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NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

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

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

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

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%	

THOMAS MACLAREN STATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

Discount rate. The discount rate used to measure the total pension liability was 4.78 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date, including current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

**THOMAS MACLAREN STATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25 percent and the municipal bond index rate of 3.86 percent were used in the discount rate determination resulting in a discount rate of 5.26 percent, 0.48 percent higher compared to the current measurement date.

Sensitivity of the Thomas MacLaren State Charter School proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 4.78 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.78 percent) or 1-percentage-point higher (5.78 percent) than the current rate:

	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate share of the net pension liability	\$ 16,048,624	\$ 12,705,038	\$ 9,980,398

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

Changes between the measurement date of the net pension liability and June 30, 2018.

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

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

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

**THOMAS MACLAREN STATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
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NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

At June 30, 2018, the Thomas MacLaren State Charter School reported a liability of \$12,705,038 for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan’s year-end based on a discount rate of 4.78%. For comparative purposes, the following schedule presents an estimate of what the Thomas MacLaren State Charter School proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SCHDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SCHDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors.

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	\$ 5,740,026

Recognizing that the changes in contribution and benefit provisions also affect the determination of the discount rate used to calculate proportionate share of the net pension liability, approximately \$5,930,791 of the estimated reduction is attributable to the use of a 7.25 percent discount rate.

NOTE 9 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

Health Care Trust Fund

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

THOMAS MACLAREN STATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

**NOTE 9 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

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

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

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

PERA Benefit Structure

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

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

**THOMAS MACLAREN STATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
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**NOTE 9 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the Thomas MacLaren State Charter School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from Thomas MacLaren State Charter School were \$20,519 for the year ended June 30, 2018.

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

At June 30, 2018, the Thomas MacLaren State Charter School reported a liability of \$290,129 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. The Thomas MacLaren State Charter School proportion of the net OPEB liability was based on Thomas MacLaren State Charter School contributions to the HCTF for calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, the Thomas MacLaren State Charter School proportion was 0.0223245213 percent, which was an increase of 0.0028649583 from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the Thomas MacLaren State Charter School recognized OPEB expense of \$28,820. At June 30, 2018, the Thomas MacLaren State Charter School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,372	\$ -
Changes of assumptions or other inputs	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	4,854
Changes in proportion and differences between contributions recognized and proportionate share of contributions	31,046	69
Contributions subsequent to the measurement date	10,548	N/A
Total	\$ 42,966	\$ 4,923

**THOMAS MACLAREN STATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

**NOTE 9 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

\$10,548 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30, 2018:	
2019	\$ 5,142
2020	\$ 5,142
2021	\$ 5,142
2022	\$ 5,143
2023	\$ 6,356
Thereafter	\$ 571

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

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

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

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

**THOMAS MACLAREN STATE CHARTER SCHOOL
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**NOTE 9 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

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

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

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

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

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

Healthy, post-retirement mortality assumptions for the 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.

THOMAS MACLAREN STATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

**NOTE 9 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

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

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

- The assumed rates of PERACare participation were revised to reflect more closely actual experience.
- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2017 plan year.
- The percentages of PERACare enrollees who will attain age 65 and older ages and are assumed to not qualify for premium-free Medicare Part A coverage were revised to more closely reflect actual experience.
- The percentage of disabled PERACare enrollees who are assumed to not qualify for premium-free Medicare Part A coverage were revised to reflect more closely actual experience.
- Assumed election rates for the PERACare coverage options that would be available to future PERACare enrollees who will qualify for the “No Part A Subsidy” when they retire were revised to more closely reflect actual experience.
- Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees, who qualify for the “No Part A Subsidy” but have not reached age 65, were revised to more closely reflect actual experience.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.
- The rates of PERACare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.
- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

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

**THOMAS MACLAREN STATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
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**NOTE 9 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

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

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

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income – Developed	1.84%	0.60%
Emerging Market 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 Thomas MacLaren State Charter School 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:

**THOMAS MACLAREN STATE CHARTER SCHOOL
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**NOTE 9 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Net OPEB Liability	\$ 282,147	\$ 290,129	\$ 299,744

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2017, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

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.

**THOMAS MACLAREN STATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018**

**NOTE 9 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 326,197	\$ 290,129	\$ 259,345

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

NOTE 10 - RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The School carries commercial insurance for these risks of loss, including worker’s compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the last three fiscal years.

NOTE 11 - CONCENTRATION OF RISK

Charter School Institute

The School is funded directly by the Charter School Institute (CSI) based on the CSI’s per pupil funding. For the fiscal year ended June 30, 2018, this funding along with pass-through grant funding accounted for approximately 88% of the School’s revenues.

NOTE 12 - COMMITMENTS AND CONTINGENCIES

GRANTS

The School has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursement to grantor agencies for expenditures disallowed under terms of the grant. However, in the opinion of the School, any such adjustments will not have a material adverse effect on the financial position of the School.

THOMAS MACLAREN STATE CHARTER SCHOOL
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2018

NOTE 13 - AMENDMENT TO COLORADO CONSTITUTION

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities and other specific requirements of state and local governments.

The amendment requires emergency reserves be established. These reserves must be at least 3% of fiscal year spending. The School is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary and benefit increases. At June 30, 2018 there was a \$124,500 reservation of fund balance in the General Fund for the amendment.

The Amendment is complex and subject to judicial interpretation. The School believes it is in compliance with the requirements of the amendment. However, the School has made certain interpretations of the amendment's language in order to determine its compliance.

NOTE 14 - COMPLIANCE

The School has complied with the requirements of the Financial Policies and Procedures Handbook for the 2018 audit period as required by Colorado Statute CRS 22-44-204(3).

REQUIRED SUPPLEMENTARY INFORMATION

THOMAS MACLAREN STATE CHARTER SCHOOL
SCHEDULE OF EMPLOYER'S SHARE OF NET PENSION LIABILITY AND COVERED PAYROLL
JUNE 30, 2018

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
School's proportion of the net pension liability (asset)	0.0392901507%	0.0342349563%	0.0286188226%	0.0231616298%	0.0186231385%
School's proportionate share of the net pension liability (asset)	\$ 12,705,038	\$ 10,193,070	\$ 4,377,047	\$ 3,139,179	\$ 2,375,376
School's covered payroll	\$ 1,812,408	\$ 1,536,526	\$ 1,247,202	\$ 970,307	\$ 750,758
School's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	701.00%	663.38%	350.95%	323.52%	316.40%
Plan fiduciary net position as a percentage of the total pension liability	44.0%	43.1%	59.2%	62.8%	64.1%

* The amounts presented for each fiscal year were determined as of 12/31.

* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

THOMAS MACLAREN STATE CHARTER SCHOOL
SCHEDULE OF EMPLOYER'S STATUTORY PAYROLL CONTRIBUTIONS AND COVERED PAYROLL
JUNE 30, 2018

	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually required contribution	\$ 337,652	\$ 278,572	\$ 216,140	\$ 159,421	\$ 116,593
Contributions in relation to the contractually required contribution	<u>(337,652)</u>	<u>(278,572)</u>	<u>(216,140)</u>	<u>(159,421)</u>	<u>(116,593)</u>
Contribution deficiency (excess)	<u>\$ -</u>				
School's covered payroll	\$ 1,812,408	\$ 1,536,526	\$ 1,247,202	\$ 970,307	\$ 750,758
Contributions as a percentage of covered payroll	18.63%	18.13%	17.33%	16.43%	15.53%

* The amounts presented for each fiscal year were determined as of 12/31.

* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

**THOMAS MACLAREN STATE CHARTER SCHOOL
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
JUNE 30, 2018**

	2017	2016
School's proportion of the net OPEB liability (asset)	0.0223245213%	0.0194595630%
School's proportionate share of the net OPEB liability (asset)	\$ 290,129	\$ 252,300
School's covered payroll	\$ 1,812,409	\$ 1,536,526
School's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	16.01%	16.42%
Plan fiduciary net position as a percentage of the total OPEB liability	17.5%	16.7%

* The amounts presented for each fiscal year were determined as of 12/31.

* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

**THOMAS MACLAREN STATE CHARTER SCHOOL
SCHEDULE OF SCHOOL CONTRIBUTIONS
JUNE 30, 2018**

	2017	2016
Contractually required contribution	\$ 18,487	\$ 15,673
Contributions in relation to the contractually required contribution	(18,487)	(15,673)
Contribution deficiency (excess)	\$ -	\$ -
School's covered payroll	\$ 1,812,409	\$ 1,536,526
Contributions as a percentage of covered payroll	1.02%	1.02%

* The amounts presented for each fiscal year were determined as of 12/31.

* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

THOMAS MACLAREN STATE CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Local sources				
Fees	\$ 92,630	\$ 115,489	\$ 128,651	\$ 13,162
Pupil activities	166,146	207,148	230,755	23,607
Other	147,572	183,990	204,958	20,968
Total local sources	<u>406,347</u>	<u>506,627</u>	<u>564,364</u>	<u>57,737</u>
State sources				
Per pupil revenue	3,681,204	3,640,719	3,495,703	(145,016)
Capital construction funding	133,467	131,999	126,741	(5,258)
Other	187,400	185,339	177,957	(7,382)
Total state sources	<u>4,002,071</u>	<u>3,958,057</u>	<u>3,800,401</u>	<u>(157,656)</u>
Federal sources				
Total federal sources	<u>14,800</u>	<u>170,506</u>	<u>202,148</u>	<u>31,642</u>
Total revenues	<u>4,423,218</u>	<u>4,635,190</u>	<u>4,566,913</u>	<u>(68,277)</u>
EXPENDITURES				
Instruction	2,602,255	2,606,739	2,494,200	112,539
Student support	118,364	152,028	153,806	(1,778)
Instructional staff	1,040	2,500	2,557	(57)
General administration	124,054	114,306	73,713	40,593
School administration	723,139	722,216	749,022	(26,806)
Business services	13,202	15,800	19,830	(4,030)
Maintenance and operations	541,824	821,317	631,597	189,720
Central services	240,029	148,704	210,827	(62,123)
Total expenditures	<u>4,363,907</u>	<u>4,583,610</u>	<u>4,335,552</u>	<u>248,058</u>
EXCESS OF REVENUE OVER EXPENDITURES	59,311	51,580	231,361	179,781
Fund balance, beginning	<u>920,428</u>	<u>920,428</u>	<u>1,208,996</u>	<u>288,568</u>
Fund balance, ending	<u>\$ 979,739</u>	<u>\$ 972,008</u>	<u>\$ 1,440,357</u>	<u>\$ 468,349</u>

See the accompanying independent auditors' report.