LEMAN CLASSICAL SCHOOL

FINANCIAL STATEMENTS
With Independent Auditors' Report

For the Year Ended June 30, 2020

LEMAN CLASSICAL SCHOOL
TABLE OF CONTENTS
JUNE 30, 2020

Hoelting & Company, Inc.
CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Leman Classical School

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of Leman Classical School, a component unit of Douglas County School District, as of and for the year ended June 30, 2020, 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 Leman Classical School, as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

31 East Platte Avenue, Suite 300 • Colorado Springs, CO 80903 • (719) 630-1091 • Fax (719) 630-0522 • www.hoeltingco.com

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 to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Hoelting & Company Inc.

Colorado Springs, Colorado
October 19, 2020

LEMAN CLASSICAL SCHOOL

MANAGEMENT'S DISCUSSION AND ANALYSIS

FOR FISCAL YEAR ENDED JUNE 30, 2020

As management of Leman Classical 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, 2020. 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 the assets and deferred outflows of the school by $2,935,177 during the fiscal year resulting in a negative net position balance. This negative net position balance is largely due to the PERA net pension, net OPEB liabilities and a 2019 Building Loan.

The School's total net position decreased $1,795,818. This decrease is also due primarily to the School recording its proportionate share of the PERA net pension and net OPEB liabilities.

Long-term liabilities consist of $34,210,120 loans payable (net of discount), $4,366,748 net pension liability and $214,611 net OPEB liability.

As of the close of the current fiscal year, the School's general fund reported an ending fund balance surplus of $2,276,310.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serve 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 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 and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The statement of activities presents information 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 per pupil revenues and district mill levy 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 the running of a K-8 charter school in Douglas County School District.

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.

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.

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.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position. As noted earlier, net position may serve over time as a useful indicator of the School's financial position. In the case of the School, total liabilities and deferred inflows exceeded assets and deferred outflows by $2.9 million as of June 30, 2020 resulting in a negative net position balance.

A portion of the School's net position represents resources that are subject to external restrictions on how they may be used. $213 thousand of these funds are restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. $2.3 million of these restricted funds are restricted for debt payments on the loans obtained for financing the construction of the educational facility. The net investment in capital assets was a deficit balance of $4.6 million. The remaining deficit balance of $897 thousand is unrestricted. The deficit position results primarily from the School recording its proportionate share of its pension and OPEB plan liabilities and related items.

Condensed Statement of Net Position

	2020	2019
Current and other assets	$ 11,596,137	$ 471,760
Capital assets	24,225,563	-
Total assets	35,821,700	471,760
Deferred Outflows	4,157,808	5,943,990
Long-term liabilities	38,791,479	4,652,820
Other liabilities	1,585,561	146,040
Total liabilities	40,377,040	4,798,860
Deferred Inflows	2,537,645	2,756,249
Net position:		
Net investment in capital assets	(4,629,445)	-
Restricted	2,592,154	129,000
Unrestricted	(897,886)	(1,268,359)
Total net position	$ (2,935,177)	$ (1,139,359)

Condensed Statement of Activities

	2020	2019
Revenues:		
General revenues:		
Per pupil revenue	$ 5,812,554	$ 3,411,901
District mill levy	827,602	521,945
Unrestricted investment earnings	100,972	-
Other	12,508	17,636
Program Revenue:		
Charges for Services	153,352	182,781
Operating grants and contributions	15,454	429,504
Capital grants and contributions	221,519	131,479
Total revenues	7,143,961	4,695,246
Expenses:		
Instruction	3,611,678	2,836,572
Supporting services	2,683,749	3,006,262
Building corporation	2,644,352	-
Total expenses	8,939,779	5,842,834
Change in net position	(1,795,818)	(1,147,588)
Net position, beginning	(1,139,359)	8,229
Net position, ending	$ (2,935,177)	$ (1,139,359)

Governmental Activities. During the current fiscal year, net position for governmental activities decreased $1.7 million from the prior fiscal year for an ending balance of $2.9 million. As noted above, the decrease in net position results primarily from the School recording its proportionate share of its pension, OPEB plan liabilities and related items, as well as a 2019 Building Loan.

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 principal operating fund of the School. As of June 30, 2020, the total general fund balance was $2.3 million an increase of $2 million in comparison with the prior year. $213 thousand of this total was restricted for TABOR emergency reserves and $3 thousand was non-spendable prepaid balances, resulting in a positive $2.1 million unassigned fund balance.

The general fund balance increase of $2 million during the current year is primarily due to purchased services and capital outlays being less than originally anticipated. Salary and benefit costs were about as anticipated in the original budget. These differences resulted in the ending fund balance being about $951 thousand more than originally planned.

Revenues for the General Fund totaled $7.1 million in fiscal year 2020 compared to $4.3 million in fiscal year 2019, an increase of $2.8 million. The significant increase in revenue was due to an increase in per pupil revenue. Overall expenditures increased $1.2 million. Instructional and supporting expenditures increased as a result of student enrollment and related staffing, as well as the direct expenses for serving those students.

BUDGETARY HIGHLIGHTS

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

The final (revised) budget increased total revenues by $1.1 million to update district mill levy and other local revenues.

The final (revised) budget also increased total expenditures by $136 thousand.

Actual General Fund revenue in the 2020 fiscal year was $7.1 million and actual expenditures were $5.1 million which resulted in an increase in fund balance of $2.0 million.

CAPITAL ASSETS AND DEBT ADMINISTRATION

The School had both capital asset and debt activity during the fiscal year ended June 30, 2020. The Building Corporation has not completed the construction of the educational facility, with $24.3 million in current year outlays. The Building Corporation financed the construction with a loan in the current year, with $34.2 million in outstanding debt at year-end.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The primary factor driving the School's budget is student enrollment. Enrollment for the 2019-2020 school year was 748 students. Enrollment for the 2020-2021 school year is estimated at 880 students. The School estimates an increase in Per Pupil Revenue (PPR) of approximately $1.1 million which is attributed to the increased enrollment.

After five years of cuts in school finance, Colorado stabilized funding for 2012-13. Per Pupil Revenue increased in 2018-19 and is expected to increase in following years. However, due to the economic uncertainty presented by the COVID-19 pandemic, Per Pupil Revenue decreased for the 2020-2021 budget year to $7,657.76.

Beginning in the 2019-20 budget year, HB17-1375 requires school districts that collect revenue from mill levies in addition to the total program mill levy and that authorize an innovation school or a charter school to:

- adopt a plan for distributing the revenue to the schools of the school district for the benefit of the students enrolled in the school district; or

- distribute 95% of the per pupil amount of the revenue to the innovation schools and charter schools of the school district (per pupil distribution).

The 2020-2021 School budget has been prepared with the School's strategic plan in mind and with the highest priority of providing financial resources for the quality education of Leman Classical School's students.

REQUESTS FOR INFORMATION

This financial report is designed to provide the School's stakeholders and creditors with 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 Katie Determan at 19560 Stroh Road, Parker, Colorado.

BASIC FINANCIAL STATEMENTS

LEMAN CLASSICAL SCHOOL
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	$ 2,755,856	$ -	$ 2,755,856
Restricted cash and investments	-	8,822,171	8,822,171
Receivables	14,576	-	14,576
Prepaids	3,534	-	3,534
Capital assets not being depreciated	-	5,583,643	5,583,643
Capital assets, net of accumulated depreciation	-	18,641,920	18,641,920
Total Assets	2,773,966	33,047,734	35,821,700
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension outflows	3,974,991	-	3,974,991
Deferred OPEB outflows	182,817	-	182,817
Total Deferred Outflows of Resources	4,157,808	-	4,157,808
LIABILITIES			
Accounts payable and other accrued liabilities	2,145	259,636	261,781
Accrued salaries and benefits	175,475	-	175,475
Unearned revenue	320,036	-	320,036
Accrued interest payable	-	828,269	828,269
Long-term liabilities:			
Due in more than one year	-	34,210,120	34,210,120
Net pension liability	4,366,748	-	4,366,748
Net OPEB liability	214,611	-	214,611
Total Liabilities	5,079,015	35,298,025	40,377,040
DEFERRED INFLOWS OF RESOURCES			
Deferred pension inflows	2,498,000	-	2,498,000
Deferred OPEB inflows	39,645	-	39,645
Total Deferred Inflows of Resources	2,537,645	-	2,537,645
NET POSITION			
Net investment in capital assets	-	(4,629,445)	(4,629,445)
Restricted for:			
Emergencies	213,000	-	213,000
Debt Service	-	2,379,154	2,379,154
Unrestricted	(897,886)	-	(897,886)
Total Net Position (deficit)	$ (684,886)	$ (2,250,291)	$ (2,935,177)

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

LEMAN CLASSICAL SCHOOL
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

		Program Revenue			Net (Expense) Revenue and Changes in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Instruction	$ 3,611,678	$ 142,986	$ 15,454	$ 23,396	$ (3,429,842)	$ -	$ (3,429,842)
Supporting services	2,683,749	10,366	-	198,123	(2,475,260)		(2,475,260)
Total governmental activities	6,295,427	153,352	15,454	221,519	(5,905,102)		(5,905,102)
Business-type activities:							
Building Corporation	2,644,352	-	-	-		(2,644,352)	(2,644,352)
Total	$ 8,939,779	$ 153,352	$ 15,454	$ 221,519		(2,644,352)	(8,549,454)
General revenues:							
Per pupil revenue					5,812,554	-	5,812,554
District mill levy					827,602	-	827,602
Grants and contributions not restricted to specific programs					2,903	-	2,903
Unrestricted investment earnings					-	100,972	100,972
Miscellaneous					9,605	-	9,605
Transfers					(293,089)	293,089	-
Total general revenues and transfers					6,359,575	394,061	6,753,636
Change in net position					454,473	(2,250,291)	(1,795,818)
Net position - beginning (deficit)					(1,139,359)	-	(1,139,359)
Net position - ending (deficit)					$ (684,886)	$ (2,250,291)	$ (2,935,177)

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

LEMAN CLASSICAL SCHOOL
BALANCE SHEET
GENERAL FUND
JUNE 30, 2020

ASSETS		
Cash and investments	$	2,755,856
Receivables		14,576
Prepaid items		3,534
Total Assets	$	2,773,966
LIABILITIES		
Accounts payable and other accrued liabilities	$	2,145
Accrued salaries and benefits		175,475
Unearned revenue		320,036
Total Liabilities		497,656
FUND BALANCE		
Non-spendable		3,534
Restricted for emergencies		213,000
Unassigned		2,059,776
Total Fund Balance		2,276,310
Total Liabilities and Fund Balance	$	2,773,966

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

LEMAN CLASSICAL SCHOOL
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020

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

Total Fund Balance of Governmental Funds		$ 2,276,310
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in government funds:		
Net pension liability	$ (4,366,748)	
Pension outflows	3,974,991	
Pension inflows	(2,498,000)	
Net OPEB liability	(214,611)	
OPEB outflows	182,817	
OPEB inflows	(39,645)	(2,961,196)
Total Net Position of Governmental Activities		$ (684,886)

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

LEMAN CLASSICAL SCHOOL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

REVENUES	
Local sources	$ 993,895
State sources	6,091,044
Total revenues	7,084,939
EXPENDITURES	
Instruction	2,414,121
Supporting services	2,705,828
Total expenditures	5,119,949
Excess (deficiency) of revenues over expenditures	1,964,990
OTHER FINANCING SOURCES (USES)	
Transfers in (out)	(14,400)
Net change in fund balance	1,950,590
Fund balance, beginning	325,720
Fund balance, ending	$ 2,276,310

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

LEMAN CLASSICAL SCHOOL
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020

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

Net Change in Fund Balance of Governmental Funds		$ 1,950,590
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	$ (1,461,999)	
OPEB expenses	(34,118)	(1,496,117)
Change in Net Position of Governmental Activities		$ 454,473

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

LEMAN CLASSICAL SCHOOL
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2020

	Building Corporation
ASSETS	
Current Assets:	
Restricted cash and investments	$ 8,822,171
Noncurrent Assets:	
Capital assets not being depreciated	5,583,643
Capital assets being depreciated:	18,641,920
Total noncurrent assets	24,225,563
Total assets	33,047,734
LIABILITIES	
Current Liabilities:	
Accounts payable	259,636
Accrued interest payable	828,269
Total current liabilities	1,087,905
Noncurrent Liabilities:	
Loans payable	34,210,120
Total liabilities	35,298,025
NET POSITION	
Net investment in capital assets	(4,629,445)
Restricted for debt service	2,379,154
Total net position (deficit)	$ (2,250,291)

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

LEMAN CLASSICAL SCHOOL
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Building Corporation
OPERATING REVENUES	
Rental income	$ 278,689
OPERATING EXPENSES	
Purchased services	2,649
Interest expense	1,227,150
Total operating expenses	1,229,799
Net operating income (loss)	(951,110)
NON-OPERATING REVENUES (EXPENSES)	
Interest income	100,972
Depreciation expense	(356,215)
Bond issuance costs	(1,058,338)
Total non-operating revenues (expenses)	(1,313,581)
Income before transfers	(2,264,691)
Transfers in	14,400
Change in net position	(2,250,291)
Net position - beginning	-
Net position - ending (deficit)	$ (2,250,291)

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

LEMAN CLASSICAL SCHOOL
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2020

		Building Corporation
CASH FLOWS FROM OPERATING ACTIVITIES		
Lease payments received	$	278,689
Payment for purchased services		(2,649)
Loan interest payments		(414,322)
Net cash provided (used) by operating activities		(138,282)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from loan		34,225,561
Acquisition and construction of capital assets		(24,307,742)
Bond issuance costs		(1,058,338)
Net cash provided (used) by capital and related financing activities		8,859,481
CASH FLOWS FROM INVESTING ACTIVITES		
Interest income		100,972
Net increase (decrease) in cash and cash equivalents		8,822,171
Cash and cash equivalents, beginning		-
Cash and cash equivalents, ending	$	8,822,171
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:		
Operating income (loss)	$	(951,110)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Amortization expense		(15,441)
Changes in assets and liabilities:		
Increase (decrease) in:		
Interest payable		828,269
Loan payable		-
Net cash provided (used) by operating activities	$	(138,282)

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

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Leman Classical School (the "School") is a federal 501(c)(3) tax-exempt, state nonprofit corporation, organized in 2016 pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Douglas County School District (the "District") in the State of Colorado. The School began admitting students in the Fall of 2018. The current charter runs through June 30, 2021 and may be renewed for an additional period by mutual agreement of the School and the District.

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

A. REPORTING ENTITY

The financial reporting entity consists of the School and organizations for which the School is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the School. In addition, any legally separate organizations for which the School is financially accountable are considered part of the reporting entity. Financial accountability exists if the School appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on, the School.

The School includes the Leman Classical School Building Corporation (the Building Corporation) within its reporting entity. The Building Corporation was formed to support and assist the School to perform its function or to carry out its purpose, specifically to assist in the financing and construction of the School's facilities. The Building Corporation is blended into the School's financial statements as an enterprise fund, and does not issue separate financial statements.

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

B. 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 proprietary funds. Separate financial statements are provided for governmental funds and proprietary 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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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. The emphasis of fund financial statements is on major funds, each displayed in a separate column.

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:

The *Building Corporation* - This fund is used to account for the financial activities of the Building Corporation, including facilities acquisition and construction and the related debt service.

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

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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.

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 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.

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 with a maturity of less than one year when purchased, non-negotiable certificates of deposit, and other nonparticipating investments are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Investments (continued)

Local government investment pools in Colorado must be organized under Colorado Revised Statutes, which allows certain types of governments within the state to pool their funds for investment purposes. Investments in such pools are valued at the pool's share price, the price at which the investment could be sold.

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 items

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.

Capital assets

Capital assets, which include land and buildings, 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 or remaining period of the lease, as applicable.

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

Buildings	40 years

Accrued Salaries and Benefits

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from August to July, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, are reported as a liability in the financial statements.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Pensions

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

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years.* The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to certain benefit provisions. Some, but not all, of these changes were in effect as of June 30, 2020.

Health Care Trust Fund

Leman Classical 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.

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

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.

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.

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*.

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.

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.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (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.

NOTE 3 – DEPOSITS AND INVESTMENTS

A summary of deposits and investments as of June 30, 2020 is as follows:

Deposits	$ 2,755,856
Investments	8,822,171
Total	$ 11,578,027

Deposits and investments are reported in the financial statements as follows:

Cash and investments	$ 2,755,856
Restricted cash and investments	8,822,171
Total	$ 11,578,027

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, 2020, the carrying amount of the School's deposits was $2,755,856 and the bank balances were $2,785,125. Of the bank balances, $250,000 was covered by FDIC insurance and $2,535,125 was uninsured, but collateralized in accordance with the provisions of the Colorado Public Deposit Protection Act (PDPA).

NOTE 3 – DEPOSITS AND INVESTMENTS

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.

At June 30, 2020 the School's investment balances were as follows:

Investments	Maturities	Fair Value
Money Market	Less than 60 days	$ 6,646,324
Commercial Paper	Less than 90 days	2,175,847
		$ 8,822,171

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type Activities				
Capital assets, not being depreciated:				
Land	$ -	$ 2,109,522	$ -	$ 2,109,522
Construction in progress	-	3,474,121	-	3,474,121
Total capital assets, not being depreciated	-	5,583,643	-	5,583,643
Capital assets, being depreciated				
Buildings	-	18,998,135	-	18,998,135
Less accumulated depreciation for:				
Buildings and improvements	-	(356,215)	-	(356,215)
Total capital assets, being depreciated, net	-	18,641,920	-	18,641,920
Total business-type activities capital assets	$ -	$ 24,225,563	$ -	$ 24,225,563

NOTE 5 – LONG-TERM DEBT

2019 Building Loan

On October 1, 2019, the Arizona Industrial Development Authority (AZIDA) issued $33,505,000 of Education Facility Revenue Bonds, Series 2019. Bond proceeds were loaned to the Leman Academy of Excellence – Douglas County, Colorado (the "Building Corp.") for the purpose of financing the purchase of school facilities. Interest accrues at a rate of 4.25% to 5.00%. Outstanding principal and interest are due at maturity in June 2054.

The School is obligated under a lease agreement to make monthly lease payments to the Building Corporation for use of the building. The Building Corporation is required to make equal lease payments to the Trustee, for payment of the Series 2019 Bonds.

Annual debt service requirements to maturity for the loan payable is as follows:

Fiscal Year Ending June 30	Business-type Activities Principal	Interest
2021	$ -	$ 1,656,538
2022	-	1,656,538
2023	-	1,656,538
2024	275,000	1,650,694
2025	485,000	1,634,163
2026-2030	2,755,000	7,818,238
2031-2035	3,475,000	7,079,875
2036-2040	4,430,000	6,097,000
2041-2045	5,660,000	4,841,250
2046-2050	7,215,000	3,239,875
2051-2055	9,210,000	1,196,249
Total	$ 33,505,000	$ 38,526,958

The changes in long-term debt for the year ended June 30, 2020 were as follows:

Business-type Activities:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
2019 Building loan	$ -	$ 33,505,000	$ -	$ 33,505,000	$ -
Premium	-	720,561	(15,441)	705,120	-
	$ -	$ 34,225,561	$ (15,441)	$ 34,210,120	$ -

NOTE 6 - SERVICES AGREEMENT

On April 30, 2019, the School entered into a Services Agreement (Agreement) with Faustus Management Company, LLC (Faustus), a Delaware limited liability company. The Agreement continues until termination or expiration of the charter contract. Substantially all functions of the School have been contracted to Faustus. Faustus is responsible and accountable to the School's Board of Directors for the administration, operation and performance of the School in accordance with the School's contract with District to operate the School. The School pays Faustus an annual service fee of 15% of funded enrollment revenue, net of any required withholding, for services performed.

The service fee earned by Faustus for the year ended June 30, 2020 was $450,000. Faustus is responsible for all costs incurred in providing the educational program at the School, which includes but is not limited to, salaries and benefits of all personnel, curriculum materials, textbooks, library books, computers and other equipment, software, supplies, rental payments, maintenance, and capital improvements.

NOTE 7 – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

Benefits provided as of December 31, 2019. 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.

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.

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

As of December 31, 2019, 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., once certain criteria are met. Pursuant to SB 18-200, the annual increase for 2019 is 0.00 percent for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007, and all benefit recipients of the DPS benefit structure will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S. § 24-51-413. Benefit recipients under the PERA benefit structure who began eligible employment on or after January 1, 2007, will receive the lessor of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25 percent based on the parameters specified in C.R.S. § 24-51-413.

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

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

Contributions provisions as of June 30, 2020: Eligible employees of, Leman Classical School and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq*. and § 24-51-413. Eligible employees are required to contribute 8.75 percent of their PERA-includable salary during the period of July 1, 2019 through June 30, 2020. Employer contribution requirements are summarized in the table below:

	July 1, 2019 Through June 30, 2020
Employer contribution rate	10.40%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%
Amount apportioned to the SCHDTF	9.38%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.50%
Total employer contribution rate to the SCHDTF	**19.38%**

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

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

As specified in C.R.S. § 24-51-414, the State is required to contribute $225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes.

Subsequent to the SCHDTF's December 31, 2019, measurement date, HB 20-1379 *Suspend Direct Distribution to PERA Public Employees Retirement Association for 2020-21 Fiscal Year*, was passed into law during the 2020 legislative session and signed by Governor Polis on June 29, 2020. This bill suspends the July 1, 2020, $225 million direct distribution allocated to the State, School, Judicial, and DPS Divisions, as required under Senate Bill-200.

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the Leman Classical School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from Leman Classical School were $376,087 for the year ended June 30, 2020.

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

The net pension liability for the SCHDTF was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total pension liability to December 31, 2019. The Leman Classical School proportion of the net pension liability was based on Leman Classical School contributions to the SCHDTF for the calendar year 2019 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2020, the Leman Classical School reported a liability of $4,366,748 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the Leman Classical School as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with Leman Classical School were as follows:

Leman Classical School proportionate share of the net pension liability	$ 4,366,748
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with Leman Classical School	$ 553,866
Total	$ 4,920,614

At December 31, 2019, the Leman Classical School proportion was 0.0292289899 percent, which was an increase of 0.0042022773 percent from its proportion measured as of December 31, 2018.

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

For the year ended June 30, 2020, the Leman Classical School recognized pension expense of $1,461,999 and revenue ($17,520) for support from the State as a nonemployer contributing entity. At June 30, 2020, the Leman Classical School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 237,991	$ -
Changes of assumptions or other inputs	124,664	1,980,715
Net difference between projected and actual earnings on pension plan investments	-	517,285
Changes in proportion and differences between contributions recognized and proportionate share of contributions	3,415,464	-
Contributions subsequent to the measurement date	196,872	N/A
Total	$ 3,974,991	$ 2,498,000

$196,872 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, 2021. 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:	
2021	$ 825,124
2022	483,254
2023	147,706
2024	(175,965)
2025	-
Thereafter	-

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial assumptions. The total pension liability in the December 31, 2018 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	7.25 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)[1]	1.25 percent compounded annually
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)[1]	Financed by the Annual Increase Reserve

[1] For 2019, the annual increase was 0.00 percent.

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.

Post-retirement non-disabled mortality assumptions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

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

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

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

The actuarial assumptions used in the December 31, 2018, valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by 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.

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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%	

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 percent.

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

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

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200 and the additional 0.50 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200 and the additional 0.50 percent, resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

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

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

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

- The projected benefit payments reflect the lowered annual increase cap, from 1.50 percent to 1.25 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020.

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

Based on the above assumptions and methods, the projection test indicates the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

NOTE 7 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Sensitivity of the Leman Classical 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 7.25 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	$ 5,791,242	$ 4,366,748	$ 3,170,760

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

NOTE 8 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

Health Care Trust Fund

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

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

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.

NOTE 8 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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.

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the Leman Classical School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from Leman Classical School were $19,795 for the year ended June 30, 2020.

NOTE 8 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

At June 30, 2020, the Leman Classical School reported a liability of $214,611 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2019. The Leman Classical School proportion of the net OPEB liability was based on Leman Classical School contributions to the HCTF for the calendar year 2019 relative to the total contributions of participating employers to the HCTF.

At December 31, 2019, the Leman Classical School proportion was 0.0190935658 percent, which was an increase of 0.0028261107 percent from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the Leman Classical School recognized OPEB expense of $34,118. At June 30, 2020, the Leman Classical School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 712	$ 36,063
Changes of assumptions or other inputs	1,780	-
Net difference between projected and actual earnings on OPEB plan investments	-	3,582
Changes in proportion and differences between contributions recognized and proportionate share of contributions	169,963	-
Contributions subsequent to the measurement date	10,362	N/A
Total	$ 182,817	$ 39,645

NOTE 8 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

$10,362 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, 2021. 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:	
2021	$ 32,880
2022	32,880
2023	33,918
2024	32,556
2025	625
Thereafter	(49)

Actuarial assumptions. The total OPEB liability in the December 31, 2018 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	5.60 percent in 2019, gradually decreasing to 4.50 percent in 2029
Medicare Part A premiums	3.50 percent in 2019, gradually increasing to 4.50 percent in 2029
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.

NOTE 8 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

The actuarial assumptions used in the December 31, 2018, valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as discussed below.

In determining the additional liability for PERACare enrollees who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following monthly costs/premiums are assumed for 2019 for the PERA Benefit Structure:

Medicare Plan	Cost for Members Without Medicare Part A	Premiums for Members Without Medicare Part A
Medicare Advantage/Self-Insured Prescription	$601	$240
Kaiser Permanente Medicare Advantage HMO	605	237

The 2019 Medicare Part A premium is $437 per month.

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

Medicare Plan	**Cost for Members Without Medicare Part A**
Medicare Advantage/Self-Insured Prescription	$562
Kaiser Permanente Medicare Advantage HMO	571

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

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2018, 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.

NOTE 8 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

Year	PERACare Medicare Plans	Medicare Part A Premiums
2019	5.60%	3.50%
2020	8.60%	3.50%
2021	7.30%	3.50%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	3.75%
2025	5.30%	4.00%
2026	5.10%	4.00%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029+	4.50%	4.50%

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.

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

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

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

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

NOTE 8 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

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

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2019 plan year.

- The morbidity assumptions were updated to reflect the assumed standard aging factors.

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

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

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

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

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

NOTE 8 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Sensitivity of the Leman Classical 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:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	4.60%	5.60%	6.60%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	$ 209,513	$ 214,611	$ 220,502

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, 2019, 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 percent.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

NOTE 8 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Sensitivity of the Leman Classical 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	$ 242,661	$ 214,611	$ 190,623

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

NOTE 9 - 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 10 - CONCENTRATION OF RISK

The School is funded directly by the District based on the District's per pupil funding. For the fiscal year ended June 30, 2020, this funding accounted for approximately 82% of the School's revenues.

NOTE 11 - 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.

NOTE 12 - COMPLIANCE

The School has complied with the requirements of the Financial Policies and Procedures Handbook for the 2020 audit period as required by Colorado Statute CRS 22-44-204(3).

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, 2020 there was a $213,000 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.

REQUIRED SUPPLEMENTARY INFORMATION

LEMAN CLASSICAL SCHOOL
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
JUNE 30, 2020

	2019	2018
School's proportion of the net pension liability (asset)	0.0292289899%	0.0250267126%
School's proportionate share of the net pension liability (asset)	$ 4,366,748	$ 4,431,494
State's proportionate share of the net pension liability (asset) associated with the School	553,866	605,945
Total	$ 4,920,614	$ 5,037,439
School's covered payroll	$ 1,716,814	$ 1,375,853
School's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	254.35%	322.09%
Plan fiduciary net position as a percentage of the total pension liability	64.5%	57.0%

* The amounts presented for each 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.

LEMAN CLASSICAL SCHOOL
SCHEDULE OF THE EMPLOYER'S PAYROLL CONTRIBUTIONS - PENSION
JUNE 30, 2020

	2020	2019
Contractually required contribution	$ 376,087	$ 283,124
Contributions in relation to the contractually required contribution	(376,087)	(283,124)
Contribution deficiency (excess)	$ -	$ -
School's covered payroll	$ 1,940,592	$ 1,479,996
Contributions as a percentage of covered payroll	19.38%	19.13%

* The amounts presented for each fiscal year were determined as of 6/30.

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

See the accompanying independent auditors' report.

LEMAN CLASSICAL SCHOOL
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
JUNE 30, 2020

	2019	2018
School's proportion of the net OPEB liability (asset)	0.0190935658%	0.0162674551%
School's proportionate share of the net OPEB liability (asset)	$ 214,611	$ 221,326
School's covered payroll	$ 1,716,814	$ 1,375,853
School's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	12.50%	16.09%
Plan fiduciary net position as a percentage of the total OPEB liability	24.5%	17.0%

* The amounts presented for each 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.

LEMAN CLASSICAL SCHOOL
SCHEDULE OF THE EMPLOYER'S PAYROLL CONTRIBUTIONS - OPEB
JUNE 30, 2020

	2020	2019
Contractually required contribution	$ 19,795	$ 15,097
Contributions in relation to the contractually required contribution	(19,795)	(15,097)
Contribution deficiency (excess)	$ -	$ -
School's covered payroll	$ 1,940,592	$ 1,479,996
Contributions as a percentage of covered payroll	1.02%	1.02%

* The amounts presented for each fiscal year were determined as of 6/30.

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

See the accompanying independent auditors' report.

LEMAN CLASSICAL SCHOOL
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Budgeted Amounts			Variance with Final Budget -
	Original	Final	Actual Amounts	Positive (Negative)
REVENUES				
Local sources	$ 812,932	$ 174,692	$ 993,895	$ 819,203
State sources	5,364,279	7,143,807	6,091,044	(1,052,763)
Total revenues	6,177,211	7,318,499	7,084,939	(233,560)
EXPENDITURES				
Salaries	2,181,372	2,166,470	2,099,517	66,953
Benefits	798,809	566,966	565,236	1,730
Purchased services	2,930,740	3,243,425	2,161,511	1,081,914
Supplies	238,250	264,873	282,410	(17,537)
Property	-	60,000	-	60,000
Other	25,220	8,480	11,275	(2,795)
Total expenditures	6,174,391	6,310,214	5,119,949	1,190,265
Excess (deficiency) of revenues over expenditures	2,820	1,008,285	1,964,990	956,705
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	-	-	(14,400)	(14,400)
Net change in fund balances	2,820	1,008,285	1,950,590	942,305
Fund balances - beginning	197,914	317,491	325,720	8,229
Fund balance - ending	200,734	1,325,776	$ 2,276,310	$ 950,534

See the accompanying Independent Auditors' Report.