

COLORADO EARLY COLLEGES – AURORA

BASIC FINANCIAL STATEMENTS

June 30, 2020

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JOHN CUTLER & ASSOCIATES

Board of Directors
Colorado Early Colleges Aurora
Aurora, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Colorado Early Colleges Aurora (the "School"), as of and 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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Colorado Early Colleges Aurora, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, schedules of the school's proportionate share, and the schedules of the school's contributions on pages 48-48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

John Luttler & Associates, LLC

October 15, 2020

Colorado Early Colleges-Aurora

Management's Discussion and Analysis

Year Ended June 30, 2020

As management of Colorado Early Colleges-Aurora (CECA), we offer readers of these financial statements this narrative and analysis of the financial activities of CECA for the year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information provided in the financial statements.

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to CECA's financial statements. The statements are comprised of three components: 1) governmental financial statements, 2) fund financial statements, and 3) notes to the financial statements. For the year ended June 30, 2020, CECA had its second financial audit completed.

Governmental Financial Statements

The governmental financial statements are designed to provide readers with a broad overview of CECA's finances in a manner similar to a private-sector business.

The statement of net position presents information on all of CECA's net position changed during the 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 the related cash flows in future periods.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. CECA, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Governmental funds are used to account for essentially the same functions reported as governmental fund, its general fund.

CECA adopts an annual budget for its general fund. A budgetary comparison has been provided for the general fund on page 44 as part of the basic financial statements.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Governmental Financial Analysis

As noted previously, net position may serve over time as a useful indicator of CECA's financial position. For the year ended June 30, 2020 CECA's assets were more than its liabilities by \$691,073. Approximately \$114,000 of total net position is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. Invested in capital assets is \$60,173, which includes unrestricted cash and investments of \$1,171,146, less accounts payable of \$186,667, less a unearned revenue of \$227,238.

Net position as of June 30, 2020

ASSETS

Cash and Investments	\$ 1,171,146
Restricted Cash and Investment	3,364,839
Accounts Receivable	35,535
Capital Assets, Not Depreciated	4,872,763
Capital Assets, Depreciated, Net of Accumulated Depreciation	<u>20,155,547</u>

TOTAL ASSETS 29,599,830

DEFERRED OUTFLOWS OF RESOURCES

Related to Pensions	4,826,699
Related to OPEB	<u>169,415</u>

TOTAL DEFERRED OUTFLOWS OF RESOURCES \$2,732,508

LIABILITIES

Accounts Payable	636,534
Accrued Salaries & Benefits	101,703
Due to Related Parties	227,238
Accrued Interest	765,595
Due in One Year	301,824
Due in More than One Year	29,527,382
Net Pension Liability	4,479,243
Net OPEB Liability	<u>220,068</u>

TOTAL LIABILITIES 36,259,587

DEFERRED INFLOWS OF RESOURCES

Related to Pensions and OPEB	<u>2,603,006</u>
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Investment in Capital Assets	(10,439,254)
Restricted for TABOR	114,000
Unrestricted	<u>3,794,999</u>

TOTAL NET POSITION \$(6,530,255)

The total net position of CECA decreased to (\$6,530,255) for the year ended June 30, 2020 from (\$2,034,696) for the year ended June 30, 2019. This decrease in net position of \$4,495,559 resulted, primarily, from the school including the net pension liability per the requirements of the GASB statements and the issuance of the \$24,100,000 Series 2019B Bonds.

Change in net position for the year ended June 30, 2020

Revenue:

Program revenues	
Charges for Services	\$ 89,053
Operating Grants and Contributions	1,341,545
Grants and contributions	101,654
General Revenue	
School Finance Act revenue	2,980,811
Mill Levy Override	139,897
Special Items	19,205
Other	<u>248,681</u>
Total Revenue	<u>4,920,846</u>

Expenses:

Current:

Instruction	2,911,910
Supporting Services	5,274,063
Interest & Other Fiscal Charges	<u>1,230,432</u>

Total expenses	<u>9,416,405</u>
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Change in net position	<u><u>\$(4,495,559)</u></u>
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The operations of CECA are funded primarily by the per pupil revenue received under the State School Finance Act. State Revenue for the 2019-2020 fiscal year totaled \$2,980,811.

Financial Analysis of CECA's Funds

CECA has one governmental fund, the general fund. The general fund is considered a major fund and is used to account for CECA's general operations. The general fund had a fund balance of \$105,478 at the beginning of the year. The fund balance of the general fund increased to \$722,817 as of June 30, 2020. In addition, a reserve of approximately \$114,000 at June 30, 2020 has been made to satisfy the requirements of the TABOR Amendment. CECA has a positive unreserved fund balance of \$ 691,073, which is shown net of accounts payable and accrued salaries and benefits.

General Fund Budgetary Highlights

The School approves a final general fund budget in June based on enrollment projections for the school year. In October, after enrollment stabilizes, adjustments are made to the budget. At year-end the school had some variances between its final budgeted and actual activities. Overall, the school recognized \$350,401 more in revenue than expected and spent \$218,851 less than planned, when compared to the final budget.

Capital Assets and Debt Administration

As of June 30, 2020, capital assets consist primarily of leasehold improvements, furniture and equipment and a school bus. Capital assets, totaling \$20,155,547 as of June 30, 2020, are scheduled to accumulate depreciation as of July 1, 2020. See Note 4 for more information.

Economic Factors and Next Year's Budget

The primary factor in future budget development for CECA is student enrollment. CECA's enrollment is expected to be 375 students for the 2020-2021 school year. CECA also consider stability in per pupil funding levels to be an important factor in developing its budget for fiscal year 2020.

Requests for Information

This financial report is designed to provide a general overview of CECA's finances for all those with an interest in CECA. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Colorado Early Colleges-Aurora
Attention of Cameron Mascoll
4405 N. Chestnut, Suite E
Colorado Springs, CO 80907

BASIC FINANCIAL STATEMENTS

COLORADO EARLY COLLEGES AURORA

STATEMENT OF NET POSITION

June 30, 2020

	Governmental Activities	
	2020	2019
ASSETS		
Cash and Investments	\$ 1,171,146	\$ 669,570
Restricted Cash and Investments	3,364,839	237,236
Accounts Receivable	35,535	282,262
Due from CSI	-	64,981
Due from Related Parties	-	11,914
Deposits	-	250,000
Capital Assets, Not Depeciated	4,872,763	
Capital Assets, Depreciated, Net of Accumulated Depreciation	20,155,547	4,564,860
TOTAL ASSETS	29,599,830	6,080,823
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	2,563,093	4,670,617
Related to OPEB	169,415	156,082
DEFERRED OUTFLOWS OF RESOURCES	2,732,508	4,826,699
LIABILITIES		
Accounts Payable	636,534	42,058
Accrued Salaries and Benefits	101,703	92,129
Due to Related Parties	227,238	421,723
Accrued Interest	765,595	56,485
Noncurrent Liabilities		
Due in One Year	301,824	-
Due in More Than One Year	29,527,382	5,200,000
Net Pension Liability	4,479,243	4,264,472
Net OPEB Liability	220,068	212,984
TOTAL LIABILITIES	36,259,587	10,289,851
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	2,562,353	2,652,043
Related to OPEB	40,653	324
DEFERRED INFLOWS OF RESOURCES	2,603,006	2,652,367
NET POSITION		
Net Investment in Capital Assets	(10,439,254)	(691,625)
Restricted for Emergencies	114,000	114,000
Unrestricted	3,794,999	(1,457,071)
TOTAL NET POSITION	\$ (6,530,255)	\$ (2,034,696)

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

COLORADO EARLY COLLEGES AURORA

STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

<u>FUNCTIONS/PROGRAMS</u>	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSE)</u>		
	<u>EXPENSES</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>REVENUE AND CHANGE IN NET POSITION</u>	
					<u>Governmental Activities</u>	<u>Governmental Activities</u>
					2020	2019
PRIMARY GOVERNMENT						
Governmental Activities						
Instruction	\$ 2,911,910	-	\$ 168,834	\$ -	\$ (2,743,076)	\$ (2,388,589)
Supporting Services	5,274,063	89,053	1,172,711	101,654	(3,910,645)	(2,094,005)
Interest and Other Fiscal Charges	1,230,432	-	-	-	(1,230,432)	(149,568)
Total Governmental Activities	<u>\$ 9,416,405</u>	<u>\$ 89,053</u>	<u>\$ 1,341,545</u>	<u>\$ 101,654</u>	<u>\$ (7,884,153)</u>	<u>\$ (4,632,162)</u>
			GENERAL REVENUES			
			Per Pupil Revenues		2,980,811	2,784,714
			Mill Levy Override		139,897	111,484
			Other		248,681	446,928
			SPECIAL ITEMS			
			Transfer of Capital Assets		-	4,648,056
			Transfer of Debt		-	(4,922,875)
			Unrestricted State Aid		19,205	2,996
			TOTAL GENERAL REVENUES		<u>3,388,594</u>	<u>3,071,303</u>
			CHANGE IN NET POSITION		(4,495,559)	(1,560,859)
			NET POSITION, Beginning		<u>(2,034,696)</u>	<u>(473,837)</u>
			NET POSITION, Ending		<u>\$ (6,530,255)</u>	<u>\$ (2,034,696)</u>

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

COLORADO EARLY COLLEGES AURORA

BALANCE SHEET
GENERAL FUND
June 30, 2020

	TOTALS	
	2020	2019
ASSETS		
Cash and Investments	\$ 1,171,146	\$ 669,570
Accounts Receivable	35,535	282,262
Due from CSI	-	64,981
Due from Related Parties	-	11,914
Deposits	-	250,000
	\$ 1,206,681	\$ 1,278,727
LIABILITIES AND FUND EQUITY		
LIABILITIES		
Accounts Payable	186,667	42,058
Accrued Salaries and Benefits	101,703	92,129
Unearned Revenues	227,238	
Due to Related Parties	-	421,723
	515,608	555,910
FUND BALANCES		
Nonspendable	-	250,000
Restricted for Emergencies	114,000	114,000
Restricted for PPP Expenses	529,206	-
Unassigned	47,867	358,817
	691,073	722,817
	\$ 1,206,681	\$ 1,278,727
Amounts reported for governmental activities in the statement of net position are different because:		
Fund Balance	691,073	722,817
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.	60,173	82,554
Long-term liabilities and liabilities related to pensions are not due and payable in the current period and therefore, are not reported in the funds. This liability includes net pension liability (\$4,479,243), net OPEB liability (\$220,068), deferred outflows related to pensions and OPEB \$2,732,508, deferred inflows related to pensions and OPEB (\$2,603,006), and loan payable of (\$529,206).	(5,099,015)	(2,303,124)
Internal Service funds are used by management to charge the lease costs to governmental funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.	(2,182,486)	(536,943)
Net position of governmental activities	\$ (6,530,255)	\$ (2,034,696)

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

COLORADO EARLY COLLEGES AURORA

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GENERAL FUND
Year Ended June 30, 2020

	TOTALS	
	2020	2019
REVENUES		
Local Sources		
Per Pupil Revenue	\$ 2,980,811	\$ 2,784,714
Mill Levy Override	139,897	111,484
Charges for Services	89,053	118,279
Grants and Donations	957,892	449,102
Other	174,629	445,907
State and Federal Sources		
Grants and Donations	485,307	449,607
TOTAL REVENUES	<u>4,827,589</u>	<u>4,359,093</u>
EXPENDITURES		
Instruction	1,555,361	1,555,361
Supporting Services	3,833,178	2,186,393
TOTAL EXPENDITURES	<u>5,388,539</u>	<u>3,741,754</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(560,950)</u>	<u>617,339</u>
OTHER FINANCING SOURCES		
Proceeds from Forgivable Loan	529,206	-
NET CHANGE IN FUND BALANCES	(31,744)	617,339
FUND BALANCES, Beginning	<u>722,817</u>	<u>105,478</u>
FUND BALANCES, Ending	<u>\$ 691,073</u>	<u>\$ 722,817</u>

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

COLORADO EARLY COLLEGES AURORA

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

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

Net change in fund balances - total governmental funds	\$ (31,744)
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount of depreciation expense in the current year.	(22,381)
Loan proceeds are reported as financing sources in the governmental funds and increase fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net position and does not effect the statement of activities.	(529,206)
Deferred Charges related to pensions are not recognized in the governmental funds. However, for the government-wide funds that amounts are capitalized and amortized.	(2,266,685)
The Internal Service fund is used by management to charge the cost of lease payments to the governmental funds. The net revenue of the internal service fund is reported with the governmental activities.	<u>(1,645,543)</u>
Change in net position of governmental activities	<u>\$ (4,495,559)</u>

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

COLORADO EARLY COLLEGES AURORA

STATEMENT OF NET POSITION
 PROPRIETARY FUND TYPE
 June 30, 2020

	<u>Governmental Activities Internal Service Fund</u>
ASSETS	
Current Assets	
Restricted Cash and Investments	\$ 3,364,839
Total Current Assets	<u>3,364,839</u>
Long-term Assets	
Capital Assets, Net of Accumulated Depreciation	<u>24,968,137</u>
Total Long-term Assets	<u>24,968,137</u>
TOTAL ASSETS	<u>28,332,976</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	449,867
Interest Payable	765,595
Bonds Payable - Current	<u>80,000</u>
Total Current Liabilities	<u>1,295,462</u>
Long-Term Liabilities	
Bonds Payable	<u>29,220,000</u>
TOTAL LIABILITIES	<u>30,515,462</u>
NET POSITION	
Net Investment in Capital Assets	(1,732,619)
Unrestricted	<u>(449,867)</u>
TOTAL NET POSITION	<u>\$ (2,182,486)</u>

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

COLORADO EARLY COLLEGES AURORA

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND TYPE
Year Ended June 30, 2020

	Governmental Activities
	<u>Internal Service Fund</u>
OPERATING REVENUES	
Rent Income	<u>\$ 973,714</u>
TOTAL OPERATING REVENUES	<u>973,714</u>
OPERATING EXPENSES	
Purchased Services	166,103
Bond Issuance Costs	594,996
Depreciation	<u>701,778</u>
TOTAL OPERATING EXPENSES	<u>1,462,877</u>
OPERATING LOSS	<u>(489,163)</u>
NON-OPERATING EXPENSES	
Capital Transfers from Other Schools	-
Transfer of Debt Proceeds to Other Schools	-
Investment Income	74,052
Debt Issuance Costs	-
Interest Expense	<u>(1,230,432)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(1,156,380)</u>
NET INCOME	(1,645,543)
NET POSITION, Beginning	<u>(536,943)</u>
NET POSITION, Ending	<u><u>\$ (2,182,486)</u></u>

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

COLORADO EARLY COLLEGES AURORA

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 Year Ended June 30, 2020
 Increase (Decrease) in Cash

	Governmental Activities <u>Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Rental Operations	\$ 973,714
Cash Paid to Suppliers	<u>(311,232)</u>
Net Cash Provided by Operating Activities	<u>662,482</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment Income	<u>74,052</u>
Net Cash Provided by Investing Activities	<u>74,052</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Proceeds from the Issuance of Debt	24,100,000
Purchase of Capital Assets	(21,187,609)
Interest Payments	<u>(521,322)</u>
Net Cash Used by Capital and Related Financing Activities	<u>2,391,069</u>
NET INCREASE (DECREASE) IN CASH	3,127,603
CASH, Beginning	<u>237,236</u>
CASH, Ending	<u><u>\$ 3,364,839</u></u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Loss	<u>\$ (489,163)</u>
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation Expense	701,778
Increase in Accounts Payable	<u>449,867</u>
Total Adjustments	<u>1,151,645</u>
Net Cash Provided by Operating Activities	<u><u>\$ 662,482</u></u>

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

COLORADO EARLY COLLEGES – AURORA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Colorado Early Colleges Aurora (the “School”) was formed in 2016 pursuant to the Colorado Charter Schools Act to form and operate a charter school. The school was approved for replication as part of the Colorado Early Colleges Network (the “CEC Network”). The School provides a means for students to obtain college credit while completing their High School diploma requirements. The School is a member of the Charter School Institute and receives State funding from that organization.

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

Reporting Entity

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

The School includes the Aurora Charter School Building Corporation (the “Building Corporation”) within its reporting entity. The Building Corporation was formed during fiscal year 2019 to support and assist the School to perform its function and to carry out its purpose, specifically to oversee the leasing activities of the school’s real estate properties and to assist in the financing of the School’s facilities. The Building Corporation is reported in the School’s financial statements as an internal service fund. Separate financial statements are not available for this entity.

Government-Wide and Fund Financial Statements

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

COLORADO EARLY COLLEGES – AURORA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

COLORADO EARLY COLLEGES – AURORA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation
(Continued)

The School reports the following major governmental fund:

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

The School reports the following internal service fund:

Building Corporation – This fund is used to account for the activities of the Building Corporation.

Deferred Outflows/Inflows of Resources

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

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

Assets, Liabilities and Fund Balance/Net Position

Investments – Investments are recorded at fair value. As of June 30, 2019 the school reported no investments.

Capital Assets – Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

COLORADO EARLY COLLEGES – AURORA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net position in the government-wide financial statements. Depreciation has been provided over the following estimated useful lives of the capital assets using the straight-line method.

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

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

- 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. The School reports did not have any nonspendable resources as of June 30, 2020.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The School has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies and for PPP Loan Expenses.

COLORADO EARLY COLLEGES – AURORA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The School did not have any committed resources as of June 30, 2020.
- 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 the Unassigned fund balance.

Compensated Absences

The CEC Network’s policy allows School and Network employees to accumulate paid time off. Upon termination of employment, the unused portion of leave paid out is limited to a maximum of 8 days and is available to employees that have completed five or more years of service. As of June 30, 2020, no liability has been accrued for these absences.

Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School carries commercial insurance for these risks of loss. Settled claims have not exceeded insured amounts in the last two years.

COLORADO EARLY COLLEGES – AURORA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

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

NOTE 3: CASH AND INVESTMENTS

Cash and Investments at June 30, 2020 consisted of the following:

Deposits	\$ 347,124
Investments	<u>4,188,861</u>
Total	<u>\$ 4,535,985</u>

Cash and Investments are reported in the financial statements as follows:

Cash and Investments	\$ 1,171,146
Restricted Cash and Investments	<u>3,364,839</u>
Total	<u>\$ 4,535,985</u>

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At June 30, 2020, State regulatory commissioners have indicated that all financial institutions holding deposits for the School are eligible public depositories.

COLORADO EARLY COLLEGES – AURORA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 3: ***CASH AND INVESTMENTS*** (Continued)

Deposits (Continued)

Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held.

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

Pooled Cash with CEC Network

The School's cash deposits are pooled with the CEC Network Schools which were held in PDPA eligible banking institutions under the CEC Network Office. At June 30, 2020, the School's balance in equity in unrestricted pooled cash of the CEC Network Schools totaled \$347,124.

Investments

Interest Rate Risk

The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Credit Risk Colorado statutes specify in which instruments units of local government may invest, which include:

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

COLORADO EARLY COLLEGES – AURORA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 3: **CASH AND INVESTMENTS** (Continued)

Investments (Continued)

Local Government Investment Pool

The District had invested \$4,188,861 in the Colorado Government Liquid Asset Trust (ColoTrust) which has a credit rating of AAAm by Standard and Poor's. ColoTrust is an investment vehicle established for local government entities in Colorado to pool surplus funds and is regulated by the State Securities Commissioner. It operates similarly to a money market fund and each share is equal in value to \$1.00. Investments consist of U.S. Treasury and U.S. Agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities.

ColoTrust is not a 2a7-like external investment pool. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. The government-investor does not "look through" the pool to report a pro rata share of the pool's investments, receivables, and payables.

Fair Value

The School categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant observable inputs. The school has no investments that require categorization.

COLORADO EARLY COLLEGES – AURORA

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 6: LONG-TERM DEBT

The following is a summary of the District’s long-term debt transactions for the year ended June 30, 2019:

	<u>Balance</u>		<u>6/30/18</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u>	<u>Due In</u>
						<u>6/30/19</u>	<u>One Year</u>
Series 2019A Charter School Bonds	\$ 5,200,000	\$	-	\$	-	\$ 5,200,000	\$ 80,000
Series 2019 Refunding Bonds	-	24,100,000	\$	-	\$ 24,100,000	\$	-
Loan Payable – PPP	-	529,206	-	-	529,206	-	221,824
Total	\$ -	\$ 24,629,206	\$ -	\$ 29,829,206	\$ -	\$ 301,824	

Series 2019A Charter School Refunding and Improvement Revenue Bonds

On April 12, 2019, the Public Finance Authority issued \$5,200,000 in Charter School Revenue Refunding and Improvement Revenue Bonds, Series 2019A. Proceeds were transferred to the Colorado Springs Early Colleges school to pay off a portion of the Series 2016 Charter School Revenue Bonds. The School is required to make lease payments to the Building Corporation for the use of their buildings and the Building Corporation is required to make equal lease payments to the Trustee, for payment of the bonds. Interest for the Series 2019A Bonds accrue at a rate of 4.95% per year. The bonds mature in July 2029.

Series 2019B and 2019C Charter School Refunding and Improvement Revenue Bonds

On April 12, 2019, the Public Finance Authority issued \$24,100,000 in Charter School Revenue Refunding and Improvement Revenue Bonds, Series 2019B and C. Proceeds were transferred to the Colorado Springs Early Colleges school to construction and improvements to the existing school building. The School is required to make lease payments to the Building Corporation for the use of their buildings and the Building Corporation is required to make equal lease payments to the Trustee, for payment of the bonds. Interest for the Series 2019B and C Bonds accrue at a rate of 4.75% and 7.00% respectively per year. The bonds mature in July 2029.

COLORADO EARLY COLLEGES – AURORA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 6: LONG-TERM DEBT (Continued)

Loan Payable – PPP

On April 15, 2020, the School received a loan in the amount of \$529,206 through the Small Business Administration’s Paycheck Protection Program under Division A, Title I of the Coronavirus Aid Relief and Economic Security Act. (“CARES Act”).

The full amount of this loan is expected to be forgiven during the year ended June 30, 2021, however it is classified as a long-term loan payable until the loan is forgiven. To the extent the loan amount is not forgiven under the Paycheck Protection Program of the CARES Act, the School must make equal monthly payments of principal and interest, beginning on October 15, 2020 until the maturity date, which is two years from the date of the Note. This Note may be prepaid in part or in full, at any time, without penalty.

Debt Service requirements to maturity for the bonds are as follows:

Year Ended		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
<u>June 30:</u>				
2021	\$	301,824	\$ 1,532,032	\$ 1,833,856
2022		392,382	1,526,609	1,918,991
2023		85,000	1,520,917	1,605,917
2024		440,000	1,507,598	1,947,598
2025		460,000	1,484,631	1,944,631
2026-2030		<u>28,150,000</u>	<u>6,366,498</u>	<u>34,516,498</u>
Total		<u>\$ 29,829,206</u>	<u>\$ 13,938,285</u>	<u>\$ 43,767,491</u>

NOTE 7: DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

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

COLORADO EARLY COLLEGES – AURORA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

Summary of Significant Accounting Policies (Continued)

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.

General Information about the Pension Plan

Plan description. Eligible employees of the 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.

COLORADO EARLY COLLEGES – AURORA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

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

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

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

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

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.

COLORADO EARLY COLLEGES – AURORA

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

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, the School and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 8.75 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).

COLORADO EARLY COLLEGES – AURORA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the 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 18-200.

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from The School were \$400,070 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 School's proportion of the net pension liability was based on the School's 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 School reported a liability of \$4,479,243 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the School as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the School were as follows:

COLORADO EARLY COLLEGES – AURORA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

The School's proportionate share of the net pension liability	\$ 4,479,243
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the School.	\$ 719,600
Total	\$ 5,198,843

At December 31, 2019, the School's proportion was 0.02998 percent, which was an increase of 0.0006 percent from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the School recognized pension expense of \$2,651,880 and income of \$19,205 for support from the State as a nonemployer contributing entity. At June 30, 2020, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 244,122	N/A
Changes of assumptions or other inputs	\$ 127,876	\$ 530,611
Net difference between projected and actual earnings on pension plan investments	N/A	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$ 1,983,471	\$2,031,742
Contributions subsequent to the measurement date	\$ 207,624	N/A
Total	\$ 2,563,093	\$ 2,562,353

COLORADO EARLY COLLEGES – AURORA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

\$207,624 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	\$ 170,265
2022	(\$ 350,379)
2023	\$ 153,728
2024	(\$ 180,498)

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.

COLORADO EARLY COLLEGES – AURORA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: **DEFINED BENEFIT PENSION PLAN** (Continued)

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

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.

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.

COLORADO EARLY COLLEGES – AURORA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

As of the 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.

COLORADO EARLY COLLEGES – AURORA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

COLORADO EARLY COLLEGES – AURORA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

- 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.

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 5,940,436	\$ 4,479,243	\$ 3,252,445

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.

COLORADO EARLY COLLEGES – AURORA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

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

Summary of Significant Accounting Policies

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

General Information about the OPEB Plan

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

COLORADO EARLY COLLEGES – AURORA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 8: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

General Information about the OPEB Plan (Continued)

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

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

PERA Benefit Structure

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

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

COLORADO EARLY COLLEGES – AURORA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 8: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

General Information about the OPEB Plan (Continued)

DPS Benefit Structure

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

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the School were \$21,056 for the year ended June 30, 2020.

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

At June 30, 2020, the School reported a liability of \$220,068 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 School's proportion of the net OPEB liability was based on the School's contributions to the HCTF for the calendar year 2019 relative to the total contributions of participating employers to the HCTF.

COLORADO EARLY COLLEGES – AURORA

NOTES TO THE FINANCIAL STATEMENTS

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 (Continued)

At December 31, 2019, the School's proportion was 0.0196 percent, which was an increase of 0.0039% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the School recognized OPEB expense of \$55,136. At June 30, 2020, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 730	\$ 36,980
Changes of assumptions or other inputs	\$ 1,826	N/A
Net difference between projected and actual earnings on OPEB plan investments	N/A	\$ 3,673
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$ 155,931	N/A
Contributions subsequent to the measurement date	\$ 10,928	N/A
Total	\$ 169,415	\$ 40,653

\$10,928 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	\$ 34,422
2022	\$ 34,422
2023	\$ 35,486
2024	\$ 11,423
2025	\$ 1,984
Thereafter	\$ 19

COLORADO EARLY COLLEGES – AURORA

NOTES TO THE FINANCIAL STATEMENTS

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 (Continued)

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.

COLORADO EARLY COLLEGES – AURORA

NOTES TO THE FINANCIAL STATEMENTS

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 (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.

COLORADO EARLY COLLEGES – AURORA

NOTES TO THE FINANCIAL STATEMENTS

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 (Continued)

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.

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%

COLORADO EARLY COLLEGES – AURORA

NOTES TO THE FINANCIAL STATEMENTS

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 (Continued)

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

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

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.

COLORADO EARLY COLLEGES – AURORA

NOTES TO THE FINANCIAL STATEMENTS

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 (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:

COLORADO EARLY COLLEGES – AURORA

NOTES TO THE FINANCIAL STATEMENTS

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 (Continued)

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

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

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
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	\$ 214,840	\$ 220,068	\$ 195,470

COLORADO EARLY COLLEGES – AURORA

NOTES TO THE FINANCIAL STATEMENTS

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 (Continued)

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 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.

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

COLORADO EARLY COLLEGES – AURORA

NOTES TO THE FINANCIAL STATEMENTS

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 (Continued)

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 248,831	\$ 220,068	\$ 195,470

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: COMMITMENTS AND CONTINGENCIES

Operating Lease

In June 2016, the School entered into Master Lease Agreement with the Colorado Early Colleges Building Corporation (the “Corporation”) for the use of facilities. The Master Lease Agreement includes all the buildings owned by the Building Corporation located in Colorado Springs, Fort Collins, Aurora and Douglas County. This lease was terminated in April 2019 when the bonds were issued.

For the year ended June 30, 2020 the School has paid rent of \$156,804 for the use of its facility.

Claims and Judgments

The School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the School may be required to reimburse the grantor government. As of June 30, 2020 significant amounts of grant expenditures have not been audited, but the School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

COLORADO EARLY COLLEGES – AURORA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 9: COMMITMENTS AND CONTINGENCIES (Continued)

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The School believes it has complied with the Amendment. As required by the Amendment, the School has established a reserve for emergencies. At June 30, 2019, the reserve of \$114,000 was recorded as a reservation of net position in the General Fund.

NOTE 10: RELATED PARTY TRANSACTION

For the year ended June 30, 2020, the Colorado Early College Network Schools (CEC Network Schools) included the Douglas County, Fort Collins, Aurora, Fort Collins West, Windsor, and Colorado Springs Schools. Each school has budgeted and paid network fees and other operating fees to the Network Office based on percentage of each School's PPR. For the year ended June 30, 2020, the School paid fees in the amount of \$357,697 to the Network Office.

In addition, the Network Office has provided general and facility support to each of the CEC Network Schools. During the year ended June 30, 2020, the Network Office paid a total of \$4586,646 to the School for general and facility support.

NOTE 11: SUBSEQUENT EVENTS

Sale of Building

In August of 2019, the School sold their Black Hawk building to Third Future Schools for \$7,332,456.

Covid-19

As a result of the coronavirus pandemic (COVID-19), economic uncertainties may have economic implications on the financial position, results of operations and cash flows of the School. The duration of these uncertainties and the ultimate financial effects cannot be estimated at this time.

COLORADO EARLY COLLEGES – AURORA

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 12: DEFICIT NET POSITION

The net position of the governmental activities is in a deficit position of \$6,530,255 due to the School including its Net Pension Liability per the requirements of GASB Statements No. 68 and 75.

REQUIRED SUPPLEMENTARY INFORMATION

COLORADO EARLY COLLEGES AURORA

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2020

	2020			VARIANCE Positive (Negative)	2019 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Local Sources					
Per Pupil Revenue	\$ 2,990,078	\$ 2,980,811	\$ 2,980,811	\$ -	\$ 2,784,714
Mill Levy Override	115,500	127,866	139,897	12,031	111,484
Charges for Services	384,250	117,991	89,053	(28,938)	118,279
Grants and Donations	214,684	168,200	957,892	789,692	449,102
Other	21,000	604,904	174,629	(430,275)	445,907
State and Federal Sources					
Grants and Donations	503,290	477,416	485,307	7,891	449,607
TOTAL REVENUES	4,228,802	4,477,188	4,827,589	350,401	4,359,093
EXPENDITURES					
Current					
Salaries	1,555,672	2,165,059	2,063,500	101,559	1,500,072
Employee Benefits	394,862	649,173	623,283	25,890	494,683
Purchased Services	1,891,727	2,685,922	2,381,872	304,050	1,525,372
Supplies and Materials	165,333	149,822	305,214	(155,392)	140,825
Property	450,730	(42,586)	14,670	(57,256)	80,802
Appropriated Reserves	-	-	-	-	-
TOTAL EXPENDITURES	4,458,324	5,607,390	5,388,539	218,851	3,741,754
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(229,522)	(1,130,202)	(560,950)	131,550	617,339
OTHER FINANCING SOURCES					
Proceeds from Issuance of Debr	-	-	529,206	529,206	-
NET CHANGE IN FUND BALANCE	(229,522)	(1,130,202)	(31,744)	660,756	617,339
FUND BALANCE, Beginning	691,073	691,073	722,817	31,744	105,478
FUND BALANCE, Ending	<u>\$ 461,551</u>	<u>\$ (439,129)</u>	<u>\$ 691,073</u>	<u>\$ 692,500</u>	<u>\$ 722,817</u>

See the accompanying independent auditors' report.

COLORADO EARLY COLLEGES AURORA

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

Years Ended December 31,

	<u>2017</u>	<u>2018</u>	<u>2019</u>
School's proportionate share of the Net Pension Liability	0.0206%	0.0241%	0.0300%
School's proportionate share of the Net Pension Liability	\$ 6,658,122	\$ 4,264,472	\$ 4,479,243
State of Colorado's Proportionate Share of the Net Pension Liability associated with the School	<u>\$ -</u>	<u>\$ 583,107</u>	<u>\$ 719,600</u>
Total portion of the Net Pension Liability associated with the School	\$ 6,658,122	\$ 4,847,579	\$ 5,198,843
School's covered payroll	\$ 474,900	\$ 1,323,998	\$ 1,760,466
School's proportionate share of the Net Pension Liability as a percentage of its covered payroll	1402.0%	366.1%	295.3%
Plan fiduciary net position as a percentage of the total pension liability	44.0%	57.0%	64.5%

Notes:

This schedule is reported as of December 31, as that is the plan year end.

This schedule will report ten years of data when it is available.

See the accompanying independent auditors' report.

COLORADO EARLY COLLEGES AURORA

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
SCHOOL DISVISION TRUST FUND

Years Ended June 30,

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Statutorily required contributions	\$ 200,550	\$ 288,018	\$ 421,127
Contributions in relation to the Statutorily required contributions	<u>200,550</u>	<u>288,018</u>	<u>427,127</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered payroll	\$ 1,060,768	\$ 1,505,582	\$ 2,064,347
Contributions as a percentage of covered payroll	18.91%	19.13%	20.69%

Notes:

This schedule will report ten years of data when it is available.

See the accompanying independent auditors' report.

COLORADO EARLY COLLEGES AURORA

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
HEALTH CARE TRUST FUND

Years Ended December 31,

	<u>2017</u>	<u>2018</u>	<u>2019</u>
School's proportionate share of the Net OPEB Liability	0.0117%	0.0157%	0.0196%
School's proportionate share of the Net OPEB Liability	\$ 152,043	\$ 212,984	\$ 220,068
School's covered payroll	\$ 474,900	\$ 1,323,997	\$ 1,760,466
School's proportionate share of the Net OPEB Liability as a percentage of its covered payroll	32.0%	16.1%	12.5%
Plan fiduciary net position as a percentage of the total OPEB liability	17.5%	17.0%	17.5%

Notes:

This schedule is reported as of December 31, as that is the plan year end.

This schedule will report ten years of data when it is available.

See the accompanying independent auditors' report.

COLORADO EARLY COLLEGES AURORA

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
HEALTH CARE TRUST FUND

Years Ended June 30,

	<u>2018</u>	<u>2019</u>	<u>2020</u>
Statutorily required contributions	\$ 10,820	\$ 15,357	\$ 21,056
Contributions in relation to the Statutorily required contributions	<u>10,820</u>	<u>15,357</u>	<u>21,056</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered payroll	\$ 1,060,768	\$ 1,505,582	\$ 2,064,347
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%

Notes:

This schedule will report ten years of data when it is available.

See the accompanying independent auditors' report.