COLORADO EARLY COLLEGES FORT COLLINS

BASIC FINANCIAL STATEMENTS

June 30, 2019

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Board of Directors
Colorado Early Colleges Fort Collins
Fort Collins, 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 Fort Collins (the "School"), as of and year ended June 30, 2019, 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. 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 inforamation of the Colorado Early Colleges Fort Collins, as of June 30, 2019, and the respective changes in financial position, and, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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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 45-49 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 Cutler & Associates, LLC

December 9, 2019

Colorado Early Colleges-Fort Collins
Management's Discussion and Analysis
Year Ended June 30, 2018

As management of Colorado Early Colleges-Fort Collins (CECFC), we offer readers of these financial statements this narrative and analysis of the financial activities of CECFC for the year ended June 30, 2019. 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 is intended to serve as an introduction to CECFC'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, 2019, CECFC had its fifth financial audit completed.

Governmental Financial Statements

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

The statement of net position presents information on all of CECFC'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. CECFC, 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.

CECFC 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 CECFC's financial position. For the year ended June 30, 2019 CECFC's assets were less than its liabilities by $10,167,330. Approximately $372,000 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 $20,776,919, which includes unrestricted cash and investments of $1,805,721, less accrued salaries of $325,525 and less accounts payable of $1,153,452 and less accrued interest of $235,168.

Net position as of June 30, 2018

ASSETS	
Cash and Investments	$ 1,805,721
Restricted Cash and Investments	949,821
Accounts Receivable	1,117,966
Due from CSI	138,156
Due from Other Funds	1,674,675
Deposits	18,938
Capital Assets, not depreciated,	21,612
Capital Assets, depreciated, net of accumulated depreciation	20,755,307
TOTAL ASSETS	26,482,196
DEFERRED OUTFLOWS OF RESOURCES	
Related to Pensions	7,971,691
Related to OPEB	204,497
	8,176,188
LIABILITIES	
Accounts Payable	1,153,452
Accrued Salaries and Benefits	325,525
Due to Related Parties	763,806
Accrued Interest	235,168
Noncurrent Liabilities	
Due in More Than One Year	21,650,000
Pension Liability	12,379,704
OPEB Liability	618,274
TOTAL LIABILITIES	37,125,929
DEFERRED INFLOWS OF RESOURCES	
Related to Pensions	7,698,844
Related to OPEB	941
	7,699,785
NET POSITION	
Net Investment IN Capital Assets	(1,129,861)
Restricted for TABOR	372,000
Unrestricted	(9,409,469)
Total net position	$ (10,167,330)

The total net position of CECFC decreased to ($10,167,330) for the year ended June 30, 2019 from ($8,572,748) for the year ended June 30, 2018. This decrease in net position of $1,594,582 resulted, primarily, from the deferred charges related to pensions in accordance with GASB 68.

Change in net position for the year ended June 30, 2019

Revenue:	
Program revenues	
Operating Grants and Contributions	$ 429,358
Capital Grants and Contributions	394,923
Charges for Services	1,074,288
General Revenue	
School Finance Act revenue	10,158,956
Mill levy Override	433,109
Net Special Items	416.906
Other	124,947
Total Revenue	13,032,487
Expenses:	
Current:	
Instruction	5,480,145
Supporting Services	8,489,745
Interest and Other Fiscal Charges	658,179
Total expenses	14,627,069
Change in net position	$(1,594,582)

The operations of CECFC are funded primarily by the per pupil revenue received under the State School Finance Act. State revenue for fiscal year 2018 totaled approximately $10,158,956, representing an increase of $2,218,184 over the total for the year ended June 30, 2018. The increase in per pupil revenue for the year ended June 30, 2018 was due to the addition in students.

Financial Analysis of CESC's Funds

CECFC has one governmental fund, the general fund. The general fund is considered a major fund and is used to account for CECFC's general operations. The general fund had a fund balance of $2,512,673 at the end of the year. The fund balance of the general fund increase of $230,571 at June 30, 2019. In addition, a reserve of approximately $372,000 at June 30, 2019 has been made to satisfy the requirements of the TABOR Amendment. CECFC has a positive unreserved fund balance of $1,121,735, and a committed fund balance of $1,000,000, 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 May 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 $6,942 less revenue than expected and spent $237,464 less than planned, when compared to the final budget. A budget amendment was adopted in January 2019 for FY 2018-2019.

Capital Assets and Debt Administration

As of June 30, 2017, capital assets consist primarily of leasehold improvements and furniture. Capital assets, totaling $20,776,919, as of June 30, 2019 are scheduled to accumulate depreciation as of July 1, 2019. See Note 4 for more information.

Economic Factors and Next Year's Budget

The primary factor in future budget development for CEC-FC is student enrollment. CEC-FC's enrollment is expected to be 1320 students for the 2019-2020 school year. CEC-FC also consider stability in per pupil funding levels to be an important factor in developing its budget for fiscal year 2019.

Requests for Information

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

Colorado Early Colleges-Fort Collins
Attention of Flint Crane
4405 N. Chestnut, Suite E
Colorado Springs, CO 80907

BASIC FINANCIAL STATEMENTS

COLORADO EARLY COLLEGES FORT COLLINS

STATEMENT OF NET POSITION
June 30, 2019

	GOVERNMENTAL ACTIVITIES	
	2019	2018
ASSETS		
Cash and Investments	$ 1,805,721	$ 932,951
Restricted Cash and Investments	949,821	-
Accounts Receivable	1,117,966	532,644
Due from CSI	138,156	99,319
Due from Related Parties	1,674,675	1,786,725
Prepaid Items	-	3,694
Deposits	18,938	18,938
Capital Assets, Not Depreciated	21,612	-
Capital Assets, Depreciated,		
Net of Accumulated Depreciation	20,755,307	153,937
TOTAL ASSETS	26,482,196	3,528,208
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	7,971,691	11,071,395
Related to OPEB	204,497	116,072
TOTAL DEFERRED OUTFLOWS OF RESOURCES	8,176,188	11,187,467
LIABILITIES		
Accounts Payable	1,153,452	485,351
Accrued Salaries and Benefits	325,525	292,816
Due to Related Parties	763,806	314,002
Accrued Interest	235,168	-
Noncurrent Liabilities		
Due in One Year	-	-
Due in More Than One Year	21,650,000	-
Net Pension Liability	12,379,704	20,859,003
Net OPEB Liability	618,274	476,331
TOTAL LIABILITIES	37,125,929	22,427,503
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	7,698,844	852,951
Related to OPEB	941	7,969
TOTAL DEFERRED INFLOWS OF RESOURCES	7,699,785	860,920
NET POSITION		
Net Investment in Capital Assets	(1,129,861)	153,937
Restricted for Emergencies	372,000	299,000
Unrestricted	(9,409,469)	(9,025,685)
TOTAL NET POSITION	$ (10,167,330)	$ (8,572,748)

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

COLORADO EARLY COLLEGES FORT COLLINS

STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

		PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION	
					Governmental Activities	
FUNCTIONS/PROGRAMS	EXPENSES	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2019	2018
PRIMARY GOVERNMENT						
Governmental Activities						
Instruction	$ 5,480,145	$ 1,074,288	$ 265,985	$ -	$ (4,139,872)	$ (5,588,794)
Supporting Services	8,489,745	-	163,373	394,923	(7,931,449)	(7,062,290)
Interest and Other Fiscal Charges	657,179	-	-	-	(657,179)	-
Total Governmental Activities	14,627,069	1,074,288	429,358	394,923	(12,728,500)	(12,651,084)
		GENERAL REVENUES				
		Per Pupil Revenues			10,158,956	7,940,772
		Mill Levy Override			433,109	-
		Other			124,947	222,224
		SPECIAL ITEMS				
		Transfer of Capital Assets			20,921,104	-
		Transfer of Debt			(20,512,894)	-
		Unrestricted State Aid			8,696	-
		TOTAL GENERAL REVENUES			11,133,918	8,162,996
		CHANGE IN NET POSITION			(1,594,582)	(4,488,088)
		NET POSITION, Beginning			(8,572,748)	(4,084,660)
		NET POSITION, Ending			$ (10,167,330)	$ (8,572,748)

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

COLORADO EARLY COLLEGES FORT COLLINS

BALANCE SHEET
GENERAL FUND
June 30, 2019

	GENERAL FUND 2019	GENERAL FUND 2018
ASSETS		
Cash and Investments	$ 1,805,721	$ 932,951
Accounts Receivable	1,117,966	532,644
Due from CSI	138,156	99,319
Due from Related Parties	1,674,675	1,786,725
Prepaid Items	-	3,694
Deposits	18,938	18,938
TOTAL ASSETS	$ 4,755,456	$ 3,374,271
LIABILITIES AND FUND EQUITY		
LIABILITIES		
Accounts Payable	$ 1,153,452	$ 485,351
Accrued Salaries and Benefits	325,525	292,816
Due to Related Parties	763,806	314,002
TOTAL LIABILITIES	2,242,783	1,092,169
FUND BALANCES		
Nonspendable	18,938	22,632
Restricted for Emergencies	372,000	299,000
Committed	1,000,000	-
Unassigned	1,121,735	1,960,470
TOTAL FUND BALANCES	2,512,673	2,282,102
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.	594,567	153,937
Long-term liabilities and related assets 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 ($12,379,704), net OPEB liability ($618,274), deferred outflows related to pensions and OPEB $8,176,188 and deferred inflows related to pensions and OPEB ($7,699,785).	(12,521,575)	(11,008,787)
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.	(752,995)	-
Net position of governmental activities	$ (10,167,330)	$ (8,572,748)

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

COLORADO EARLY COLLEGES FORT COLLINS

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GENERAL FUND
Year Ended June 30, 2019

	GENERAL FUND	
	2019	2018
REVENUES		
Local Sources		
Per Pupil Revenue	$ 10,158,956	$ 7,940,772
Mill Levy Override	433,109	-
Charges for Services	1,074,288	1,803,460
Other	124,947	222,224
State and Federal Sources		
Grants and Donations	824,281	397,679
TOTAL REVENUES	12,615,581	10,364,135
EXPENDITURES		
Instruction	4,670,697	5,124,925
Supporting Services	7,714,313	5,183,983
TOTAL EXPENDITURES	12,385,010	10,308,908
NET CHANGE IN FUND BALANCE	230,571	55,227
FUND BALANCES, Beginning	2,282,102	2,226,875
FUND BALANCES, Ending	$ 2,512,673	$ 2,282,102

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

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

Year Ended June 30, 2019

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

Net change in fund balances - total governmental funds	$	230,571
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 by which capital outlay ($503,321) exceeded depreciation expense $62,691, for the year.		440,630
Deferred Charges related to pensions are not recognized in the governmental funds. However, for the government-wide funds that amounts are capitalized and amortized.		(1,512,788)
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.		(752,995)
Change in net position of governmental activities	$	(1,594,582)

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

COLORADO EARLY COLLEGES FORT COLLINS

STATEMENT OF NET POSITION
PROPRIETARY FUND TYPE
June 30, 2019

	Governmental Activities - Internal Service Fund
ASSETS	
Current Assets	
Restricted Cash and Investments	$ 949,821
Total Current Assets	949,821
Long-term Assets	
Capital Assets, Depreciated, Net of Accumulated Depreciation	20,182,352
Total Long-term Assets	20,182,352
TOTAL ASSETS	21,132,173
LIABILITIES AND NET POSITION	
Current Liabilities	
Accrued Interest	235,168
Current Portion of Long-term Debt	-
Total Current Liabilities	235,168
Long-term Liabilities	
Bonds Payable	21,650,000
Total Long-term Assets	21,650,000
TOTAL LIABILITIES	21,885,168
NET POSITION	
Net Investment in Capital Assets	(752,995)
Unrestricted	-
TOTAL NET POSITION	$ (752,995)

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

COLORADO EARLY COLLEGES FORT COLLINS

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUND TYPE
Year Ended June 30, 2019

	Governmental Activities - Internal Service Fund
OPERATING REVENUES	
Rent	$ 235,173
TOTAL OPERATING REVENUES	235,173
OPERATING EXPENSES	
Purchased Services	4,495
Depreciation	738,752
TOTAL OPERATING EXPENSES	743,247
OPERATING INCOME (LOSS)	(508,074)
NON-OPERATING REVENUE (EXPENSES)	
Investment Income	4,048
Debt Issuance Costs	(422,011)
Interest Expense	(235,168)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(653,131)
INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	(1,161,205)
TRANSFERS AND CAPITAL CONTRIBUTIONS	
Capital Transfers from Other Schools	20,921,104
Transfer of Debt Proceeds to Other Schools	(20,512,894)
CHANGE IN NET POSITION	(752,995)
NET POSITION, Beginning	-
NET POSITION, Ending	$ (752,995)

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

COLORADO EARLY COLLEGES FORT COLLINS

STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
Year Ended June 30, 2019

		Governmental Activities - Internal Service Fund
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Rental Operations	$	235,173
Cash Paid to Suppliers		(4,495)
Net Cash Provided by Operating Activities		230,678
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income		4,048
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Proceeds from the Issuance of Debt		21,650,000
Transfer of Debt Proceeds to Other Schools		(20,512,894)
Payment of Costs Related to Debt Issuance		(422,011)
Net Cash Provided (Used) by Capital and Related Financing Activities		715,095
NET INCREASE (DECREASE) IN CASH		949,821
Cash, Beginning		-
Cash, Ending	$	949,821
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income (Loss)	$	(508,074)
Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities		
Depreciation		738,752
NET CASH PROVIDED BY OPERATING ACTIVITIES		230,678

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

NOTE 1: ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

Colorado Early Colleges Fort Collins (the "School") was formed in 2011 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 Springs Early Colleges Corporation. 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 Colorado Early Colleges – Fort Collins 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.

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.

NOTE 1: ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*** (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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.

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

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

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

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

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

The School reports the following major governmental fund:

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

NOTE 1: ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*** (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Additionally, the School reports the following fund types:

The *Internal Service Fund* is used to account for activity 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.

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 is determined over the estimated useful lives of the capital assets using the straight-line method.

NOTE 1: ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*** (Continued)

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

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 classifies Prepaid Items and Deposits as nonspendable as these items are not expected to be converted to cash within the next year.

- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The School has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies.

- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The School committed fund balance for capital projects as of June 30, 2019.

NOTE 1: *SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES* (Continued)

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

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

The School would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend 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, 2019, 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 three years.

Comparative Data

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

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

NOTE 2: ***STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY***

Budgets and Budgetary Accounting

A budget is adopted for 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, 2019 consisted of the following:

Cash on Hand	$ 296
Deposits	1,805,425
Investments	949,821
Total	**$ 2,755,542**

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

Cash and Investments	$ 1,805,721
Restricted Cash and Investments	949,821
Total	**$ 2,755,542**

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, 2019, State regulatory commissioners have indicated that all financial institutions holding deposits for the School are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held.

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

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.

At June 30, 2019, the School had deposits with financial institutions with a carrying amount of $1,805,425. The bank balances with the financial institutions were $1,976,245 all of which was covered by collateral held by authorized escrow agents in the financial institutions name (PDPA).

Investments

Interest Rate Risk

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

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

The School has no policy for managing credit risk or interest rate risk.

Local Government Investment Pool

The District had invested $949,821 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.

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

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 inputs or methodology used for valuing securities are not necessarily an indication of the risk associated with investing in those securities. The fair value of investments in money market funds is based on the published net asset values per share of those funds. The School has no investments requiring categorization.

Restricted Cash and Investments

Cash and Investments in the amount in the amount of $949,821 are restricted in the Building Corporation for debt service and capital projects.

NOTE 4: ***CAPITAL ASSETS***

Capital Assets activity for the year ended June 30, 2019 is summarized below.

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Governmental Activities				
Capital Assets, Not Depreciated				
Construction in Progress	$ -	$ 21,612	$ -	$ 21,612
Capital Assets, Depreciated				
Buildings	-	22,162,553	-	22,162,553
Building Improvements	239,713	444,299	-	684,012
Furniture and Fixtures	29,018	11,989	-	41,007
Software	-	8,692	-	8,692
Vehicles	23,394	16,729	-	40,123
Total Capital Assets, Depreciated	292,125	22,644,262	-	22,936,387

NOTE 4: ***CAPITAL ASSETS*** (Continued)

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Accumulated Depreciation				
Buildings	-	1,980,201	-	1,980,201
Building Improvements	127,382	50,283	-	177,665
Furniture and Fixtures	10,806	12,408	-	23,214
Total Accumulated Depreciation	138,188	2,042,892	-	2,181,080
Capital Assets, Depreciated, net	153,937	20,601,370	-	20,755,307
Net Capital Assets	**$ 153,937**	**$ 20,622,982**	**$ -**	**$ 20,776,919**

Depreciation is being charged to the Supporting Services program of the School.

NOTE 5: ***ACCRUED SALARIES AND BENEFITS***

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from August to July but are earned during a school year of nine months. The salaries and benefits earned, but unpaid, as of June 30, 2019, were $325,525.

NOTE 6: ***LONG-TERM DEBT***

Following is a summary of long-term debt transactions for the governmental activities for the year ended June 30, 2019.

	Balance 6/30/2018	Additions	Payments	Balance 6/30/2019	Due In One Year
Series 2019 Charter School Bonds	$ -	$ 21,650,000	$ -	$ 21,650,000	$ -
Total	**$ -**	**$ 21,650,000**	**$ -**	**$ 21,650,000**	**$ -**

NOTE 6: ***LONG-TERM DEBT*** (Continued)

Series 2019A Charter School Refunding and Improvement Revenue Bonds

On April 12, 2019, the Public Finance Authority issued $21,650,000 in Charter School 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.

Annual debt service requirements for the outstanding bonds at June 30, 2019 are as follows:

Year Ended June 30,	Principal	Interest	Total
2020	$ -	$ 771,011	$ 771,011
2021	330,000	1,063,508	1,393,508
2022	345,000	1,046,801	1,391,801
2023	360,000	1,029,352	1,389,352
2024	380,000	1,011,037	1,391,037
2025-2029	2,205,000	4,745,688	6,950,688
2030	18,030,000	446,244	18,476,244
Total Debt Service Requirements	**$21,650,000**	**$10,113,641**	**$31,763,641**

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. 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.

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

Summary of Significant Accounting Policies (Continued)

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

- Increases employer contribution rates for the SCHDTF by 0.25 percent on July 1, 2019.
- Increases employee contribution rates for the SCHDTF by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).
- As specified in C.R.S. § 24-51-413, the State is required to contribute $225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a non-employer contribution for financial reporting purposes.
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, increases the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.
- Member contributions, employer contributions, the direct distribution from the State, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

General Information about the Pension Plan

Plan description. Eligible employees of the School are provided with pensions through the School Division Trust Fund (SCHDTF)—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code.

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

General Information about the Pension Plan (Continued)

Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report (CAFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

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

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

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

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

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

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

- $15 times the first 10 years of service credit plus $20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

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

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

General Information about the Pension Plan (Continued)

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

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

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

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

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

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

General Information about the Pension Plan (Continued)

	January 1, 2018 Through December 31, 2018	January 1, 2019 Through December 31, 2019
Employer contribution rate[1]	10.15%	10.15%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) [1]	(1.02)%	(1.02)%
Amount apportioned to the SCHDTF[1]	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 [1]	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 [1]	5.50%	5.50%
Total employer contribution rate to the SCHDTF	**19.13%**	**19.13%**

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

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the School were $812,309 for the year ended June 30, 2019.

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, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total pension liability to December 31, 2018.

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 proportion of the net pension liability was based on the School contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers and the State as a non-employer contributing entity.

At June 30, 2019, the School reported a liability of $12,379,704 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a non-employer 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 non-employer contributing entity, and the total portion of the net pension liability that was associated with the School were as follows:

The School's proportionate share of the net pension liability	$12,379,704
The State's proportionate share of the net pension liability as a non-employer contributing entity associated with the School	$1,692,753
Total	$14,072,457

At December 31, 2018, the School proportion was 0.06991 percent, which was a decrease of 0.00541 percent from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the School recognized pension expense of $2,278,608 and revenue of $8,696 for support from the State as a non-employer contributing entity.

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)

At June 30, 2019, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$419,933	N/A
Changes of assumptions or other inputs	2,310,726	$7,698,844
Net difference between projected and actual earnings on pension plan investments	674,771	N/A
Changes in proportion and differences between contributions recognized and proportionate share of contributions	4,148,725	N/A
Contributions subsequent to the measurement date	417,536	N/A
Total	**$7,971,691**	**$7,698,844**

$417,536 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2020	$1,840,924
2021	($961,168)
2022	($1,393,558)
2023	$369,113

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)

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

Actuarial cost method	Entry age
Price inflation	2.40 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	4.78 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)	2.00 percent compounded annually
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

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

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

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

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

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

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

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

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

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

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

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%.

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%.

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. 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. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

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

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

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

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

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

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

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	$15,738,676	$12,379,704	$9,560,960

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.

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

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

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

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

NOTE 7: ***<u>DEFINED BENEFIT PENSION PLAN</u>*** (Continued)

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

NOTE 8: ***<u>DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN</u>***

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.

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

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.

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.

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

General Information about the OPEB Plan (Continued)

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.

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.

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

General Information about the OPEB Plan (Continued)

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the School were $43,229 for the year ended June 30, 2019.

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

At June 30, 2019, the School reported a liability of $618,274 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2018. The School proportion of the net OPEB liability was based on the School contributions to the HCTF for the calendar year 2018 relative to the total contributions of participating employers to the HCTF.

At December 31, 2018, the School proportion was 0.04544 percent, which was an increase of 0.00879 percent from its proportion measured as of December 31, 2017.

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)

For the year ended June 30, 2019, the School recognized OPEB expense of $89,720. At June 30, 2019, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$2,244	$941
Changes of assumptions or other inputs	4,337	N/A
Net difference between projected and actual earnings on OPEB plan investments	3,555	N/A
Changes in proportion and differences between contributions recognized and proportionate share of contributions	172,098	N/A
Contributions subsequent to the measurement date	22,263	N/A
Total	**$204,497**	**$941**

$22,263 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	
2020	$39,179
2021	$39,179
2022	$39,177
2023	$41,648
2024	$21,325
Thereafter	$785

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, 2017 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

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

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

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

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)

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

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

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

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

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

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

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

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

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

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

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

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

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)

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

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

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

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

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

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

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

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

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2018 plan year.

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

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

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

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

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

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)

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

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00 %	6.00%
Initial Medicare Part A trend rate	2.25%	3.25 %	4.25%
Ultimate Medicare Part A trend rate	4.00%	5.00 %	6.00%
Net OPEB Liability	$601,201	$618,274	$637,911

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2018, measurement date.

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

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.

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)

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

- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.

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

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	$691,795	$618,274	$555,421

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, 2019 the School has paid rent of $884,288 for the use of its facility.

Building Lease

In March 1, 2018, the School entered into a Lease Agreement for the use of a satellite location located in Westminster, Colorado. The lease expires on May 31, 2023 and has an option to renew at the end of the lease term. The School's monthly lease payments range from $1,497 to $1,736.

Future minimum lease payments are as follows:

Year Ended June 30	
2020	$ 18,690
2021	19,251
2022	19,829
2023	18,688
Total	**$ 76,458**

For the year ended June 30, 2019 the School has paid rent $18,691 for the use of this 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, 2019, 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.

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 $372,000 was recorded as a reservation of net position in the General Fund.

NOTE 10: ***RELATED PARTY TRANSACTION***

For the year ended June 30, 2019, the Colorado Early College Network (CEC Network) included the Aurora, Douglas County, Fort Collins, and Colorado Springs Schools. Each school has budgeted and paid CEC Network and Human Resources Project Fees to the School in amounts equal to 3% and 1% of operating revenues, respectively. For the year ended June 30, 2019, the School paid a total of $684,574 to the Colorado Springs Early Colleges for the CEC Network Fees.

As of June 30, 2019, the CEC Network Schools owed the School for operating lease payments and certain expenses paid by the School on behalf of the CEC Network Schools. As of June 30, 2019, the total amounts due from Colorado Springs Early Colleges ("CSEC"), Colorado Early Colleges – Aurora ("CECA"), Colorado Early Colleges – Windsor ("CECW") and the CEC Network were $1,086,978, $9,627, 34,553, and $543,517, respectively. These amounts are reported as a Due from Related Parties in the financial statements and are expected to be repaid in the current fiscal year.

As of June 30, 2019, the School owed the CEC Network Schools for CEC Network Fees and certain other expenses paid by the CEC Network Schools on behalf of the School. As of June 30, 2019, the total amounts due to CSEC and CECDC were $757,951 and $5,855, respectively. These amounts are reported as a Due to Related Parties in the financial statements and are expected to be repaid in the current fiscal year.

NOTE 11: ***DEFICIT NET POSITION***

The net position of the governmental activities is in a deficit position of $10,167,330 due to the School including its Net Pension Liability per the requirements of GASB Statement No. 68.

REQUIRED SUPPLEMENTARY INFORMATION

COLORADO EARLY COLLEGES FORT COLLINS

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2019

	2019 ORIGINAL AND FINAL BUDGET	2019 ACTUAL	2019 VARIANCE Positive (Negative)	2018 ACTUAL
REVENUES				
Local Sources				
Per Pupil Revenue	$ 9,652,380	$ 10,158,956	$ 506,576	$ 7,940,772
Mill Levy Override	390,000	433,109	43,109	-
Charges for Services	2,089,035	1,074,288	(1,014,747)	1,803,460
Other	78,000	124,947	46,947	222,224
State and Federal Sources				
Grants and Donations	413,108	824,281	411,173	397,679
TOTAL REVENUES	12,622,523	12,615,581	(6,942)	10,364,135
EXPENDITURES				
Current				
Salaries	3,803,476	4,387,143	(583,667)	3,732,841
Employee Benefits	1,040,420	1,482,833	(442,413)	1,044,929
Purchased Services	5,867,910	5,029,270	838,640	4,532,261
Supplies and Materials	513,025	1,287,792	(774,767)	560,033
Property	217,500	162,587	54,913	407,746
Other	-	35,385	(35,385)	31,098
Appropriated Reserves	1,180,143	-	1,180,143	-
TOTAL EXPENDITURES	12,622,474	12,385,010	237,464	10,308,908
NET CHANGE IN FUND BALANCE	49	230,571	(230,522)	55,227
FUND BALANCE, Beginning	897,502	2,282,102	(1,384,600)	2,226,875
FUND BALANCE, Ending	$ 897,551	$ 2,512,673	$ (1,615,122)	$ 2,282,102

See the accompanying independent auditors' report.

COLORADO EARLY COLLEGES FORT COLLINS

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

Years Ended December 31,
(School Division Trust Fund Measurement Date)

	2013	2014	2015	2016	2017	2018
School's proportionate share of the Net Pension Liablility	0.016%	0.021%	0.031%	0.049%	0.065%	0.070%
School's proportionate share of the Net Pension Liablility	$ 2,035,063	$ 2,823,896	$ 5,063,810	$ 14,580,921	$ 20,859,003	$ 12,379,704
State of Colorado's Proportionate Share of the Net Pension Liability associated with the School	-	-	-	-	-	1,692,753
Total portion of the Net Pension Liability associated with the School	2,035,063	2,823,896	5,063,810	14,580,921	20,859,003	14,072,457
School's covered payroll	$ 643,200	$ 872,853	$ 1,442,889	$ 2,197,961	$ 2,975,593	$ 3,848,294
School's proportionate share of the Net Pension Liablility as a percentage of its covered payroll	316.4%	323.5%	350.9%	663.4%	701.0%	365.7%
Plan fiduciary net position as a percentage of the total pension liability	64.1%	62.8%	59.2%	43.1%	44.0%	57.0%

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.

COLORADO EARLY COLLEGES FORT COLLINS

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
DENVER PUBLIC SCHOOLS DVISION TRUST FUND

Years Ended June 30,

	2014	2015	2016	2017	2018	2019
Statutorily required contributions	$ 126,974	$ 178,971	$ 363,672	$ 454,996	$ 657,950	$ 812,309
Contributions in relation to the Statutorily required contributions	126,974	178,971	363,672	454,996	657,950	812,309
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
School's covered payroll	$ 746,117	$ 999,127	$ 1,937,871	$ 2,465,165	$ 3,478,573	$ 4,238,157
Contributions as a percentage of covered payroll	17.02%	17.91%	18.77%	18.46%	18.91%	19.17%

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

See the accompanying independent auditors' report.

COLORADO EARLY COLLEGES FORT COLLINS

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

Years Ended December 31,
(School Division Trust Fund Measurement Date)

	2016	2017	2018
School's proportionate share of the Net OPEB Liability	0.028%	0.037%	0.045%
School's proportionate share of the Net OPEB Liability	$ 360,905	$ 476,331	$ 618,274
School's covered payroll	$ 2,197,961	$ 2,975,593	$ 3,848,294
School's proportionate share of the Net OPEB Liability as a percentage of its covered payroll	16.4%	16.0%	16.1%
Plan fiduciary net position as a percentage of the total OPEB liability	16.7%	17.5%	17.0%

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 FORT COLLINS

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
HEALTH CARE TRUST FUND

Years Ended June 30,

	2017	2018	2019
Statutorily required contributions	$ 25,145	$ 35,532	$ 43,229
Contributions in relation to the Statutorily required contributions	25,145	35,532	43,229
Contribution deficiency (excess)	$ -	$ -	$ -
School's covered payroll	$ 2,465,165	$ 3,478,573	$ 4,238,157
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.