

PEAK TO PEAK CHARTER SCHOOLS, INC.

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2020

PEAK TO PEAK CHARTER SCHOOLS, INC.
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YEAR ENDED JUNE 30, 2020

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Peak to Peak Charter Schools, Inc.
Lafayette, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the remaining fund information of Peak to Peak Charter Schools, Inc., a component unit of Boulder Valley School District, as of and for the year ended June 30, 2020 and the related notes to the financial statements, which collectively comprise Peak to Peak Charter Schools, Inc.'s basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' 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 remaining fund information of Peak to Peak Charter Schools, Inc. as of June 30, 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Peak to Peak Charter Schools, Inc.'s basic financial statements. The schedule of revenues, expenditures and changes in fund balances – budget to actual – Food Services Fund (collectively the supplementary information) is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



CliftonLarsonAllen LLP

Broomfield, Colorado
September 29, 2020

**PEAK TO PEAK CHARTER SCHOOLS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

As management of Peak to Peak Charter Schools, Inc. (Peak to Peak), we offer this narrative and analysis of the financial activities of Peak to Peak for the year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information provided in the financial statements.

Financial Highlights

The year ended June 30, 2020 is the 20th year of operations for Peak to Peak.

- The fund balance in the general fund increased \$429,070 to \$5,619,043.
- Total unrestricted cash and investments increased \$870,279 to \$7,623,555.
- Peak to Peak's net position increased \$4,754,107 due to significant decrease in pension expense.

Overview of Financial Statements

This report follows the guidelines set forth by the Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*. This rule was intended to help make reports easier to understand for oversight bodies, in particular the Boulder Valley School District, which authorizes Peak to Peak, and the general public. The report consists of four parts: Management's Discussion and Analysis, the Basic Financial Statements, Required Supplementary Information and Supplementary Information. The Basic Financial Statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to financial statements which provide additional and more detailed information. Included as Required Supplementary Information and Supplementary Information is budget-to-actual information related to the Peak to Peak's General Fund, Friends of Peak To Peak, Inc. Fund, Operations and Maintenance Fund and Food Services Fund, and the pension and OPEB schedules as required under GASB Statement No. 68 and 75, further discussed in Notes 8 and 9.

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

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

The *statement of activities* presents information showing how Peak to Peak net position has changed during the most recent fiscal year. 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. Thus, revenues and expenses are reported in the statement for some items that will result in cash flows in future periods (for example, salaries and benefits earned but unpaid as of year-end). The government-wide financial statements can be found on pages 9 and 10 of this report.

**PEAK TO PEAK CHARTER SCHOOLS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

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. Peak to Peak uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Peak to Peak reports four major governmental funds: the general fund, Prairie View, Inc. fund (building corporation), the Friends of Peak to Peak, Inc. fund (fundraising organization), and the operations and maintenance fund; and one nonmajor fund, the food service fund. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating Peak to Peak's near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. The basic governmental fund financial statements can be found on pages 11 through 14 of this report.

Notes to financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found starting on page 15 of this report.

**PEAK TO PEAK CHARTER SCHOOLS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

**PEAK TO PEAK CHARTER SCHOOL
Comparative Summary Statement of Net Position**

| | June 30, | |
|---|------------------------|------------------------|
| | <u>2020</u> | <u>2019</u> |
| ASSETS | | |
| Current Assets | \$ 11,903,975 | \$10,938,786 |
| Capital Assets | <u>26,491,204</u> | <u>26,333,967</u> |
| Total Assets | 38,395,179 | 37,272,753 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Loss on Refunding | 2,662,664 | 2,852,855 |
| Related to Pension | 2,700,782 | 8,246,346 |
| Related to OPEB | <u>94,352</u> | <u>111,108</u> |
| Total Deferred Outflows of Resources | 5,457,798 | 11,210,309 |
| LIABILITIES | | |
| Current Liabilities | 1,658,298 | 1,337,080 |
| Noncurrent Liabilities | 15,815,225 | 16,539,645 |
| Net Pension Liability | 21,114,738 | 25,632,127 |
| Net OPEB Liability | <u>1,038,141</u> | <u>1,280,169</u> |
| Total Liabilities | 39,626,402 | 44,789,021 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Related to Pension | 14,502,272 | 18,933,044 |
| Related to OPEB | <u>211,148</u> | <u>1,949</u> |
| Total Deferred Inflows of Resources | <u>14,713,420</u> | <u>18,934,993</u> |
| NET POSITION | | |
| Net Investment in Capital Assets | 13,221,085 | 12,732,426 |
| Restricted | 5,001,510 | 4,825,495 |
| Unrestricted | <u>(28,709,440)</u> | <u>(32,798,873)</u> |
| Total Net Position | <u>\$ (10,486,845)</u> | <u>\$ (15,240,952)</u> |

**PEAK TO PEAK CHARTER SCHOOLS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

**PEAK TO PEAK CHARTER SCHOOL
Comparative Schedule of Revenues, Expenses, and Changes in Net Position**

| | Year Ended June 30, | |
|-----------------------------------|---------------------|-----------------|
| | 2020 | 2019 |
| PROGRAM REVENUES | | |
| Charges for Services | \$ 1,310,286 | \$1,994,529 |
| Operating Grants | 517,587 | 517,071 |
| Capital Grants | 404,333 | 424,538 |
| GENERAL REVENUES | | |
| Per Pupil Funding | 12,174,125 | 11,400,458 |
| District Mill Levy | 4,836,158 | 4,642,178 |
| Other Revenue | 562,061 | 798,758 |
| Total Revenues | 19,804,550 | 19,777,532 |
| EXPENSES | | |
| Instruction | 8,532,078 | 8,984,161 |
| Support Services | 5,678,185 | 6,204,873 |
| Interest on Long-Term Debt | 840,180 | 867,192 |
| Total Expenses | 15,050,443 | 16,056,226 |
| CHANGE IN NET POSITION | 4,754,107 | 3,721,306 |
| Net Position - Beginning of Year | (15,240,952) | (18,962,258) |
| NET POSITION - END OF YEAR | \$ (10,486,845) | \$ (15,240,952) |

Government-Wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of Peak to Peak's financial position. Current assets increased based on revenues exceeding expenditures at the fund level. Charges for services decreased by \$684,243 due to COVID-19 cancelling the School's activities and sports in March 2020. In addition, the Kindergarten Enrichment Program became fully funded by the State and therefore the School did not collect tuition for the year ending June 30, 2020 that was collected in the previous fiscal year. This was offset by the increase in Per Pupil Funding from the Kindergarten Enrichment Program being funded by the State. Overall, revenue increased by \$27,018. The net pension liability and associated deferred outflows of resources and inflows of resources fluctuates based on the financial position of the Public Employee's Retirement Association of Colorado (PERA). The School is required to report its proportionate share of PERA's unfunded pension liability. For the year ended June 30, 2020, Peak to Peak's assets and deferred outflows of resources were exceeded by liabilities and deferred inflows of resources by \$10,486,845, primarily due to the net pension liability of \$21,114,738 (see Note 8). The overall net position in fiscal year 2020 increased by \$4,754,107 from the previous year primarily due to a significant decrease in pension expense from 2019 to 2020.

**PEAK TO PEAK CHARTER SCHOOLS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

Financial Analysis of the School's Funds

The focus of Peak to Peak's governmental funds is to provide information on near-term inflows, outflows, and balances of resources. Such information is useful in assessing Peak to Peak's financing requirements.

Financial Analysis of the School's Funds (Continued)

For the year ended June 30, 2020, Peak to Peak's governmental funds reported a combined ending fund balance of \$10,512,133, an overall increase of \$633,771. The general fund increased \$429,070 to \$5,619,043. The Prairie View, Inc. fund decreased \$340 to \$2,717,134. The Friends of Peak to Peak, Inc. fund increased \$60,010 to \$1,606,575 as a result of current year donations from external parties. The operations and maintenance fund had an increase of \$145,031 due to an increase in Peak to Peak's portion of the 2016 Mill Levy which resulted in approximately \$217,352 in additional revenue and an ending fund balance of \$535,007. The nonmajor food services fund remained unchanged at \$34,374.

General Fund Budgetary Highlights

Peak to Peak's budgeted general fund revenue for 2019-20 was \$17,641,318, while actual revenue was \$17,697,843, resulting in a surplus of \$56,525 (not including transfers and other financing sources). Peak to Peak's 2019-20 budget for general fund expenditures was \$17,932,251, while actual expenditures were \$17,525,334, resulting in a surplus of \$406,917 (not including transfers). There was a net increase in fund balance of \$429,070, with a final fund balance of \$5,619,043.

Capital Asset and Debt Administration

Capital Assets. Peak to Peak's capital assets as of June 30, 2020, amounted to \$26,491,204, net of accumulated depreciation. Peak to Peak's capital assets include 35 acres of land and 180,000 square feet of building space located at 800 Merlin Drive, Lafayette, Colorado. Additional information on the School's capital assets can be found in Note 3 of this report.

Long-Term Debt. As of June 30, 2020, Peak to Peak had outstanding debt of \$14,815,000, which is a decrease of \$680,000 from the previous year. Long-term debt is detailed in Note 4 to the financial statements. The school currently holds an "A+" credit rating with Standard and Poor's.

Economic Factors and Next Year's Budget

Peak to Peak's student enrollment for the 2019-20 school year was 1,445.0 full-time equivalent (FTE) students. The maximum enrollment allowed by Peak to Peak's contract with Boulder Valley School District is 1,445.0 FTE students. Peak to Peak's enrollment has been near the maximum allowable, per contract, for several years. State funding is expected to decrease \$14,586 to \$13,000,386 for the 2020-21 school year. The School is anticipating stable enrollment, increased salary and benefit costs along with increased supplies and materials and other support service costs. All will impact 2021 fiscal plans and operations. The initial budget projects a surplus for the 2020-21 fiscal year.

**PEAK TO PEAK CHARTER SCHOOLS, INC.
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

COVID-19

During FY 2020, the World Health Organization declared the spread of the Coronavirus (COVID-19) a worldwide pandemic. The COVID-19 pandemic is having significant effects on global markets, supply chains, businesses, and communities. Specific to the School, COVID-19 may impact various parts of its operations and financial results including, but not limited to, personal protective equipment (PPE)/disinfectant supplies and distance learning equipment such as iPads, laptops, Chromebooks, adjustable desks, and monitors. The School has received COVID-19 Relief Funds, which have helped offset the costs noted above. Management believes the School is taking appropriate actions to mitigate the negative impact. However, the full impact of COVID-19 is unknown and cannot be reasonably estimated as these events are still ongoing.

Requests for Information

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

Sam Todd, Executive Director of Operations
Peak to Peak Charter School
800 Merlin Drive
Lafayette, CO 80026
sam.todd@bvsd.org

PEAK TO PEAK CHARTER SCHOOLS, INC.
STATEMENT OF NET POSITION
JUNE 30, 2020

| | Governmental Activities |
|--|----------------------------|
| ASSETS | |
| Cash and Investments | \$ 7,623,555 |
| Restricted Cash and Investments | 4,189,983 |
| Prepaid Items | 51,391 |
| Accounts Receivable | 39,046 |
| Capital Assets, Not Being Depreciated | 3,243,348 |
| Capital Assets, Depreciated, Net of Accumulated Depreciation | 23,247,856 |
| Total Assets | 38,395,179 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Loss on Refunding | 2,662,664 |
| Related to Pension | 2,700,782 |
| Related to OPEB | 94,352 |
| Total Deferred Outflows of Resources | 5,457,798 |
| LIABILITIES | |
| Accounts Payable | 368,171 |
| Accrued Salaries and Benefits | 992,407 |
| Unearned Revenues | 31,264 |
| Accrued Interest | 266,456 |
| Noncurrent Liabilities: | |
| Due Within One Year | 712,795 |
| Due in More Than One Year | 15,102,430 |
| Net Pension Liability | 21,114,738 |
| Net OPEB Liability | 1,038,141 |
| Total Liabilities | 39,626,402 |
| DEFERRED INFLOWS OF RESOURCES | |
| Related to Pension | 14,502,272 |
| Related to OPEB | 211,148 |
| Total Deferred Inflows of Resources | 14,713,420 |
| NET POSITION | |
| Net Investment in Capital Assets | 13,221,085 |
| Restricted: | |
| Advanced Placement Testing | 10,469 |
| Scholarships | 1,462,380 |
| Emergencies | 584,467 |
| Debt Service | 2,197,296 |
| Repair and Maintenance | 746,898 |
| Unrestricted | (28,709,440) |
| Total Net Position | \$ (10,486,845) |

See accompanying Notes to Basic Financial Statements.

PEAK TO PEAK CHARTER SCHOOLS, INC.
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

| | | Program Revenues | | | |
|---------------------------------------|---------------|-------------------------|--|--|---|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Net (Expenses) Revenue and Changes in Net Position |
| GOVERNMENTAL ACTIVITIES | | | | | |
| Instructional | \$ 8,532,078 | \$ 768,603 | \$ 435,708 | \$ - | \$ (7,327,767) |
| Support Services: | | | | | |
| General Administration | 4,339,965 | 541,683 | 81,879 | - | (3,716,403) |
| Maintenance and Operations | 1,029,125 | - | - | 404,333 | (624,792) |
| Other Supporting Services | 309,096 | - | - | - | (309,096) |
| Interest on Long-Term Debt | 840,180 | - | - | - | (840,180) |
| Total Governmental Activities | \$ 15,050,443 | \$ 1,310,286 | \$ 517,587 | \$ 404,333 | (12,818,237) |
| GENERAL REVENUES | | | | | |
| Per Pupil Revenue | | | | | 12,174,125 |
| District Mill Levy | | | | | 4,836,158 |
| Other | | | | | 562,061 |
| Total General Revenues | | | | | 17,572,344 |
| CHANGE IN NET POSITION | | | | | 4,754,107 |
| Net Position - Beginning of Year | | | | | (15,240,952) |
| NET POSITION - END OF YEAR | | | | | \$ (10,486,845) |

See accompanying Notes to Basic Financial Statements.

PEAK TO PEAK CHARTER SCHOOLS, INC.
BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2020

| | General | Prairie View, Inc. | Friends of Peak to Peak, Inc. | Operations and Maintenance | Nonmajor Fund Food Services | Total |
|--|---------------------|-----------------------|-------------------------------------|----------------------------------|--------------------------------------|----------------------|
| ASSETS | | | | | | |
| Cash and Investments | \$ 6,891,612 | \$ - | \$ 108,803 | \$ 587,922 | \$ 35,218 | \$ 7,623,555 |
| Restricted Cash and Investments | - | 2,717,134 | 1,472,849 | - | - | 4,189,983 |
| Prepaid Items | 15,383 | - | 24,923 | - | 11,085 | 51,391 |
| Accounts Receivable | 38,975 | - | - | - | 71 | 39,046 |
| Total Assets | <u>\$ 6,945,970</u> | <u>\$ 2,717,134</u> | <u>\$ 1,606,575</u> | <u>\$ 587,922</u> | <u>\$ 46,374</u> | <u>\$ 11,903,975</u> |
| LIABILITIES AND FUND BALANCES | | | | | | |
| Liabilities: | | | | | | |
| Accounts Payable | \$ 321,851 | \$ - | \$ - | \$ 46,320 | \$ - | \$ 368,171 |
| Accrued Salaries and Benefits | 973,812 | - | - | 6,595 | 12,000 | 992,407 |
| Unearned Revenues | 31,264 | - | - | - | - | 31,264 |
| Total Liabilities | <u>1,326,927</u> | <u>-</u> | <u>-</u> | <u>52,915</u> | <u>12,000</u> | <u>1,391,842</u> |
| Fund Balances: | | | | | | |
| Nonspendable | 15,383 | - | 24,923 | - | 11,085 | 51,391 |
| Restricted | 529,240 | 2,717,134 | 1,472,849 | 535,007 | 13,736 | 5,267,966 |
| Committed | - | - | 60,527 | - | - | 60,527 |
| Assigned | - | - | 48,276 | - | 9,553 | 57,829 |
| Unassigned | 5,074,420 | - | - | - | - | 5,074,420 |
| Total Fund Balances | <u>5,619,043</u> | <u>2,717,134</u> | <u>1,606,575</u> | <u>535,007</u> | <u>34,374</u> | <u>10,512,133</u> |
| Total Liabilities and Fund Balances | <u>\$ 6,945,970</u> | <u>\$ 2,717,134</u> | <u>\$ 1,606,575</u> | <u>\$ 587,922</u> | <u>\$ 46,374</u> | <u>\$ 11,903,975</u> |

See accompanying Notes to Basic Financial Statements.

PEAK TO PEAK CHARTER SCHOOLS, INC.
RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS TO THE
STATEMENT OF NET POSITION
JUNE 30, 2020

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

| | |
|---|-------------------------------|
| Total Fund Balance - Governmental Funds | \$ 10,512,133 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund. | 26,491,204 |
| Deferred Loss on Refunding, Net of Accumulated Amortization | 2,662,664 |
| Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported as liabilities in the funds. Long-term liabilities at year end consist of: | |
| Accrued Interest | (266,456) |
| Bonds Payable | (14,815,000) |
| Bond Premium, Net of Accumulated Amortization | (895,436) |
| Compensated Absences | (104,789) |
| Net Pension Liability | (21,114,738) |
| Net OPEB Liability | (1,038,141) |
| Deferred outflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. | |
| Related to Pension | 2,700,782 |
| Related to OPEB | 94,352 |
| Deferred inflows of resources used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds. | |
| Related to Pension | (14,502,272) |
| Related to OPEB | (211,148) |
| Total Net Position | <u><u>\$ (10,486,845)</u></u> |

PEAK TO PEAK CHARTER SCHOOLS, INC.
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

| | General Fund | Prairie View, Inc. | Friends of Peak to Peak, Inc. | Operations and Maintenance | Nonmajor Fund Food Services | Total |
|--|---------------------|-----------------------|-------------------------------------|----------------------------------|--------------------------------------|----------------------|
| REVENUES | | | | | | |
| Per Pupil Funding | \$ 12,174,125 | \$ - | \$ - | \$ - | \$ - | \$ 12,174,125 |
| District Mill Levy | 3,453,135 | - | - | 1,383,023 | - | 4,836,158 |
| Rental Income | - | 1,420,317 | - | - | - | 1,420,317 |
| Intergovernmental: | | | | | | |
| State Sources | 1,042,884 | - | - | - | 4,900 | 1,047,784 |
| Federal Sources | - | - | - | - | 76,979 | 76,979 |
| Donations | - | - | 371,651 | - | - | 371,651 |
| Other Income | 937,864 | - | - | - | 372,422 | 1,310,286 |
| Investment Income | 89,835 | 36,062 | 64,514 | - | - | 190,411 |
| Total Revenues | <u>17,697,843</u> | <u>1,456,379</u> | <u>436,165</u> | <u>1,383,023</u> | <u>454,301</u> | <u>21,427,711</u> |
| EXPENDITURES | | | | | | |
| Current: | | | | | | |
| Instruction | 10,207,307 | - | - | - | - | 10,207,307 |
| Support Services: | | | | | | |
| General Administration | 4,698,415 | - | - | - | 505,598 | 5,204,013 |
| Rent Expense | 1,420,317 | - | - | - | - | 1,420,317 |
| Maintenance and Operations | 277,637 | - | - | 956,377 | - | 1,234,014 |
| Other Supporting Services | 249,768 | - | 120,866 | - | - | 370,634 |
| Capital Outlay | 671,890 | - | - | 281,615 | - | 953,505 |
| Debt Service: | | | | | | |
| Principal | - | 680,000 | - | - | - | 680,000 |
| Interest | - | 724,150 | - | - | - | 724,150 |
| Total Expenditures | <u>17,525,334</u> | <u>1,404,150</u> | <u>120,866</u> | <u>1,237,992</u> | <u>505,598</u> | <u>20,793,940</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>172,509</u> | <u>52,229</u> | <u>315,299</u> | <u>145,031</u> | <u>(51,297)</u> | <u>633,771</u> |
| OTHER FINANCING SOURCES (USES) | | | | | | |
| Transfers In | 307,858 | - | - | - | 51,297 | 359,155 |
| Transfers Out | (51,297) | (52,569) | (255,289) | - | - | (359,155) |
| Total Other Financing Sources (Uses) | <u>256,561</u> | <u>(52,569)</u> | <u>(255,289)</u> | <u>-</u> | <u>51,297</u> | <u>-</u> |
| NET CHANGE IN FUND BALANCE | 429,070 | (340) | 60,010 | 145,031 | - | 633,771 |
| Fund Balance - Beginning of Year | <u>5,189,973</u> | <u>2,717,474</u> | <u>1,546,565</u> | <u>389,976</u> | <u>34,374</u> | <u>9,878,362</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 5,619,043</u> | <u>\$ 2,717,134</u> | <u>\$ 1,606,575</u> | <u>\$ 535,007</u> | <u>\$ 34,374</u> | <u>\$ 10,512,133</u> |

See accompanying Notes to Basic Financial Statements.

PEAK TO PEAK CHARTER SCHOOLS, INC.
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

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

| | | |
|---|-----------|------------------|
| Net Change in Fund Balance - Governmental Funds | \$ | 633,771 |
| <p>Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets are allocated over their estimated useful lives and reported as depreciation expense.</p> | | |
| Capital Outlay | | 953,505 |
| Depreciation Expense | | (796,268) |
| <p>Repayments of debt principal are expenditures in the governmental funds, but they reduce long-term liabilities in the statement of net position and do not affect the statement of activities.</p> | | |
| Principal Payments | | 680,000 |
| <p>Interest is paid when due in the governmental funds but recorded when payable in the statement of activities.</p> | | |
| | | 10,200 |
| <p>Governmental funds report the effect of premiums and loss on refundings when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p> | | |
| Premium Amortization | | 63,960 |
| Loss on Refunding Amortization | | (190,190) |
| <p>Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. The (increases) decreases in these activities consist of:</p> | | |
| Change in Accrued Compensated Absences | | (19,540) |
| Pension Expense | | 3,340,646 |
| Change in Contributions Subsequent to Measurement Date | | 61,951 |
| OPEB Expense | | 16,072 |
| | | 16,072 |
| Change in Net Position | <u>\$</u> | <u>4,754,107</u> |

See accompanying Notes to Basic Financial Statements.

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of Peak to Peak Charter Schools, Inc. (the School) conform to accounting principles generally accepted in the United States of America. The following is a summary of the School's significant accounting policies:

Financial Reporting Entity

The School is a charter school organized under the Colorado Charter Schools Act (Colorado Revised Statutes §22-30.5-101). This Act permits school districts to contract with individuals and organizations for the operation of schools within Boulder Valley School District RE-2 (the District). The statutes define these contracted schools as "charter schools". Charter schools are financed from a portion of the school district's School Finance Act revenues and from revenues generated by the charter school within limits established by the Charter School Act. Charter schools have separate governing boards; however, the School District's Board of education must approve all charter school applications and budgets.

Peak to Peak Charter Schools, Inc. was formed on May 12, 1998 and began operations as an incorporated school in 2000. The School has been granted 501(c)(3) status by the Internal Revenue Service. The School operates under a charter granted by the Boulder Valley School District RE-2 (the District) Board of Education and is reported as a discretely presented component unit of the District in the District's Comprehensive Annual Financial Report (CAFR).

Blended Component Units

The accompanying financial statements present the School and two nonprofit organizations considered to be blended component units. Blended component units, although legally separate entities, are, in substance, part of the School's operations. Prairie View, Inc. and Friends of Peak to Peak, Inc. (the Foundation) meet the requirements for blending.

Prairie View, Inc. was established for the purpose of financing and constructing the school facilities and to accumulate resources from the collection of rents from the School to make payments for Prairie View, Inc.'s capital and debt service costs. Prairie View, Inc. does not issue separate financial statements.

The Foundation was established to aid in development of the School and is responsible for raising funds to be used for the expansion of the School and its educational objectives. The Foundation does not issue separate financial statements.

Government-Wide and Fund Financial Statements

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the activities of the School. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported in a single column.

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: 1) charges to students or individuals 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. Other items not included among program revenues are reported instead as general revenues.

Fund Financial Statements

The accounts of the School are organized on the basis of funds, each of which is considered to be a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures, or expenses as appropriate. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The major funds presented in the accompanying basic financial statements are as follows:

Major Governmental Funds

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

Special Revenue Fund – Prairie View, Inc.: Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The School reports a special revenue fund for Prairie View, Inc.

Special Revenue Fund – Friends of Peak to Peak, Inc.: Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The School reports one special revenue fund for Friends of Peak to Peak, Inc.

Special Revenue Fund – Operations and Maintenance Fund: Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted to expenditure for specified purposes. The School reports one special revenue fund for the School's operations and maintenance activities related to a mill levy override as allowed by Colorado House Bill 16-1354 (HB-1354).

Nonmajor Governmental Funds

Special Revenue Fund – Food Services Fund: Special revenue funds are used to account for the proceeds of specific revenue sources that are restricted for specified purposes. The School reports one special revenue fund for the School's food services activity.

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the time of the related cash flows. Revenue from per pupil operating revenue is recognized in the fiscal year for which the funding is provided. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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. Measurable means that the amount of the transaction can be determined. Available means collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are generally recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Charges for services are considered revenue once the service is rendered, and as such are considered susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the government.

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

Use of Estimates in the Preparation of Financial Statements

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions. The estimates and assumptions affect the reported amounts of assets and liabilities at the date of the financial statements, as well as the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from these estimates.

Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position

Investments

Peak to Peak Charter Schools, Inc.'s investments are reported at fair value except for money market funds and CSAFE which are measured at amortized cost and investments in ColoTrust which are measured at net asset value (NAV).

Capital Assets

Capital assets purchased by Prairie View, Inc., which include land, construction in progress, land improvements, buildings, building improvements and equipment, are reported in the government-wide financial statements. All capital assets are valued at acquisition cost or estimated acquisition cost if actual acquisition cost is not available. Donated capital assets are recorded at acquisition value at the date of donation.

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position (Continued)

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized. An annual capital asset inventory is performed in accordance with state law (Colorado Revised Statute §29-1-506).

All reported capital assets, except for land and construction in progress, are depreciated once placed in service. Depreciation on all assets is provided using the straight-line method over estimated useful lives of 10 to 50 years.

Deferred Outflows of Resources

The School's governmental activities report a separate section for deferred outflows of resources. This separate financial statement element reflects a consumption of net position that applies to a future period. Deferred outflows for the School as of June 30, 2020 consist of deferred losses on debt refundings, deferred outflows related to pension and deferred outflows related to OPEB.

Accrued Salaries and Benefits

Salaries of teachers and certain other employees are paid over a 12-month period ending July 31. However, most salaries are earned over the traditional school year of September through May. The difference between salary and related benefit amounts earned from July 1 through June 30 and the corresponding amounts paid during this period is shown as a liability for accrued salaries and benefits in the amount of \$992,407.

Long-Term Debt

Long-term debt is reported as liabilities in the statement of net position. Bond premiums and discounts are amortized over the life of debt using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Net Pension Liability

The School's governmental activities report a net pension liability as of June 30, 2020. Due to GASB Statement No. 68, the School is required to report its proportionate share of PERA's unfunded pension liability. See Note 8 for additional information.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Health Care Trust Fund (HCTF) administered by the Public Employees' Retirement Association of Colorado (PERA) and additions to/deductions from the HCTF's fiduciary net position have been determined on the same basis as they are reported by the HCTF. For this purpose, the HCTF recognizes benefit payments when due and payable in accordance with benefit terms. Investments are reported at fair value. See Note 9 for additional information.

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position (Continued)

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow or resources (revenue) until that time. See Notes 8 and 9 for the deferred pension inflows of resources and deferred OPEB inflows of resources, respectively.

On-Behalf Payments

GAAP requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of Colorado makes direct on-behalf payments for retirement benefits to Colorado PERA. Beginning on July 1, 2018, the State of Colorado is required to make a payment to PERA each year equal to \$225 million. PERA allocates the contribution to the trust funds of the State, School, Denver Public Schools, and Judicial Division Trust Funds of PERA, as proportionate to the annual payroll of each division. This annual payment is required on July 1st of each year thereafter until there are no unfunded actuarial accrued liabilities of any division of PERA that receives the direct distribution. The amount of on-behalf payments made for the School by the State of Colorado has been recorded in the fund financial statements.

Net Position/Fund Balance

In the government-wide financial statements, net position is restricted when constraints placed on the net position are externally imposed. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction, or improvements of those assets.

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 either a) due to form; for example, inventories and prepaid amounts or b) due to legal or contractual requirements to be maintained intact. For the General fund, the Friends of Peak to Peak, Inc., and the Food Services fund, nonspendable resources reported are \$15,383, \$24,923, and \$11,085, respectively.
- **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.

**PEAK TO PEAK CHARTER SCHOOLS, INC.
 NOTES TO BASIC FINANCIAL STATEMENTS
 JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflow of Resources, Liabilities, Deferred Inflows of Resources, and Fund Balance/Net Position (Continued)

Restricted fund balances in the School’s general fund and special revenue fund – operations and maintenance are described in Note 7. Restrictions for the Friends of Peak to Peak, Inc. fund balance are described in Note 2. Restrictions for Prairie View, Inc., are described in Note 7.

- Committed – This classification includes amounts constrained for a specific purpose by a government using its highest level of decision-making authority. It would require an ordinance by the School’s board to remove or change the constraints placed on the resources. This action must occur prior to year-end; however, the amount can be determined in the subsequent period. Friends of Peak to Peak, Inc. has a committed fund balance of \$60,527 for scholarships.
- Assigned – This classification includes amounts for governmental funds, other than the general fund, any remaining positive amounts not classified in the above categories. For the general fund, amounts constrained for the intent to be used for a specific purpose has been delegated to the Business Manager. For the Friends of Peak to Peak, Inc. fund and the Food Services fund, the remaining positive amounts not classified in the above categories are considered assigned, which total \$82,752.
- Unassigned – This classification includes the residual fund balance for the General Fund.

The School will typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned fund balance.

NOTE 2 CASH AND INVESTMENTS

Cash and investments are reported in the financial statements at June 30, 2019 as follows:

| | |
|---------------------------------|-----------------------------|
| Cash and Investments | \$ 7,623,555 |
| Restricted Cash and Investments | <u>4,189,983</u> |
| | <u><u>\$ 11,813,538</u></u> |

Cash Deposits

Colorado statutes govern the School’s deposits of cash and investments. The Colorado Public Deposit Protection Act (PDPA) requires that all units of a local government deposit cash in eligible public depositories; eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. Colorado statutes govern the School’s deposits of cash and investments. The Colorado Public Deposit Protection Act (PDPA) requires that all units of a local government deposit cash in eligible public depositories; eligibility is determined by state regulators.

**PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. 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. At June 30, 2020, the School's carrying amount of deposits was \$1,309,091.

Investments

Colorado statutes specify in which investment instruments meeting defined rating and risk criteria in which local governments 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
- Bankers' acceptances of certain banks
- Local government investment pools
- Written repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

Colorado revised statutes, generally limit investment maturities to five years or less unless formally approved by the Board of Directors. Such actions are generally associated with a debt service reserve or sinking fund requirements. Revenue bonds of U.S. local governments, corporate and bank securities, and guaranteed investment contracts not purchased with bond proceeds are limited to maturities of three years or less.

Investments at June 30, 2020 consist of the following:

| Investment | Maturity Less Than One Year | Maturity 1 - 5 Years | Maturity 6-10 Years | Total | Concentration | Standard & Poor's Rating |
|---|-----------------------------------|----------------------------|---------------------------|---------------------|---------------|--------------------------------|
| ColoTrust | \$ 6,314,463 | \$ - | \$ - | \$ 6,314,463 | 69.9% | AAAm |
| Colorado Surplus Asset Fund (CSAFE) | 1,695,264 | - | - | 1,695,264 | 18.8% | AAAm |
| First American Government Obligations Fund #3802 | 1,021,869 | - | - | 1,021,869 | 11.3% | AAAm |
| Total | <u>\$ 9,031,596</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 9,031,596</u> | <u>100.0%</u> | |

Friends of Peak to Peak, Inc.'s investments consisted of a restricted endowment for \$1,462,380 held with the Community First Foundation, which does not have a credit rating and \$10,469 held in restricted bond and money market funds that do not have a credit rating.

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Fair Value Measurements

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 unobservable inputs.

The School has the following recurring fair value measurements as of June 30, 2020:

Endowment held within the Community First Foundation is valued based on unobservable inputs including information from owner-to-owner transactions and the Foundation's own assumptions (Level 3). As of June 30, 2020, Peak to Peak Charter School has a total of \$1,462,380 within Level 3 investments.

As of June 30, 2020, the School invested \$6,314,463 in the Colorado Local Government Asset Trust (ColoTrust) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, ColoTrust PRIME and ColoTrust Plus+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. ColoTrust PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under C.R.S. 24-75-601. A designated custodial bank services as custodian for the Trust's portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. ColoTrust is rated AAAM by Standard & Poor's ColoTrust records investment at fair value and the School records investments in ColoTrust at net asset value (NAV). There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

As of June 30, 2020, the School invested \$1,695,264 in the Colorado Surplus Asset Fund (CSAFE), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing CSAFE. CSAFE operates similarly to a money market fund and each share is equal in value to \$1.00. CSAFE is rated AAAM by Standard & Poor's and is valued at amortized cost. Based on the valuation method, additional disclosures are not required under GASB Statement No. 72.

As of June 30, 2020, the School invested \$1,021,869 in the First American Government Obligations Fund #3802, a money market fund which complied with the Rule 2a-7 definition of a government money market fund. The Fund is rated AAAM by Standard & Poor's and is valued at amortized cost. Based on the valuation method, additional disclosures are not required under GASB Statement No. 72.

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 CASH AND INVESTMENTS (CONTINUED)

Credit Risk

State law does not limit investment to U.S. Treasury issues, other federally backed notes and credits, and other agency offerings. Other investment instruments including bank obligation, general obligation bonds, and commercial paper are limited to at least one of the highest rating categories of at least one nationally recognized rating agency. State law further limits investments in money market funds that are organized according to the Federal Investment Company Act of 1940, as specified in rule 2a-7, as amended, as long as such rule does not increase remaining maturities beyond a maximum of three years.

Investments in these funds require that the institutions have assets in excess of \$1 billion or the highest credit rating from one or more of a nationally recognized rating agency.

Interest Rate Risk

The Trustee is required to maintain liquidity of the investment funds held so as to meet cash requirements of the principal and interest requirements of the bonds on a semiannual basis. The money market funds held in investments have maturities of less than one year.

NOTE 3 CAPITAL ASSETS

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

| | Balance June 30, 2019 | Increases | Decreases | Balance June 30, 2020 |
|---|--------------------------|-------------------|-------------|--------------------------|
| Capital Assets, Not Depreciated: | | | | |
| Land | \$ 2,429,194 | \$ - | \$ - | \$ 2,429,194 |
| Construction in Progress | 17,312 | 796,842 | - | 814,154 |
| Total Capital Assets, Not Depreciated | <u>2,446,506</u> | <u>796,842</u> | <u>-</u> | <u>3,243,348</u> |
| Capital Assets, Being Depreciated: | | | | |
| Land Improvements | 3,784,799 | 100,763 | - | 3,885,562 |
| Buildings and Building Improvements | 28,516,310 | 47,988 | - | 28,564,298 |
| Equipment | 456,652 | 7,912 | - | 464,564 |
| Total Capital Assets, Being Depreciated | <u>32,757,761</u> | <u>156,663</u> | <u>-</u> | <u>32,914,424</u> |
| Accumulated Depreciation: | | | | |
| Land Improvements | (1,703,463) | (165,508) | - | (1,868,971) |
| Buildings and Building Improvements | (6,903,116) | (585,095) | - | (7,488,211) |
| Equipment | (263,721) | (45,665) | - | (309,386) |
| Total Accumulated Depreciation | <u>(8,870,300)</u> | <u>(796,268)</u> | <u>-</u> | <u>(9,666,568)</u> |
| Total Capital Assets, Being Depreciated, Net | <u>23,887,461</u> | <u>(639,605)</u> | <u>-</u> | <u>23,247,856</u> |
| Total Capital Assets | <u>\$ 26,333,967</u> | <u>\$ 157,237</u> | <u>\$ -</u> | <u>\$ 26,491,204</u> |

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 CAPITAL ASSETS (CONTINUED)

Total depreciation expense of \$796,268 was charged to the instructional (\$477,654) and support services (\$318,614) functions of the School for the year ended June 30, 2020.

NOTE 4 BONDS PAYABLE

On July 15, 2014, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$17,880,000 Charter School Refunding Revenue Bonds, Series 2014. Proceeds were used to refund the outstanding Series 2004 Charter School Revenue and Refunding Bonds. Interest accrues at rates ranging from 2% to 5% per annum, and is payable semi-annually on August 15 and February 15. Principal payments are due annually on August 15, through 2034.

Prairie View, Inc. has granted the Authority a mortgage lien on the real estate and a security interest in the lease revenues from the School. The Authority's rights under the agreement have been assigned to the Trustee.

The lease revenues which are the basis of the pledged revenues are described in Note 5. The lease revenue over the term of the agreement is equal to the expected principal and interest payments to be made over the life of the bonds, approximately \$26,600,000. One hundred percent of lease revenues have been pledged under the agreement. Lease revenue of \$1,420,317 was approximately equal to the debt service requirements of the bond for the year ended June 30, 2020.

Bonds payable consisted of the following at June 30, 2020:

| | |
|--|---------------|
| Charter School Refunding Revenue Bonds dated July 15, 2014, due in annual installments ranging from \$470,000 to \$1,350,000 through August 2034; interest (rate ranging from 2.00% to 5.00%) payable semi-annually on August 15 and February 15. Revenue from the rental of the building (Note 5) has been pledged to pay principal and interest. | \$ 14,815,000 |
| Plus: Bond Premium | 895,436 |
| Subtotal | 15,710,436 |
| Less: Current Portion | (710,000) |
| Total | \$ 15,000,436 |

Changes in long-term liabilities for the year ended June 30, 2020 were as follows:

| | Balance June 30, 2019 | Additions | Reductions | Balance June 30, 2020 | Amounts Due Within One Year |
|-----------------------------|--------------------------|------------|--------------|--------------------------|-----------------------------------|
| Bonds Payable - Series 2014 | \$ 15,495,000 | \$ - | \$ (680,000) | \$ 14,815,000 | \$ 710,000 |
| Premium - Series 2014 | 959,396 | - | (63,960) | 895,436 | - |
| Compensated Absences | 85,249 | 151,605 | (132,065) | 104,789 | 2,795 |
| Total | \$ 16,539,645 | \$ 151,605 | \$ (876,025) | \$ 15,815,225 | \$ 712,795 |

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4 BONDS PAYABLE (CONTINUED)

The following schedule represents the School's debt service requirements to maturity for outstanding revenue bonds at June 30, 2020:

| <u>Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-----------------------------|----------------------|---------------------|----------------------|
| 2021 | \$ 710,000 | \$ 696,350 | \$ 1,406,350 |
| 2022 | 740,000 | 667,350 | 1,407,350 |
| 2023 | 770,000 | 637,150 | 1,407,150 |
| 2024 | 800,000 | 605,750 | 1,405,750 |
| 2025 | 830,000 | 569,000 | 1,399,000 |
| 2026-2030 | 4,815,000 | 2,163,125 | 6,978,125 |
| 2031-2035 | 6,150,000 | 798,250 | 6,948,250 |
| Total | <u>\$ 14,815,000</u> | <u>\$ 6,136,975</u> | <u>\$ 20,951,975</u> |

NOTE 5 LEASES

The School leases its building from Prairie View, Inc. The lease requires monthly payments, which approximate Prairie View, Inc.'s required payments on the bonds (see Note 4) and may be terminated in any year by nonappropriation of funds. Prairie View, Inc. has pledged the lease payments to pay bond principal and interest.

Rent expense was \$1,420,317 for the year ended June 30, 2020, and is included in support services expenditures. The lease between the School (lessee) and Prairie View, Inc. (lessor) includes certain restrictive covenants related to expenditures and unrestricted cash balances. The School believes it is in compliance with the covenants.

NOTE 6 RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees, and natural disasters. The School carries commercial insurance for these and other risks of loss. Settled claims have not exceeded this coverage in the past three years.

NOTE 7 RESTRICTION OF NET POSITION / FUND BALANCE

On November 3, 1992, the voters of the State approved an amendment to the Colorado Constitution, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR limits the ability of the state and local governments such as the School to increase revenues, debt, and spending and restricts property, income and other taxes. In addition, the amendment requires government entities to create an emergency "reserve" of 3% of annual spending excluding bonded debt service. At June 30, 2020, management believes the School has complied with the requirements to include emergency reserves in its budgetary basis fund balance in the amount of \$584,467.

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 7 RESTRICTION OF NET POSITION / FUND BALANCE (CONTINUED)

Prairie View, Inc. is required to hold funds in escrow accounts related to its bond obligations, fund balance is restricted attributable to the restrictions on its cash and investments in the amount of \$2,717,134.

\$493,516 of the special revenue fund – operations and maintenance fund balance has been restricted for the School’s operations and maintenance activities related to a mill levy override as required by HB-1354.

NOTE 8 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 fund administered by the Public Employees’ Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

General Information about the Pension Plan

Plan Description. Eligible employees of the School are provided with pensions through the 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 are set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado state law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided: PERA provides retirement, disability, and survivor benefits. Retirements are determined by the amount of service credit earned and/or purchases, highest average salary, the benefit structure 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.

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

In all cases, the service retirement benefit is limited to 100% 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% or 100% on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

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

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

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

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

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

Subsequent to the SCHDTF's December 31, 2019, measurement date, HB 20-1379 *Suspend Direct Distribution to PERA Public Employees Retirement Association for 2020-21 Fiscal Year*, was passed into law during the 2020 legislative session and signed by Governor Polis on June 29, 2020. This bill suspends the July 1, 2020, \$225 million direct distribution allocated to the State, School, Judicial, and DPS Divisions, as required under Senate Bill 18-200.

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF for the School for the year ended June 30, 2020 were \$1,661,191.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

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

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

At June 30, 2020, the School reported a liability of \$21,114,738 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the School as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the School were as follows:

| | |
|--|-----------------------------|
| The School's Proportionate Share of the Net Pension | \$ 21,114,738 |
| State's Proportionate Share of the Net Pension Liability | <u>2,678,135</u> |
| Total | <u><u>\$ 23,792,873</u></u> |

At December 31, 2019, the School's proportion was 0.14133%, which was a decrease of 0.00342% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the School recognized pension income of \$3,340,648 for its proportionate share of the plan's pension income. In addition, the School recognized an additional \$84,713 as pension income (and negative grant revenue) for its proportionate share of the support provided by the State as a nonemployer contributing entity. At June 30, 2020, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|--|---|--|
| Difference Between Expected and Actual Experience | \$1,150,767 | \$ - |
| Changes of Assumptions or Other Inputs | 602,794 | 9,577,445 |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | - | 2,501,251 |
| Change in Proportion and Differences Between Contributions Recognized and Proportionate Share of Contributions | 103,056 | 2,423,576 |
| Contributions Subsequent to the Measurement Date | <u>844,165</u> | <u>-</u> |
| Total | <u><u>\$ 2,700,782</u></u> | <u><u>\$ 14,502,272</u></u> |

\$844,165 reported as deferred outflows of resources related to pensions, resulting from the School's contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| <u>Year Ending June 30,</u> | <u>Amount</u> |
|-----------------------------|-------------------------------|
| 2021 | \$ (6,848,528) |
| 2022 | (4,879,188) |
| 2023 | (67,088) |
| 2024 | <u>(850,851)</u> |
| Total | <u><u>\$ (12,645,655)</u></u> |

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

Actuarial Assumptions. The December 31, 2018 actuarial valuation used the following actuarial cost method, actuarial assumptions, and other inputs:

| | |
|--|--|
| Actuarial Cost Method | Entry Age |
| Price Inflation | 2.40% |
| Real Wage Growth | 1.10% |
| Wage Inflation | 3.50% |
| Salary Increases, Including Wage Inflation | 3.50 - 9.70% |
| Long-Term Investment Rate of Return, Net of Pension Plan | |
| Investment Expenses, Including Price Inflation | 7.25% |
| Discount rate | 7.25% |
| Future Post Retirement Benefit Increases: | |
| PERA Benefit Structure Hired Prior to January 1, 2007; and DPS Benefit Structure (Automatic)* | 1.25% Compounded Annually |
| PERA Benefit Structure hired after December 31, 2006 (Ad Hoc, Substantively Automatic)* | Financed by the Annual Increase Reserve |

*For 2019, the annual increase was 0.0%.

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

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

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

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

The actuarial assumptions used in the December 31, 2018, valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

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

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>30 Year Expected Geometric Real Rate of Return</u> |
|-----------------------------------|--------------------------|---|
| U.S. Equity - Large Cap | 21.20 % | 4.30 % |
| U.S. Equity - Small Cap | 7.42 | 4.80 |
| Non U.S. Equity - Developed | 18.55 | 5.20 |
| Non U.S. Equity - Emerging | 5.83 | 5.40 |
| Core Fixed Income | 19.32 | 1.20 |
| High Yield | 1.38 | 4.30 |
| Non U.S. Fixed Income - Developed | 1.84 | 0.60 |
| Emerging Market 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 | <u>100.00 %</u> | |

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200 and the additional 0.50% resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200 and the additional 0.50 percent, resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State provides an annual direct distribution of \$225 million, which commenced July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered annual increase cap, from 1.50% to 1.25% resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.25%) or one percentage-point higher (8.25%) than the current rate:

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8 DEFINED BENEFIT PENSION PLAN (CONTINUED)

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|--|------------------------|-------------------------------------|------------------------|
| Proportionate Share of the Net Pension Liability | \$28,002,663 | \$21,114,738 | \$15,331,724 |

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

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

Summary of Significant Accounting Policies

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

General Information about the OPEB Plan

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

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

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 9 DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT PLAN (CONTINUED)

division as it relates to the total member contribution account balance from which the retirement benefit is paid.

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

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

PERA Benefit Structure

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5% 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% 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.

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 9 DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT PLAN (CONTINUED)

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

Contributions. Pursuant to Title 24, Article 51, Section 208(1) (f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02% 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 the School were \$87,431 for the year ended June 30, 2020.

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

At June 30, 2020, the School reported a liability of \$1,038,141 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2019. The School's proportion of the net OPEB liability was based on the School's contributions to the HCTF for the calendar year 2018 relative to the total contributions of participating employers to the HCTF.

At December 31, 2019, the School's proportion was 0.09236%, which was a decrease of 0.00173% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the School recognized OPEB income of \$16,072. At June 30, 2020, 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 | \$3,445 | \$174,446 |
| Changes of Assumptions or Other Inputs | 8,613 | - |
| Net Difference Between Projected and Actual Earnings on Pension Plan Investments | - | 17,328 |
| Change in Proportion and Differences Between Contributions Recognized and Proportionate Share of Contributions | 37,864 | 19,374 |
| Contributions Subsequent to the Measurement Date | 44,430 | - |
| Total | \$ 94,352 | \$ 211,148 |

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
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NOTE 9 DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT PLAN (CONTINUED)

\$44,430 reported as deferred outflows of resources related to OPEB resulting from the School's contributions subsequent to the measurement date will be recognized as a reduction in the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year Ended June 30, | Amount |
|---------------------|--------------|
| 2021 | \$ (30,110) |
| 2022 | (30,108) |
| 2023 | (25,091) |
| 2024 | (36,237) |
| 2025 | (37,421) |
| Thereafter | (2,259) |
| Total | \$ (161,226) |

Actuarial assumptions. The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

| | |
|---|--|
| Actuarial Cost Method | Entry Age |
| Price Inflation | 2.40% |
| Real Wage Growth | 1.10% |
| Wage Inflation | 3.50% |
| Salary Increases, Including Wage Inflation | 3.50 % in the aggregate |
| Long-Term Investment Rate of Return, Net of Pension | |
| Plan Investment Expenses, Including Price Inflation | 7.25% |
| Discount Rate | 7.25% |
| Health Care Cost Trend Rates | |
| Service-based Premium Subsidy | 0.00% |
| PERACare Medicare Plans | 5.60% in 2019, gradually decreasing to 4.50% in 2029 |
| Medicare Part A Premiums | 3.50% for 2019, |

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

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (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 2019 for the PERA Benefit Structure:

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

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

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

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

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

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

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

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

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

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

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

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

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

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

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

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

For disabled retirees, the mortality assumption was based on 90% 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 2019 plan year.
- The morbidity assumptions were updated to reflect the assumed standard aging factors.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

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

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

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

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

Sensitivity of the School's Proportionate Share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates. The following presents the School's proportionate share of the net OPEB liability, as well as what the School's proportionate share of the net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

| | <u>1% Decrease in Trend Rates</u> | <u>Current Trend Rates</u> | <u>1% Increase in Trend Rates</u> |
|---|-----------------------------------|----------------------------|-----------------------------------|
| Initial PERACare Medicare Trend Rate | 4.60% | 5.60% | 6.60% |
| Ultimate PERACare Medicare Trend Rate | 3.50% | 4.50% | 5.50% |
| Initial Medicare Part A Trend Rate | 2.50% | 3.50% | 4.50% |
| Ultimate Medicare Part A Trend Rate | 3.50% | 4.50% | 5.50% |
| Proportionate Share of the Net OPEB Liability | \$1,013,481 | \$1,038,141 | \$1,066,638 |

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2019, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.

**PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 9 POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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

Based on the above assumptions and methods, the projection test indicates the HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% 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%.

Sensitivity of the School proportionate share of the net OPEB liability to changes in the discount rate. The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25%, 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%) or 1-percentage-point higher (8.25%) than the current rate:

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|---|------------------------|-------------------------------------|------------------------|
| Proportionate Share of the Net OPEB Liability | \$1,173,827 | \$1,038,141 | \$922,101 |

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 10 INTERFUND TRANSFERS

During the year ended June 30, 2020, \$255,289 was transferred to the School's general fund from the Friends of Peak to Peak, Inc. special revenue fund related to donated funds raised by Friends of Peak to Peak, Inc. for the School's operating expenditures. In addition, during the year ended June 30, 2020, Prairie View, Inc. transferred \$52,569 to the School's general fund related excess bond reserves accumulated during the year ended June 30, 2020. In addition, during the year ended June 30, 2020, \$51,297 was transferred to the School's special revenue fund, Food Services from the School's general fund.

PEAK TO PEAK CHARTER SCHOOLS, INC.
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – GENERAL FUND
YEAR ENDED JUNE 30, 2020

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|---------------------|---------------------|---------------------|---|
| REVENUES | | | | |
| Per Pupil Revenue | \$ 12,153,895 | \$ 12,178,453 | \$ 12,174,125 | \$ (4,328) |
| District Mill Levy | 3,453,135 | 3,453,135 | 3,453,135 | - |
| Intergovernmental: | | | | |
| State Sources | 810,417 | 836,519 | 1,042,884 | 206,365 |
| Other Income | 981,284 | 1,073,211 | 937,864 | (135,347) |
| Investment Income | 100,000 | 100,000 | 89,835 | (10,165) |
| Total Revenues | <u>17,498,731</u> | <u>17,641,318</u> | <u>17,697,843</u> | <u>56,525</u> |
| EXPENDITURES | | | | |
| Current: | | | | |
| Instruction | 10,422,831 | 10,477,763 | 10,207,307 | 270,456 |
| Support Services: | | | | |
| General Administration | 4,762,740 | 4,741,550 | 4,698,415 | 43,135 |
| Rent Expense | 1,442,837 | 1,442,837 | 1,420,317 | 22,520 |
| Facilities and Maintenance | 329,396 | 328,396 | 277,637 | 50,759 |
| Other Supporting Services | 293,221 | 284,337 | 249,768 | 34,569 |
| Capital Outlay | 272,207 | 657,368 | 671,890 | (14,522) |
| Total Expenditures | <u>17,523,232</u> | <u>17,932,251</u> | <u>17,525,334</u> | <u>406,917</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(24,501)</u> | <u>(290,933)</u> | <u>172,509</u> | <u>(350,392)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 399,400 | 348,000 | 307,858 | (40,142) |
| Transfers Out | (179,250) | (17,301) | (51,297) | (33,996) |
| Total Other Financing Sources (Uses) | <u>220,150</u> | <u>330,699</u> | <u>256,561</u> | <u>(74,138)</u> |
| NET CHANGE IN FUND BALANCE | 195,649 | 39,766 | 429,070 | 389,304 |
| Fund Balance - Beginning of Year | <u>4,375,150</u> | <u>5,189,973</u> | <u>5,189,973</u> | <u>-</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 4,570,799</u> | <u>\$ 5,229,739</u> | <u>\$ 5,619,043</u> | <u>\$ 389,304</u> |

See accompanying Note to Required Supplementary Information.

PEAK TO PEAK CHARTER SCHOOLS, INC.
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – FRIENDS OF PEAK TO PEAK, INC.
YEAR ENDED JUNE 30, 2020

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|----------------------------|----------------------------|----------------------------|---|
| REVENUES | | | | |
| Donations | \$ 625,000 | \$ 505,000 | \$ 371,651 | \$ (133,349) |
| Investment Income | 27,145 | 80,000 | 64,514 | (15,486) |
| Total Revenues | <u>652,145</u> | <u>585,000</u> | <u>436,165</u> | <u>(148,835)</u> |
| EXPENDITURES | | | | |
| Other Supporting Services | <u>201,848</u> | <u>187,823</u> | <u>120,866</u> | <u>66,957</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>450,297</u> | <u>397,177</u> | <u>315,299</u> | <u>(81,878)</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers Out | <u>(399,400)</u> | <u>(348,000)</u> | <u>(255,289)</u> | <u>92,711</u> |
| NET CHANGE IN FUND BALANCE | 50,897 | 49,177 | 60,010 | 10,833 |
| Fund Balance - Beginning of Year | <u>1,513,366</u> | <u>1,546,565</u> | <u>1,546,565</u> | <u>-</u> |
| FUND BALANCE - END OF YEAR | <u><u>\$ 1,564,263</u></u> | <u><u>\$ 1,595,742</u></u> | <u><u>\$ 1,606,575</u></u> | <u><u>\$ 10,833</u></u> |

See accompanying Note to Required Supplementary Information.

PEAK TO PEAK CHARTER SCHOOLS, INC.
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – OPERATIONS AND MAINTENANCE FUND
YEAR ENDED JUNE 30, 2020

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|--------------------|-------------------|-------------------|---|
| REVENUES | | | | |
| District Mill Levy | \$ 1,153,659 | \$ 1,383,023 | 1,383,023 | \$ - |
| EXPENDITURES | | | | |
| Maintenance and Operations | 890,308 | 896,773 | 956,377 | (59,604) |
| Capital Outlay | 450,577 | 420,441 | 281,615 | 138,826 |
| Total Expenditures | <u>1,340,885</u> | <u>1,317,214</u> | <u>1,237,992</u> | <u>79,222</u> |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | <u>(187,226)</u> | <u>65,809</u> | <u>145,031</u> | <u>79,222</u> |
| NET CHANGE IN FUND BALANCE | (187,226) | 65,809 | 145,031 | 79,222 |
| Fund Balance - Beginning of Year | <u>345,935</u> | <u>389,976</u> | <u>389,976</u> | <u>-</u> |
| FUND BALANCE - END OF YEAR | <u>\$ 158,709</u> | <u>\$ 455,785</u> | <u>\$ 535,007</u> | <u>\$ 79,222</u> |

See accompanying Note to Required Supplementary Information.

PEAK TO PEAK CHARTER SCHOOLS, INC.
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
LAST TEN FISCAL YEARS*

| Fiscal Year | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|--|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|----------------------|
| Plan Measurement Date | 31-Dec-19 | December 31, 2018 | December 31, 2017 | December 31, 2016 | December 31, 2015 | December 31, 2014 | December 31, 2013 |
| The School's Proportion of the Net Pension Liability | 0.141332291% | 0.144756590% | 0.161459707% | 0.156919771% | 0.153821338% | 0.149301336% | 0.154462680% |
| The School's Proportionate Share of the Net Pension Liability | \$ 21,114,738 | \$ 25,632,127 | \$ 52,210,331 | \$ 46,721,084 | \$ 23,525,888 | \$ 20,235,346 | \$ 19,701,673 |
| State's Proportionate Share of the Net Pension Liability associated with the School ** | <u>2,678,135</u> | <u>3,504,838</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total | <u>\$ 23,792,873</u> | <u>\$ 29,136,965</u> | <u>\$ 52,210,331</u> | <u>\$ 46,721,084</u> | <u>\$ 23,525,888</u> | <u>\$ 20,235,346</u> | <u>\$ 19,701,673</u> |
| The School's Covered Payroll | 8,304,758 | 7,958,049 | 7,523,556 | 7,042,730 | 7,196,937 | 6,715,234 | 6,491,195 |
| The School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 254.20% | 322.09% | 693.96% | 663.39% | 326.89% | 301.33% | 303.51% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 64.50% | 57.01% | 43.96% | 43.10% | 59.20% | 62.80% | 64.06% |

* The amounts presented for each fiscal year were determined as of December 31 based on the measurement date of the Plan. Information earlier than 2014 was not available.

** A direct distribution provision to allocate funds from the State of Colorado budget to Colorado PERA on an annual basis began in July 2018 based on Senate Bill 18-200.

See accompanying Note to Required Supplementary Information.

PEAK TO PEAK CHARTER SCHOOLS, INC.
SCHEDULE OF PENSION CONTRIBUTIONS AND RELATED RATIOS
LAST TEN FISCAL YEARS*

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Statutorily Required Contributions | \$ 1,661,191 | \$ 1,556,140 | \$ 1,465,859 | \$ 1,343,137 | \$ 1,223,456 | \$ 1,070,807 | \$ 1,018,001 |
| Contributions in Relation to the Statutorily Required Contribution | <u>1,661,191</u> | <u>1,556,140</u> | <u>1,465,859</u> | <u>1,343,137</u> | <u>1,223,456</u> | <u>1,070,807</u> | <u>1,018,001</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered Payroll | 8,571,676 | 8,134,555 | 7,763,266 | 7,294,252 | 6,872,086 | 6,390,053 | 6,199,888 |
| Contribution as a Percentage of Covered Payroll | 19.38% | 19.13% | 18.88% | 18.41% | 17.80% | 16.76% | 16.42% |

*The amounts presented for each fiscal year were determined as of June 30. Information earlier than 2014 was not available.

See accompanying Note to Required Supplementary Information.

PEAK TO PEAK CHARTER SCHOOLS, INC.
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
LAST TEN FISCAL YEARS*

| Fiscal Year | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> |
|---|-------------------|-------------------|-------------------|-------------------|
| Plan Measurement Date | December 31, 2019 | December 31, 2018 | December 31, 2017 | December 31, 2016 |
| School's Proportion (Percentage) of the Collective Net OPEB Liability (Asset) | 0.0923614707% | 0.0940925955% | 0.0915479910% | 0.0891950744% |
| School's Proportionate Share of the Collective OPEB Liability (Asset) | \$1,038,141 | 1,280,169 | 1,189,758 | 1,156,444 |
| Covered Payroll | 8,304,758 | 7,958,049 | 7,523,556 | 7,042,730 |
| School's Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of its Covered Payroll | 12.50% | 16.09% | 15.81% | 16.42% |
| Plan Fiduciary Net OPEB as a Percentage of the Total OPEB Liability | 17.03% | 17.03% | 17.53% | 16.72% |

* The amounts presented for each fiscal year were determined as of December 31 based on the measurement date of the Plan. Information earlier than 2017 was not available.

See accompanying Note to Required Supplementary Information.

PEAK TO PEAK CHARTER SCHOOLS, INC.
SCHEDULE OF OPEB CONTRIBUTIONS AND RELATED RATIOS
LAST TEN FISCAL YEARS*

| | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> | <u>2014</u> |
|---|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| Statutorily Required Contributions | \$ 87,431 | \$ 82,972 | \$ 79,185 | \$ 74,401 | \$ 70,180 | \$ 65,178 | \$ 63,238 |
| Contributions in Relation to the Statutorily Required Contribution | <u>87,431</u> | <u>82,972</u> | <u>79,185</u> | <u>74,401</u> | <u>70,180</u> | <u>65,178</u> | <u>63,238</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Covered Payroll | 8,571,676 | 8,134,555 | 7,763,266 | 7,294,252 | 6,872,086 | 6,390,053 | 6,199,888 |
| Contribution as a Percentage of Covered Payroll | 1.02% | 1.02% | 1.02% | 1.02% | 1.02% | 1.02% | 1.02% |

* The amounts presented for each fiscal year were determined as of June 30. Information earlier than 2014 was not available.

See accompanying Note to Required Supplementary Information.

PEAK TO PEAK CHARTER SCHOOLS, INC.
NOTE TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020

NOTE 1 BUDGETS AND BUDGETARY ACCOUNTING

The School conducts all necessary budgeting procedures maintaining separate budgets for each fund.

The School adheres to the following procedures in establishing the budgetary data reflected in the financial statements.

- a) Budgets for all funds are required by the District. During June, the proposed budget is submitted to the Board for consideration and approval at a public hearing. The budget includes proposed expenditures and the means of financing them.
- b) The Public hearings are conducted by the School's Board of Directors to allow parents and other members of the public comment and recommendations.
- c) Prior to June 30, the budget is adopted by formal resolution.
- d) The School's contract with the District requires submission of the approval and amended budgets to the District.
- e) Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budgeted amounts between funds, reallocation of budget line items and revisions that alter the total appropriations of any fund must be approved by the School's Board of Directors. Appropriations are based on total funds expected to be available in each budget year, which may include beginning fund balances and reserves as established by the Board of Directors.
- f) Budgets for all fund types are adopted on a basis consistent with GAAP.
- g) Budgeted amounts reported in the accompanying supplemental information are as originally adopted and as amended by the Board of Directors throughout the year. Budgeted amounts included in the financial statements are based on the final budget as adopted by the School's Board of Directors after the October 1, 2019 student count day.
- h) There was no legally adopted budget for Prairie View, Inc.
- i) All appropriations lapse at the end of each fiscal year.

PEAK TO PEAK CHARTER SCHOOLS, INC.
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE –
BUDGET AND ACTUAL – FOOD SERVICES FUND
YEAR ENDED JUNE 30, 2020

| | Original Budget | Final Budget | Actual | Variance with Final Budget Positive (Negative) |
|--|--------------------|------------------|------------------|---|
| REVENUES | | | | |
| Food Service | \$ 551,911 | \$ 548,972 | \$ 454,301 | \$ (94,671) |
| EXPENDITURES | | | | |
| General Administration | 581,161 | 566,273 | 505,598 | 60,675 |
| Excess (Deficiency) of Revenues Over (Under) Expenditures | (29,250) | (17,301) | (51,297) | (33,996) |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers In | 29,250 | 17,301 | 51,297 | 33,996 |
| NET CHANGE IN FUND BALANCE | - | - | - | - |
| Fund Balance - Beginning of Year | 25,199 | 34,373 | 34,374 | 1 |
| FUND BALANCE - END OF YEAR | <u>\$ 25,199</u> | <u>\$ 34,373</u> | <u>\$ 34,374</u> | <u>\$ 1</u> |