TWO ROADS CHARTER SCHOOL

BASIC FINANCIAL STATEMENTS

June 30, 2020

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JOHN CUTLER
& ASSOCIATES

Board of Directors
Two Roads Charter School
Arvada, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of Two Roads Charter School, component unit of the Jefferson County School District No. R-1, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements of the School, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Two Roads Charter School as of June 30, 2020, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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, schedule of the school's proportionate share, and schedule of the school's contributions on pages 38-42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

John Cutler & Associates, LLC

December 1, 2020

Management Discussion and Analysis

As management of Two Roads Charter School (the "School" or "Two Roads"), we offer readers of the Two Roads Charter School's financial statements this narrative overview and analysis of the financial activities of Two Roads Charter School for the fiscal 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

At the close of its ninth year of operation, the net position of the school decreased to ($5,880,539) due to the implementation of regulations under the Governmental Accounting Standards Board Statement (GASB) Number 68 for reporting of pension liabilities and the long term liabilities including our building lease and accrued interest. Further information is provided in Note 7 of the financial statements.

The General Fund reported an ending balance of $1,428,746 as of June 30, 2020, of which $485,721 are restricted funds for debt service and emergencies.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to Two Roads Charter School's basic financial statements. The Two Roads Charter School basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of Two Roads Charter School's finances.

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

The statement of activities presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected grant expenses and earned but unpaid salary and benefits).

The government-wide financial statement of activities distinguishes functions/programs of the Two Roads Charter School supported primarily by per pupil revenue (PPR), and mill levy taxes passed through from the District (Jefferson County School District) received from the County and State. The governmental activities of the Two Roads Charter School include instruction and supporting expenses.

The government-wide financial statements can be found on pages 3-4 of this report.

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. Two Roads Charter School, like other governmental units or charter schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

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 the School's near-term financing requirements.

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

Two Roads Charter School maintains one governmental fund, the General Fund. Information is presented in the Governmental Fund Balance Sheet and in the Governmental Fund Statement of Revenues and Changes in Fund Balances. This information is provided in pages 3-4.

Two Roads Charter School adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget on page 39.

Notes to the 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. This information is provided in pages 6-38.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Two Roads Charter School, liabilities exceeded assets by $5,880,539 at the close of the most recent fiscal year. As stated previously, this figure is a direct result of the GASB 68 requirement to report a net unfunded pension liability and other long term liabilities including the building lease and accrued interest.

Two Roads Charter School's Net Position

	Governmental Activities 30-June-20	Governmental Activities 30-June-19
Cash and Investments	$1,158,066	$ 737,653
Restricted Cash and Investments	492,171	365,224
Inventory	0	0
Capital Assets, Not Depreciated	258,000	258,000
Capital Assets, Depreciated, Net of Accumulated Depreciation	3,739,227	3,621,766
Total Assets	5,647,464.00	4,982,643
Deferred outflows of Resources		
Related to Pensions	914,014	2,199,210
Related to OPEB	24,433	18,133
Total Deferred outflows of Resources	938,447	2,217,343
Current Liabilities	227,941	191,332
Noncurrent Liabilities	1,245,000	1,265,000
Net Pension Liability	6,623,800	7,506,525
Total Liabilities	8,096,741	8,962,857
Deferred Inflow of Resources		
Related to Pensions	4,308,114	5,584,908
Related to OPEB	61,595	5,965
Total Deferred Inflows of Resources	4,369,709	5,590,873
Net Position		
Investment in Capital Assets	3,244,398	2,979,990
Restricted for Emergencies-TABOR	132,415	115,566
Restricted for Debt Service	353,306	98,450
Unrestricted	(9,610,658)	(10,547,750)
Total Net Position	$ (5,880,539)	$ (7,353,744)

Two Roads Charter School's Change in Net Position
Governmental Activities

	June 30, 2020	June 30, 2019
Program Revenue:		
Charges for Services	125,119	(118,074)
Grants and Contributions	125,632	73,421
Total Program Revenue	250,751	(44,653)
General Revenue:		
Per Pupil Revenue	3,909,117	3,867,538
Mill Levy Revenue	853,671	799,095
Capital Construction Funds	130,920	202,460
Interest	3,398	8,271
Other	437,049	44,972
Special Item (5B Funds)	0	3,103,064
Total General Revenue	5,334,155	8,025,400
Expenses:		
Current:		
Instruction	1,901,569	1,505,469
Supporting Services	2,131,225	1,861,199
Interest on Long-Term Debt	78,907	277,768
Total Expenses	4,111,701	3,644,436
Increase/(Decrease) in Net Position	1,473,205	4,572,459
Net Position, Beginning	(7,353,744)	(11,926,203)
Net Position, Ending	$ (5,880,539)	$ (7,353,744)

Financial Analysis of the Government's Funds

As noted earlier, Two Roads Charter School uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The School has one governmental fund, its General Fund. The General Fund had a positive funds balance of $917,538 at the beginning of the year. The fund balance of the General Fund increased by $516,104 to $1,428,746 at June 30, 2020, of which $485,721 is restricted funds for debt service and emergencies.

General Fund Budgetary Highlights

The School approves a budget in April based on enrollment projections for the following school year. In October, after the annual state pupil count window closes and the current fiscal year's FTE (Full Time Equivalent) pupil count is known, adjustments are made to the budget.

Capital Assets & Long-Term Debt

The School has invested in capital assets in the form of the school's building, land improvements, and equipment. Depreciation expenses for capital assets are booked under the supporting expenses of the School's operations. See Note 4 for more information.

In March 2016, the Colorado Educational and Facilities Authority (CECFA) issued $4,620,000 Charter School Revenue Bonds Series 2016 to the Two Roads Charter School Building Corporation. Principal and interest lease payments for the term of the bond range from $315,225 FY 2016/17 to a final payment of $8,060.47 in the May 2046.

In an effort to dramatically improve our School's financial health and to help ensure the long term viability of Two Roads, we took steps in the Spring of 2019 to retire most of our high-interest long term debt, through a transaction called "purchase in lieu of redemption." Using the funds awarded to us through the passage of 5B (the Jefferson County bond initiative that benefited all Jeffco schools and was for the purpose of reinvesting in Jeffco schools and communities) we were able to pay an additional principal amount of $3.2MM.

	30-June-2020	30-June-2019
Long term debt balance	$1,245,000	$1,265,000

The bond documents require a repair and replacement reserve of $250,000 to be funded with annual payments of $50,000 commencing July 1, 2016. As of June 30, 2020, this fund contained $250,000.

Economic Factors and Next Year's Budget

Budgets for Two Roads are created based on two primary factors; student enrollment and state funding levels.

PPR funding for the 2020-2021 school year was cut at the state level due to the COVID-19 pandemic. While the preliminary budget for SY20-21 was based on a conservative projection of a student FTE of 481, October 2020 count numbers for SY20-21 show PPR funding for only 443 FTE. This change will dramatically decrease PPR revenue.

Requests for Information

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

Two Roads Charter School
Attention: Principal
6980 Pierce St.
Arvada CO 80003

BASIC FINANCIAL STATEMENTS

TWO ROADS CHARTER SCHOOL

STATEMENT OF NET POSITION
As of June 30, 2020

	GOVERNMENTAL ACTIVITIES 2020	GOVERNMENTAL ACTIVITIES 2019
ASSETS		
Cash and Investments	$ 1,158,066	$ 737,653
Restricted Cash and Investments	492,171	365,224
Capital Assets, Not Depreciated	258,000	258,000
Capital Assets, Depreciated, Net of Accumulated Depreciation	3,739,227	3,621,766
TOTAL ASSETS	5,647,464	4,982,643
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	914,014	2,199,210
Related to OPEB	24,433	18,133
TOTAL DEFERRED OUTFLOWS OF RESOURCES	938,447	2,217,343
LIABILITIES		
Accounts Payable	15,874	6,815
Accrued Salaries	205,617	178,524
Accrued Interest	6,450	5,993
Noncurrent Liabilities		
Due in One Year	20,000	20,000
Due in More Than One Year	1,225,000	1,245,000
Net Pension Liability	6,313,373	7,149,452
Net OPEB Liability	310,427	357,073
TOTAL LIABILITIES	8,096,741	8,962,857
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	4,308,114	5,584,908
Related to OPEB	61,595	5,965
TOTAL DEFERRED INFLOWS OF RESOURCES	4,369,709	5,590,873
NET POSITION		
Investment in Capital Assets	3,244,398	2,979,990
Restricted for Emergencies	132,415	115,566
Restricted for Debt Service	353,306	98,450
Unrestricted	(9,610,658)	(10,547,750)
TOTAL NET POSITION	$ (5,880,539)	$ (7,353,744)

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

TWO ROADS CHARTER SCHOOL

STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: CHARGES FOR SERVICES	PROGRAM REVENUES: OPERATING GRANTS AND CONTRIBUTIONS	NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION: GOVERNMENTAL ACTIVITIES 2020	NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION: GOVERNMENTAL ACTIVITIES 2019
PRIMARY GOVERNMENT					
Governmental Activities					
Instruction	$ 1,901,569	$ 125,119	$ 125,632	$ (1,650,818)	$ (1,313,974)
Supporting Services	2,131,225	-	-	(2,131,225)	(1,861,199)
Interest on Long-Term Debt	78,907	-	-	(78,907)	(277,768)
Total Governmental Activities	$ 4,111,701	$ 125,119	$ 125,632	(3,860,950)	(3,452,941)
		GENERAL REVENUES			
		Per Pupil Revenue		3,909,117	3,867,538
		Mill Levy Override		853,671	799,095
		Capital Construction Funds		130,920	202,460
		Interest		3,398	8,271
		Other		131,978	39,950
		Unrestricted State Aid		25,329	5,022
		SPECIAL ITEM			
		Capital Contribution from the District		279,742	-
		Transfer from District Bond Fund		-	3,103,064
		TOTAL GENERAL REVENUES		5,334,155	8,025,400
		CHANGE IN NET POSITION		1,473,205	4,572,459
		NET POSITION, Beginning		(7,353,744)	(11,926,203)
		NET POSITION, Ending		$ (5,880,539)	$ (7,353,744)

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

TWO ROADS CHARTER SCHOOL

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	TOTAL GOVERNMENTAL FUNDS	
	General Fund	
	2020	2019
ASSETS		
Cash and Investments	$ 1,158,066	$ 737,653
Restricted Cash and Investments	492,171	365,224
TOTAL ASSETS	$ 1,650,237	$ 1,102,877
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts Payable	$ 15,874	$ 6,815
Accrued Salaries	205,617	178,524
TOTAL LIABILITIES	221,491	185,339
FUND BALANCES		
Restricted for Emergencies	132,415	115,566
Restricted for Debt Service	353,306	98,450
Unassigned	943,025	703,522
TOTAL FUND BALANCE	1,428,746	917,538
TOTAL LIABILITIES AND FUND BALANCE	$ 1,650,237	$ 1,102,877
Amounts reported for governmental activities in the statement of net position are different because:		
Fund Balance	$ 1,428,746	$ 917,538
Capital assets used in governmental activities are not financial resources and, therefore, are not in the funds.	3,997,227	3,879,766
Long-term liabilities and related assets related to pensions and OPEB are not due and payable in the current period and therefore, are not reported in the funds. This liability includes includes net pension liability ($6,313,373), net OPEB liability ($310,427), deferred outflows related to pensions and OPEB $938,447, deferred inflows related to pensions and OPEB ($4,369,709).	(10,055,062)	(10,880,055)
Long-term liabilities are not due and payable in the current period and are not reported in the funds. These include building lease ($1,245,000) and accrued interest ($6,450).	(1,251,450)	(1,270,993)
Net position of governmental activities	$ (5,880,539)	$ (7,353,744)

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

TWO ROADS CHARTER SCHOOL

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

	TOTAL GOVERNMENTAL FUNDS	
	General Fund	
	2020	2019
REVENUES		
Local Sources	$ 5,038,327	$ 4,856,154
State Sources	194,833	205,097
Federal Sources	46,675	52,580
TOTAL REVENUES	5,279,835	5,113,831
EXPENDITURES		
Instruction	2,432,659	2,496,541
Supporting Services	2,191,730	2,141,045
Capital Outlay	45,788	-
Debt Service		
Principal	20,000	3,265,000
Interest	78,450	295,150
TOTAL EXPENDITURES	4,768,627	8,197,736
TOTAL REVENUE OVER (UNDER) EXPENDITURES	511,208	(3,083,905)
OTHER FINANCING SOURCES		
Transfer from District Bond Fund	-	3,103,064
NET CHANGE IN FUND BALANCE	511,208	19,159
FUND BALANCE, Beginning	917,538	898,379
FUND BALANCE, Ending	$ 1,428,746	$ 917,538

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

TWO ROADS CHARTER SCHOOL

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - 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 Changes in Fund Balances - Total Governmental Funds	$ 511,208
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which net capital asset additions $325,528 exceeded depreciation expense ($208,067), for the period.	117,461
Repayment of bond long-term debt and related costs are reported as an expenditure in the governmental funds and decrease fund balance. For the School as a whole, however, these costs and payments reduce the liabilities or are capitalized in the statement of net position and do not result in an expense in the statement of activities. These include bond principal payment $20,000 and the change in accrued interest of ($547)	19,543
Deferred Charges related to pensions are not recognized in the governmental funds. However, in the government-wide statements these amounts are capitalized and amortized.	824,993
Change in Net Position of Governmental Activities	$ 1,473,205

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

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

Two Roads Charter School (the "School") was organized in April 2011 pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Jefferson County School District R-1 (the "District") in the State of Colorado. The School is recognized as a non-profit organization under Section 501(c) (3) of the Internal Revenue Code.

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

Reporting Entity

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

Based upon the application of these criteria, the Two Roads School Building Corporation is considered to be financially accountable to the School. The purpose of the Building Corporation is to provide a mechanism to issue debt on behalf of the School. The Building Corporation is considered to be part of the School for financial reporting purposes because its resources are entirely for the direct benefit of the School and is reported as part of the General Fund. Separate financial statements for the Building Corporation are not available.

The School is a component unit of Jefferson County School District No. R-1(the "District").

Government-Wide and Fund Financial Statements

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

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

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

Government-Wide and Fund Financial Statements (Continued)

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

The School reports the following major governmental fund:

General Fund – This fund is the general operating fund of the School. It is used to account for all financial resources.

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

Deferred Outflows/Inflows of Resources

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

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

Assets, Liabilities and Fund Balance/Net Position

Investments – Investments are recorded at fair value.

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

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net position in the government-wide financial statements. Depreciation has been provided over the following estimated useful lives of the capital assets using the straight-line method: buildings, 30 years, and equipment 10 years.

Long-term Debt – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method. In the fund financial statements, governmental fund types recognize bond premiums and discounts, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

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

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

Net Position

The government-wide financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted.

- Investment in Capital Assets is intended to reflect the portion of net position which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.

- Restricted Net Position are liquid assets, which have third party limitations on their use.

- Unrestricted Net Position represent assets that do not have any third party limitation on their use. While School management may have categorized and segmented portions for various purposes, the Board of Directors has the unrestricted authority to revisit or alter these managerial decisions.

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

- Nonspendable – This classification includes amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. The School did not report any nonspendable resources as of June 30, 2020.

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

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

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

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

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

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

Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School pays the District to participate in the District's risk management plan. The District is self-insured for certain liability, property and worker's compensation coverages. The District purchases excess insurance coverage to limit the District's self-insurance exposure. Settled claims have not exceeded this coverage in any of the past three years.

Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the School's financial position and operations. However, complete comparative data in accordance with generally accepted accounting principles has not been presented since its inclusion would make the financial statements unduly complex and difficult to read. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

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

Budgets and Budgetary Accounting

A budget is adopted for the general fund on a basis consistent with generally accepted accounting principles. School management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1. The budget is adopted by the Board of Directors prior to June 30. Expenditures may not legally exceed appropriations at the fund level. Revisions must be approved by the Board of Directors. The budget includes proposed expenditures and the means of financing them. All appropriations lapse at fiscal year-end.

State Compliance

For the year ended June 30, 2020, actual expenditures in the General Fund exceeded budgeted amounts by $209,616. This may be a violation of State statute.

NOTE 3: ***CASH AND INVESTMENTS***

A reconciliation of the cash and investment components on the balance sheet to the cash and investment categories in this footnote are as follows:

Petty Cash	$ 500
Pooled Cash with the District	1,289,981
Investments	359,756
Total	**$ 1,650,237**

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At June 30, 2020, State regulatory commissioners have indicated that all financial institutions holding deposits for the School are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held.

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

Pooled Cash with the District

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

At June 30, 2020, the School did not have any deposits subject to custodial credit risk.

Cash deposits are pooled with the District cash and investments which were held by several banking institutions. Pooled investments represent investments in local government investment pools or in money market funds. At June 30, 2020, the School's balance in equity in both restricted and unrestricted pooled cash of the District totaled $1,289,981.

Investments

Interest Rate Risk

The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk

Colorado statutes specify in which instruments units of local government may invest, which include:

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

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

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

Fair Value

The School categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant observable inputs.

At June 30, 2020, the School held investments in a federated government obligation fund in the amount of $359,756 with maturity dates of less than one year. Given the low risk of this type of investment, the School has not established a policy limiting the amount of investments in this type of security and deems it unnecessary at this time. These investments are valued with Level 1 inputs. The fund had an AAAm rating by Standard and Poor's and an Aaa-mf rating by Moody's.

Restricted Cash

Pooled Cash with the District in the amount of $132,415 are restricted in the General Fund as an emergency reserve related to the TABOR amendment and investments in the amount of $359,756 are restricted in the General Fund for future debt service.

NOTE 4: ***CAPITAL ASSETS***

Capital Assets activity for the year ended June 30, 2020, is summarized below.

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
Governmental Activities				
Capital assets, not being depreciated				
Land	$ 258,000	$ -	$ -	$ 258,000
Capital assets, being depreciated				
Buildings	4,019,932	1,669,562	-	5,689,494
Moveable Equipment	5,380	-	-	5,380
Total Capital assets being depreciated	4,025,312	1,669,562	-	5,694,874

NOTE 4: *CAPITAL ASSETS* (Continued)

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
Accumulated Depreciation				
Buildings	400,318	1,551,025	-	1,951,343
Moveable Equipment	3,228	1,076	-	4,304
Total Accumulated Depreciation	403,546	1,552,101	-	1,955,647
Net Capital Assets, Depreciated	3,621,766	117,461	-	3,739,227
Net Capital Assets	**$ 3,879,766**	**$ 117,461**	**$ -**	**$ 3,997,227**

Depreciation expense in the amount of $208,073 has been charged to the Supporting Services program of the School. In addition, net capital assets in the amount of $279,745 have been transferred to the School from the District.

NOTE 5: *ACCRUED SALARIES AND BENEFITS*

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from August to July but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, as of June 30, 2020, were $205,617. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements of the General Fund.

NOTE 6: *LONG-TERM DEBT*

Following is a summary of the School's long-term debt transactions for the year ended June 30, 2020:

	Balance June 30, 2019	Additions	Payments	Balance June 30, 2020	Due In One Year
Building Lease	$ 1,265,000	$ -	$ 20,000	$ 1,245,000	$ 20,000
Total	**$ 1,265,000**	**$ -**	**$ 20,000**	**$ 1,245,000**	**$ 20,000**

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

Building Lease

In March 2016, the Colorado Educational and Facilities Authority (CECFA) issued $4,620,000 Charter School Revenue Bonds, Series 2016. Proceeds from the bonds were used to purchase their current building. Monthly principal and interest payments are due under the lease agreements, with interest accruing at 5.25% to 6.5%. The bonds mature in June 2046. Due to the 5B County Bond passing in November 2018, the School was able to pay additional principal in the amount of $3,200,000 during the year ended June 30, 2019. This changed the amortization schedule and schedule of future debt service requirements, lowering both principal and interest payable each year.

Future debt service requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
2021	$ 20,000	$ 77,400	$ 97,400
2022	20,000	76,350	96,350
2023	25,000	75,300	100,300
2024	25,000	73,988	98,988
2025	25,000	72,675	97,675
2026 – 2030	140,000	341,662	481,662
2031 – 2035	195,000	293,850	488,850
2036 – 2049	260,000	226,625	486,625
2041 – 2045	350,000	131,625	481,625
2046	185,000	12,025	197,025
Total	**$ 1,245,000**	**$ 1,381,500**	**$ 2,626,500**

NOTE 7: ***DEFINED BENEFIT PENSION PLAN***

Summary of Significant Accounting Policies

Pensions. The School participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Summary of Significant Accounting Policies (Continued)

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

General Information about the Pension Plan

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

Benefits provided as of December 31, 2019. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

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

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

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

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

General Information about the Pension Plan (Continued)

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

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

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

As of December 31, 2019, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S., once certain criteria are met. Pursuant to SB 18-200, the annual increase for 2019 is 0.00 percent for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007, and all benefit recipients of the DPS benefit structure will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S. § 24-51-413.

Benefit recipients under the PERA benefit structure who began eligible employment on or after January 1, 2007, will receive the lessor of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25 percent based on the parameters specified in C.R.S. § 24-51-413.

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

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

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

General Information about the Pension Plan (Continued)

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

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

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

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

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from The School were $512,366 for the year ended June 30, 2020.

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

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

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

At June 30, 2020, the School reported a liability of $6,313,373 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 liability	$ 6,313,373
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the School.	$ 800,771
Total	**$ 7,114,144**

At December 31, 2019, the School's proportion was 0.0423 percent, which was an increase of 0.00188 percent from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the School recognized pension income of $315,312 and revenue of $25,329 for support from the State as a nonemployer contributing entity. At June 30, 2020, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 344,083	N/A
Changes of assumptions or other inputs	$ 180,238	$ 2,863,686
Net difference between projected and actual earnings on pension plan investments	N/A	$ 747,882
Changes in proportion and differences between contributions recognized and proportionate share of contributions	$ 137,947	$ 696,546
Contributions subsequent to the measurement date	$ 251,747	N/A
Total	**$ 914,015**	**$ 4,308,114**

$251,747 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2021	($2,036,952)
2022	($1,387,934)
2023	$33,445
2024	($254,405)

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

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

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

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 – 9.70 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)[1]	1.25 percent compounded annually
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)[1]	Financed by the Annual Increase Reserve

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

There was no change in the discount rate from the prior measurement date.

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	**$ 8,372,884**	**$ 6,313,373**	**$ 4,584,234**

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

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

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

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

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.

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.

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

General Information about the OPEB Plan

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

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

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

PERA Benefit Structure

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

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

General Information about the OPEB Plan (Continued)

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

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

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the School were $26,544 for the year ended June 30, 2020.

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

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

At June 30, 2020, the School reported a liability of $310,427 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2019. The School's proportion of the net OPEB liability was based on the School's contributions to the HCTF for the calendar year 2019 relative to the total contributions of participating employers to the HCTF.

At December 31, 2019, the School's proportion was 0.0276 percent, which was an increase of 0.00137% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the School recognized OPEB expense of $29,228. 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	$ 1,030	$ 52,163
Changes of assumptions or other inputs	$ 2,575	N/A
Net difference between projected and actual earnings on OPEB plan investments	N/A	$ 5,181
Changes in proportion and differences between contributions recognized and proportionate share of contributions	$ 7,578	$ 4,251
Contributions subsequent to the measurement date	$ 13,250	N/A
Total	**$ 24,433**	**$ 61,595**

$13,250 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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

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

Year ended, June 30,	
2021	($10,590)
2022	($10,569)
2023	($9,068)
2024	($11,041)
2025	($8,636)
Thereafter	($508)

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

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.60 percent in 2019, gradually decreasing to 4.50 percent in 2029
Medicare Part A premiums	3.50 percent in 2019, gradually increasing to 4.50 percent in 2029
DPS benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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.

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

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

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

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

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

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

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

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

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

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

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

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

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

- 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:

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

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

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

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

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	4.60%	5.60%	6.60%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	**$ 303,053**	**$ 310,427**	**$ 318,948**

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

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

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2019, measurement date.

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

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

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

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

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

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

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	**$ 351,000**	**$ 310,427**	**$ 275,728**

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

NOTE 9: ***COMMITMENTS AND CONTINGENCIES***

Claims and Judgments

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

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The School believes it has complied with the Amendment. As required by the Amendment, the School has established a reserve for emergencies. At June 30, 2020, the reserve of $132,415 was recorded as a restriction of fund balance in the General Fund.

NOTE 10: ***DEFICIT NET POSITION***

The net position of the governmental activities is in a deficit position in the amount of $5,880,627 due to the School including its Net Pension Liability and Net OPEB liability per the requirements of GASB Statement Nos. 68 and 75.

NOTE 11: ***SUBSEQUENT EVENTS***

COVID-19

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

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REQUIRED SUPPLEMENTARY INFORMATION

TWO ROADS CHARTER SCHOOL

GENERAL FUND
BUDGETARY COMPARISON STATEMENT
Year Ended June 30, 2020

	2020				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2019 ACTUAL
REVENUES					
Local Sources					
Per Pupil Operating Revenue	$ 3,666,576	$ 3,886,404	$ 3,909,117	$ 22,713	$ 3,867,538
Mill Levy Override	794,623	842,265	853,671	11,406	799,095
Tuition and Fees	114,500	96,500	125,119	28,619	118,074
Grants and Donations	12,000	12,000	15,044	3,044	18,204
Investment Earnings	3,500	3,500	3,398	(102)	8,271
Other	8,000	26,000	131,978	105,978	44,972
State Sources					
Grants and Donations	-	133,743	194,833	61,090	205,097
Federal Sources				-	
Grants and Donations	170,708	36,965	46,675	9,710	52,580
TOTAL REVENUES	4,769,907	5,037,377	5,279,835	242,458	5,113,831
EXPENDITURES					
Salaries	2,618,637	2,618,637	2,712,742	(94,105)	2,490,450
Employee Benefits	634,148	634,148	742,243	(108,095)	665,530
Purchased Services	1,028,928	967,574	1,020,773	(53,199)	1,335,911
Supplies and Materials	143,459	170,001	148,631	21,370	145,695
Property and Equipment	65,000	65,000	45,788	19,212	-
Debt Service					
Principal	-	19,500	20,000	(500)	3,265,000
Interest and Fiscal Charges	-	84,150	78,450	5,700	295,150
TOTAL EXPENDITURES	4,490,172	4,559,010	4,768,627	(209,617)	8,197,736
TOTAL REVENUE OVER (UNDER) EXPENDITURES	279,735	478,367	511,208	32,841	(3,083,905)
OTHER FINANCING SOURCES					
Transfer from District Bond Fund	-	-	-	-	3,103,064
NET CHANGE IN FUND BALANCE	279,735	478,367	511,208	32,841	19,159
FUND BALANCE, Beginning	917,539	917,539	917,538	(1)	898,379
FUND BALANCE, Ending	$ 1,197,274	$ 1,395,906	$ 1,428,746	$ 32,840	$ 917,538

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

TWO ROADS CHARTER SCHOOL

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

Years Ended December 31,

	2013	2014	2015	2016	2017	2018	2019
School's proportionate share of the Net Pension Liability	0.032%	0.030%	0.035%	0.039%	0.044%	0.042%	0.040%
School's Net Pension Liability	$ 4,130,000	$ 4,067,397	$ 5,319,670	$ 11,629,358	$ 15,661,508	$ 7,149,452	$ 6,313,373
State of Colorado's Proportionate Share of the Net Pension Liability associated with the School	$ -	$ -	$ -	$ -	$ -	$ 977,588	$ 800,771
Total portion of the Net Pension Liability associated with the School	$ 4,130,000	$ 4,067,397	$ 5,319,670	$ 11,629,358	$ 15,661,508	$ 8,127,040	$ 7,114,144
School's covered payroll	$ 1,298,492	$ 1,251,346	$ 1,556,158	$ 1,979,567	$ 2,231,477	$ 2,389,507	$ 2,525,149
School's proportionate share of the Net Pension Liability as a percentage of its covered payroll	318.1%	325.0%	341.8%	587.5%	701.8%	340.1%	281.7%
Plan fiduciary net position as a percentageof the total pension liability	64.1%	62.8%	59.2%	43.10%	43.96%	57.01%	64.52%

Notes:

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

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

See the accompanying independent auditors' report.

TWO ROADS CHARTER SCHOOL

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
SCHOOL DIVISION TRUST FUND

Years Ended June 30,

	2014	2015	2016	2017	2018	2019	2020
Statutorily required contributions	$ 207,880	$ 248,131	$ 325,728	$ 422,644	$ 425,208	$ 466,726	$ 512,366
Contributions in relation to the Statutorily required contributions	207,880	248,131	325,728	422,644	425,208	466,726	512,366
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School's covered payroll	$ 1,169,771	$ 1,353,490	$ 1,734,917	$ 2,169,733	$ 2,211,240	$ 2,389,507	$ 2,602,319
Contributions as a percentage of covered payroll	17.77%	18.33%	18.77%	19.48%	19.23%	19.53%	19.69%

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

See the accompanying independent auditors' report.

TWO ROADS CHARTER SCHOOL

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

Years Ended December 31,

	2016	2017	2018	2019
School's proportionate share of the Net OPEB Liability	0.393%	0.443%	0.026%	0.028%
School's proportionate share of the Net OPEB Liability	$ 323,054	$ 357,642	$ 357,073	$ 310,427
School's covered payroll	$ 1,979,567	$ 2,231,477	$ 2,389,507	$ 2,525,149
School's proportionate share of the Net OPEB Liability as a percentage of its covered payroll	16.3%	16.0%	14.9%	12.3%
Plan fiduciary net position as a percentage of the total OPEB liability	16.72%	17.53%	17.03%	24.49%

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

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

See the accompanying independent auditors' report.

TWO ROADS CHARTER SCHOOL

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
HEALTH CARE TRUST FUND

Years Ended June 30,

	2017	2018	2019	2020
Statutorily required contributions	$ 22,131	$ 22,555	$ 24,373	$ 26,544
Contributions in relation to the Statutorily required contributions	22,131	22,555	24,373	26,544
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
School's covered payroll	$ 2,169,733	$ 2,211,240	$ 2,389,507	$ 2,602,319
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%

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

See the accompanying independent auditors' report.