Challenge to Excellence Charter School

(A Component Unit of Douglas County School District RE.1)

Financial Statements

June 30, 2020

HINKLE & COMPANY PC
Strategic Business Advisors

Challenge to Excellence Charter School
(A Component Unit of Douglas County School District RE.1)
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June 30, 2020

HINKLE & COMPANY PC
Strategic Business Advisors

Independent Auditors' Report

Governing Council
Challenge to Excellence Charter School
Parker, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of the Challenge to Excellence Charter School, a component unit of Douglas County School District RE.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 Challenge to Excellence Charter 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.

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the 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 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.

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Challenge to Excellence Charter School as of June 30, 2020, and the respective changes in financial position and cash flows, where applicable, 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 and the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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.

Hinkle & Company, PC

Greenwood Village, Colorado
October 22, 2020

Challenge to Excellence Charter School
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2020

As management of Challenge to Excellence Charter School (C2E or the School), we offer readers of Challenge to Excellence Charter School's basic financial statements this narrative overview and analysis of the financial activities of the 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 accompanying financial statements.

Financial Highlights

The year ended June 30, 2020 is the eighteenth year of operations for C2E. As of June 30, 2020, net position increased by $826,155 to $(8,090,810). Challenge to Excellence Charter School's governmental fund reported an ending fund balance of $3,145,771, an increase of $433,421 from the prior year.

The operations of the School are funded primarily by tax revenue received under the Colorado School Finance Act in Per Pupil Revenue (PPR). Tax revenue for the year from PPR was $4,114,208.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's 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 the School's finances, in a manner similar to a private-sector business.

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

The statement of activities presents information showing how net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future periods (for example, salaries and benefits earned but unpaid as of year-end).

The government-wide statement of activities distinguishes functions/programs of the School supported primarily by Per Pupil Revenue or other revenues passed through from the School's authorizer (Douglas County School District). The governmental activities of C2E include instruction and supporting services.

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. The School keeps track of these monies 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.

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 balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The School maintains one governmental fund and adopts an annually appropriated budget for the fund. A budgetary comparison schedule is included to demonstrate that spending did not exceed the budget.

Proprietary Funds

The School also maintains a proprietary fund to record the activity of the C2E Building Corporation (the "Corporation"). The Corporation was organized exclusively for the purpose of holding title to real estate and personal property for, and to make same available for use by, the School, and to otherwise provide facilities, equipment and other physical plant and related support to the School.

Notes to the Financial Statements

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

Government-Wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of the School's financial position. For the fiscal year ended June 30, 2020, C2E's net position was $(8,090,810).

Of the School's total net position, $(1,203,280) is invested in capital assets, $13,784 is restricted for debt service, and $160,000 is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment.

Challenge to Excellence Charter School's Net Position

	2019-2020	2018-2019
ASSETS		
Cash and Investments	$ 3,552,272	$ 2,939,846
Restricted Cash and Investments	29,245	29,114
Accounts Receivable	1,611	2,381
Prepaid Expenses	1,282	9,425
Capital Assets, Not Being Depreciated	1,010,419	1,010,419
Capital Assets, Net of Accumulated Depreciation	2,948,817	3,126,407
TOTAL ASSETS	7,543,646	7,117,592
DEFERRED OUTFLOWS OF RESOURCES		
Pensions, Net of Accumulated Amortization	831,946	2,342,441
OPEB, Net of Accumulated Amortization	41,970	27,268
Loss on Debt Refunding, Net of Accumulated Amortization	168,701	191,194
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,042,617	2,560,903
LIABILITIES		
Accounts Payable	11,279	6,607
Accrued Liabilities	1,781	28,025
Accrued Salaries and Benefits	195,127	204,670
Unearned Revenue	201,207	-
Accrued Interest Payable	15,461	16,485
Noncurrent Liabilities		
Due Within One Year	163,350	157,184
Due in More Than One Year	5,167,867	5,331,217
Net Pension Liability	6,312,442	7,074,444
Net OPEB Liability	310,388	353,325
TOTAL LIABILITIES	12,378,902	13,171,957
DEFERRED INFLOWS OF RESOURCES		
Pensions, Net of Accumulated Amortization	4,240,832	5,422,965
OPEB, Net of Accumulated Amortization	57,339	538
TOTAL DEFERRED INFLOWS OF RESOURCES	4,298,171	5,423,503
NET POSITION		
Investment in Capital Assets	(1,203,280)	(1,160,381)
Restricted for Debt Service	13,784	12,629
Restricted for Emergencies	160,000	151,000
Unrestricted	(7,061,314)	(7,920,213)
TOTAL NET POSITION	$ (8,090,810)	$ (8,916,965)

Challenge to Excellence Charter School's Change in Net Position

	2019-2020	2018-2019
REVENUES		
Per Pupil Revenue	$ 4,114,208	$ 3,815,634
District Mill Levy	585,032	582,039
Capital Construction	139,567	146,670
Charges for Services	265,346	373,115
Operating Grants and Contributions	49,542	52,599
Investment Income	41,433	51,308
Other	63,675	10,858
TOTAL REVENUE	5,258,803	5,032,223
EXPENSES		
Instruction	2,375,331	2,338,954
Supporting Services	1,634,593	1,298,085
Building Corporation	422,724	426,306
TOTAL EXPENSES	4,432,648	4,063,345
CHANGE IN NET POSITION	826,155	968,878
NET POSITION, Beginning	(8,916,965)	(9,885,843)
NET POSITION, Ending	$ (8,090,810)	$ (8,916,965)

Financial Analysis of the Government's Fund

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

The focus of the School's governmental fund is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the School's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the School's General Fund reported an ending fund balance of $3,145,771, an increase of $433,421 from the prior year.

General Fund Budgetary Highlights

C2E recognized $23,245 less revenue than expected and spent $932,667 less than planned, when compared to the final budget. There were budget amendments during the year, which reflected changes in revenues and expenditures. Overall, revenue and expenses were fine-tuned to account for changes to student enrollment and property costs.

Capital Assets & Long-Term Debt

The School has invested in capital assets for the School's educational facility, facility improvements, land, and equipment. More information regarding capital assets may be found in Note 4 to the financial statements. Depreciation expenses for capital assets are booked under the Supporting Services program of the School's operations.

The School has long-term debt in the form of a loan acquired at the close of 2016-2017 to refinance 2007 Charter School Revenue Refunding Bonds, the proceeds of which were used to refund Series 2004 Bonds, which were used by the Corporation to construct the School's building. More information regarding long-term debt may be found in Note 5 to the financial statements.

Economic Factors and Next Year's Budget

The primary factor driving the budget for Challenge to Excellence Charter School is student enrollment. Enrollment for the 2019-2020 school year was 500.50 funded students. Enrollment projected for 2020-2021 is 534.00 funded students. This factor was considered when preparing C2E's budget for 2020-2021.

Requests for Information

This financial report is designed to provide a general overview of Challenge to Excellence 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 the School:

Challenge to Excellence Charter School
16995 E. Carlson Drive
Parker, CO 80134

Basic Financial Statements

Challenge to Excellence Charter School

(A Component Unit of Douglas County School District RE.1)

Statement of Net Position

June 30, 2020

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash and Investments	$ 3,552,272	$ -	$ 3,552,272
Restricted Cash and Investments	-	29,245	29,245
Accounts Receivable	1,611	-	1,611
Prepaid Expenses	1,282	-	1,282
Capital Assets, *Not Being Depreciated*	-	1,010,419	1,010,419
Capital Assets, *Net of Accumulated Depreciation*	122,408	2,826,409	2,948,817
Total Assets	3,677,573	3,866,073	7,543,646
Deferred Outflows of Resources			
Pensions, *Net of Accumulated Amortization*	831,946	-	831,946
OPEB, *Net of Accumulated Amortization*	41,970	-	41,970
Loss on Debt Refunding, *Net of Accumulated Amortization*	-	168,701	168,701
Total Deferred Outflows of Resources	873,916	168,701	1,042,617
Liabilities			
Accounts Payable	11,279	-	11,279
Accrued Liabilities	1,781	-	1,781
Accrued Salaries and Benefits	195,127	-	195,127
Accrued Interest Payable	-	15,461	15,461
Deferred Income	201,207	-	201,207
Noncurrent Liabilities			
Due Within One Year	-	163,350	163,350
Due in More Than One Year	-	5,167,867	5,167,867
Net Pension Liability	6,312,442	-	6,312,442
Net OPEB Liability	310,388	-	310,388
Total Liabilities	7,032,224	5,346,678	12,378,902
Deferred Inflows of Resources			
Pensions, *Net of Accumulated Amortization*	4,240,832	-	4,240,832
OPEB, *Net of Accumulated Amortization*	57,339	-	57,339
Total Deferred Inflows of Resources	4,298,171	-	4,298,171
Net Position			
Net Investment in Capital Assets	122,408	(1,325,688)	(1,203,280)
Restricted for:			
Debt Service	-	13,784	13,784
Emergencies	160,000	-	160,000
Unrestricted	(7,061,314)	-	(7,061,314)
Total Net Position	$ (6,778,906)	$ (1,311,904)	$ (8,090,810)

See Notes to Financial Statements.

Challenge to Excellence Charter School

(A Component Unit of Douglas County School District RE.1)

Statement of Activities

For the Year Ended June 30, 2020

		Program Revenues		Net (Expenses) Revenues and Change in Net Position		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary Government						
Governmental Activities						
Instruction	$ 2,375,331	$ 206,648	$ 74,472	$ (2,094,211)	$ -	$ (2,094,211)
Supporting Services	1,634,593	58,698	(24,930)	(1,600,825)	-	(1,600,825)
Total Governmental Activities	4,009,924	265,346	49,542	(3,695,036)	-	(3,695,036)
Business-Type Activities						
Building Corporation	422,724	-	-	-	(422,724)	(422,724)
Total Primary Government	$ 4,432,648	$ 265,346	$ 49,542	(3,695,036)	(422,724)	(4,117,760)
	General Revenues					
	Per Pupil Revenue			4,114,208	-	4,114,208
	District Mill Levy			585,032	-	585,032
	Capital Construction			139,567	-	139,567
	Investment Income			41,359	74	41,433
	Other			63,675	-	63,675
	Transfers			(348,874)	348,874	-
	Total General Revenues and Transfers			4,594,967	348,948	4,943,915
	Change in Net Position			899,931	(73,776)	826,155
	Net Position, *Beginning of year*			(7,678,837)	(1,238,128)	(8,916,965)
	Net Position, *End of year*			$ (6,778,906)	$ (1,311,904)	$ (8,090,810)

Challenge to Excellence Charter School

(A Component Unit of Douglas County School District RE.1)

Balance Sheet

Governmental Fund

June 30, 2020

		General
Assets		
Cash and Investments	$	3,552,272
Accounts Receivable		1,611
Prepaid Expenses		1,282
Total Assets	$	3,555,165
Liabilities and Fund Balance		
Liabilities		
Accounts Payable	$	11,279
Accrued Liabilities		1,781
Accrued Salaries and Benefits		195,127
Deferred Income		201,207
Total Liabilities		409,394
Fund Balance		
Nonspendable		1,282
Restricted for Emergencies		160,000
Unrestricted, Unassigned		2,984,489
Total Fund Balance		3,145,771
Total Liabilities and Fund Balance	$	3,555,165

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Total Fund Balance of the Governmental Fund	$	3,145,771
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.		122,408
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds.		
Net pension liability		(6,312,442)
Pension-related deferred outflows of resources		831,946
Pension-related deferred inflows of resources		(4,240,832)
Net OPEB liability		(310,388)
OPEB-related deferred outflows of resources		41,970
OPEB-related deferred inflows of resources		(57,339)
Total Net Position of Governmental Activities	$	(6,778,906)

See Notes to Financial Statements.

Challenge to Excellence Charter School

(A Component Unit of Douglas County School District RE.1)

Statement of Revenues, Expenditures and Changes in Fund Balance

Governmental Fund

For the Year Ended June 30, 2020

	General
Revenues	
Local Sources	
Per Pupil Revenue	$ 4,114,208
District Mill Levy	585,032
Tuition	59,384
Student Fees and Activities	205,962
Investment Income	41,359
Other	63,676
State Sources	
Capital Construction	139,564
Grants	120,652
Federal Sources	
CDE - CRF Funds	14,856
Total Revenues	5,344,693
Expenditures	
Instruction	3,146,994
Supporting Services	1,764,278
Total Expenditures	4,911,272
Excess of Revenues Over Expenditures	433,421
Other Financing Sources (Uses)	
Transfers (Out)	-
Net Change in Fund Balance	433,421
Fund Balance, *Beginning of year*	2,712,350
Fund Balance, *End of year*	$ 3,145,771

See Notes to Financial Statements.

Challenge to Excellence Charter School

(A Component Unit of Douglas County School District RE.1)

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities

For the Year Ended June 30, 2020

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Net Change in Fund Balance of the Governmental Fund	$	433,421
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.		
Depreciation expense		(21,245)
Capital outlays		53,277
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This includes changes in the following.		
Net pension liability		762,002
Pension-related deferred outflows of resources		(1,510,495)
Pension-related deferred inflows of resources		1,182,133
Net OPEB liability		42,937
OPEB-related deferred outflows of resources		14,702
OPEB-related deferred inflows of resources		(56,801)
Change in Net Position of Governmental Activities	$	899,931

See Notes to Financial Statements.

Challenge to Excellence Charter School

(A Component Unit of Douglas County School District RE.1)

Statement of Net Position

Proprietary Fund

June 30, 2020

	Building Corporation
Assets	
Current Assets	
Restricted Cash and Investments	$ 29,245
Noncurrent Assets	
Capital Assets, *Not Being Depreciated*	1,010,419
Capital Assets, *Net of Accumulated Depreciation*	2,826,409
Total Noncurrent Assets	3,836,828
Total Assets	3,866,073
Deferred Outflows of Resources	
Loss on Debt Refunding, *Net of Accumulated Amortization*	168,701
Liabilities	
Current Liabilities	
Accrued Interest Payable	15,461
Loan Payable, *Current Portion*	163,350
Total Current Liabilities	178,811
Noncurrent Liabilities	
Loan Payable	5,167,867
Total Liabilities	5,346,678
Net Position	
Net Investment in Capital Assets	(1,325,688)
Restricted for Debt Service	13,784
Total Net Position	$ (1,311,904)

See Notes to Financial Statements.

Challenge to Excellence Charter School

(A Component Unit of Douglas County School District RE.1)

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Fund

For the Year Ended June 30, 2020

	Building Corporation
Operating Revenues	
Lease Income	$ 348,874
Total Operating Revenues	348,874
Operating Expenses	
Depreciation	209,622
Debt Service	
Interest and Fiscal Charges	213,102
Total Operating Expenses	422,724
Net Operating Income (Loss)	(73,850)
Total Nonoperating Revenues (Expenses)	74
Change in Net Position	(73,776)
Net Position, *Beginning of year*	(1,238,128)
Net Position, *End of year*	$ (1,311,904)

See Notes to Financial Statements.

Challenge to Excellence Charter School

(A Component Unit of Douglas County School District RE.1)

Statement of Cash Flows

Proprietary Fund

For the Year Ended June 30, 2020

	Building Corporation
Cash Flows From Operating Activities	
Lease Payments Received	$ 348,874
Loan Interest and Fees Paid	(191,633)
Loan Principal Paid	(157,184)
Net Cash (Used) by Operating Activities	57
Cash Flows From Investing Activities	
Investment Income Received	74
Net Change in Cash and Cash Equivalents	131
Cash and Cash Equivalents, *Beginning of year*	29,114
Cash and Cash Equivalents, *End of year*	$ 29,245
Reconciliation of Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Net Operating Income (Loss)	$ (73,850)
Adjustments to Reconcile Net Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	209,622
Amortization of Loss on Debt Refunding	22,493
Changes in Assets and Liabilities	
Accrued Interest Payable	(1,024)
Loan Payable	(157,184)
Net Cash (Used) by Operating Activities	$ 57

Note 1: Summary of Significant Accounting Policies

The Challenge to Excellence Charter School (the School) was organized in 2002 pursuant to the Colorado Charter Schools Act to form and operate a charter school within Douglas County School District (the District). The School is a non-profit organization as defined by 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 entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the School's more significant policies.

Reporting Entity

The financial reporting entity consists of the School, organizations for which the School is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the School. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are part of the School. 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 there is a potential for the organization to provide benefits to, or impose financial burdens on, the School.

The School includes the C2E Building Corporation (the Corporation) within its reporting entity. The Corporation was organized exclusively for the purpose of holding title to real estate and personal property for, and to make same available for use by, the School and to otherwise provide facilities, equipment and other physical plant and related support to the School. The Corporation is blended into the School's financial statements as an enterprise fund. Separate audited financial statements are not available for the Corporation.

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

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the School. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Note 1: Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements *(Continued)*

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

Separate financial statements are provided for the governmental and proprietary funds. Major individual funds are reported as 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* as is the proprietary fund in the fund financial statements. 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 year or soon enough thereafter to pay liabilities of the current year. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current year. Intergovernmental revenues, grants, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the School. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

The School reports the following major funds:

General Fund - This fund is the general operating fund of the School. It is currently used to account for all financial activities of the School.

Building Corporation - This fund is used to account for the financial activities of the Corporation, primarily related to capital assets and the related debt service.

Assets, Liabilities and Net Position/Fund Balance

Cash Equivalents - For purposes of the statement of cash flows, cash equivalents include investments with original maturities of three months or less.

Capital Assets - Capital assets, which include land, buildings, and equipment, are reported in the government-wide financial statements and the proprietary fund in the fund financial statements. Capital assets are defined as assets with an initial, individual cost of $5,000 or more 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 the acquisition value on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the useful lives are not capitalized.

Capital assets are depreciated using the straight-line method over the following estimated useful lives.

Buildings and Improvements	20 - 30 years
Equipment	5 - 15 years

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

Compensated Absences - Employees are allowed to use sick and personal leave, which is not available to carry over from year to year. Certified and classified staff are reimbursed $100 and $50 per day, respectively, for unused sick and personal leave at the end of each fiscal year. Therefore, no liability is reported in the financial statements for these compensated absences.

Note 1: Summary of Significant Accounting Policies (Continued)

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

Long-Term Debt - In the government-wide financial statements and the proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Debt premiums, discounts, and accounting losses resulting from debt refunding's are deferred and amortized over the life of the debt using the straight-line method. In the governmental fund financial statements, 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 are reported as other financing uses.

Issuance costs, whether or not withheld from the debt proceeds, are reported as current expenses or expenditures.

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 and deductions from the SCHDTF's fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used by the SCHDTF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Employer contributions are recognized when the compensation is payable to the employees. Investments are reported at fair value.

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

Postemployment Benefits Other Than Pensions (OPEB) - The School participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan 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 and deductions from the HCTF's fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, the HCTF recognizes benefit payments when due and payable in accordance with the benefit terms. Employer contributions are recognized when the compensation is payable to the employees. Investments are reported at fair value.

Net Position/Fund Balance - In the government-wide and fund financial statements, net position and fund balance are restricted when constraints placed on the use of resources are externally imposed. The Governing Council is authorized to establish a fund balance commitment through passage of a resolution and may assign fund balances to a specific purpose through an informal action.

Note 1: Summary of Significant Accounting Policies (Continued)

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

The School has not established a formal policy for its use of restricted and unrestricted fund balances. However, if both restricted and unrestricted fund balances are available for a specific purpose, the School uses restricted fund balance first, followed by committed, assigned and unassigned balances.

Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School carries commercial insurance for these risks of loss.

Subsequent Events

The School has evaluated subsequent events through October 22, 2020, the date the financial statements were available to be issued.

Note 2: Stewardship, Compliance and Accountability

Accountability

At June 30, 2020, the Corporation had a negative net position of $1,311,904. Management expects this negative balance to be eliminated as the School's debt is paid.

Note 3: Deposits and Investments

A summary of cash and investments at June 30, 2020, follows:

Deposits	$	753,326
Investments		2,828,191
Total	$	3,581,517

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

Cash and Investments	$	3,552,272
Restricted Cash and Investments		29,245
Total	$	3,581,517

Note 3: Deposits and Investments (Continued)

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2020, the School had bank deposits of $507,249 collateralized with securities held by the financial institution's agents but not in the School's name.

Investments

The School is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk. The School's investment policy follows State statutes.

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

Interest Rate Risk - State statutes generally limit the maturity of investment securities to five years from the date of purchase unless the governing board authorizes the investment for a period in excess of five years.

Credit Risk - State statutes limit investments in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with the Securities and Exchange Commission's Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by one or more nationally recognized statistical rating organizations.

At June 30, 2020, the School had $29,245 invested in the Federated Treasury Obligations Fund, a money market fund rated AAAm by Standard and Poor's. The fund invests in short-term U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities.

Note 3: Deposits and Investments (Continued)

Investments *(Continued)*

Concentration of Credit Risk - State statutes do not limit the amount the School may invest in a single issuer, except for corporate securities.

Local Government Investment Pool - At June 30, 2020, the School had $2,798,946 invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds for investment purposes. The Colorado Division of Securities administers and enforces the requirements of creating and operating Colotrust. Colotrust operates in conformity with the Securities and Exchange Commission's Rule 2a-7. Colotrust is reported at the net asset value per share, with each share valued at $1. Colotrust is rated AAAm by Standard and Poor's. Investments of Colotrust are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

Restricted Cash and Investments

At June 30, 2020, investments of $29,245 have been restricted by the School's loan agreement for debt service.

Note 4: Capital Assets

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

Governmental Activities	Balance 6/30/19	Additions	Deletions	Balance 6/30/20
Capital Assets, *Being Depreciated*				
Land Improvements	$ 91,964	$ -	$ -	$ 91,964
Equipment	208,820	53,277	-	262,097
Total Capital Assets, *Being Depreciated*	300,784	53,277	-	354,061
Less Accumulated Depreciation				
Land Improvements	(36,783)	(9,195)	-	(45,978)
Equipment	(173,625)	(12,050)	-	(185,675)
Total Accumulated Depreciation	(210,408)	(21,245)	-	(231,653)
Governmental Activities Capital Assets, *Net*	$ 90,376	$ 32,032	$ -	$ 122,408

Note 4: Capital Assets (Continued)

Business-Type Activities	Balance 6/30/19	Additions	Deletions	Balance 6/30/20
Capital Assets, *Not Being Depreciated*				
Land	$ 1,010,419	$ -	$ -	$ 1,010,419
Capital Assets, *Being Depreciated*				
Buildings	4,754,070	-	-	4,754,070
Building Improvements	960,908	-	-	960,908
Total Capital Assets, *Being Depreciated*	5,714,978	-	-	5,714,978
Less Accumulated Depreciation				
Buildings	(2,318,080)	(158,469)	-	(2,476,549)
Building Improvements	(360,867)	(51,153)	-	(412,020)
Total Capital Assets, *Being Depreciated*	(2,678,947)	(209,622)	-	(2,888,569)
Total Capital Assets, *Being Depreciated, Net*	3,036,031	(209,622)	-	2,826,409
Business-Type Activities Capital Assets, *Net*	$ 4,046,450	$ (209,622)	$ -	$ 3,836,828

Depreciation expense of the governmental activities was charged to the supporting services program of the School.

Note 5: Long-Term Debt

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

	Balance 6/30/19	Additions	Payments	Balance 6/30/20	Due Within One Year
Business-Type Activities					
2017 Building Loan	$ 5,488,401	$ -	$ (157,184)	$ 5,331,217	$ 163,350

On June 30, 2018, the Colorado Educational and Cultural Facilities Authority (CECFA) issued $5,775,756 Charter School Refunding Revenue Bonds, Series 2017. Bond proceeds were used to refund the Charter School Revenue Refunding Bonds, Series 2007. Proceeds of the refunded bonds were used to advance refund CECFA's outstanding Series 2004 Bonds, which were originally loaned to the School to construct the School's building. The School is obligated under a lease agreement to make monthly lease payments to the School for using the facilities. The School is required to make monthly loan payments to the trustee, for payment of the bonds. Interest accrues on the outstanding balance of the bonds at 3.48% per annum. Principal and interest payments are due monthly beginning August 1, 2017, with a balloon payment of $3,970,706 due at maturity on December 1, 2027.

Note 5: Long-Term Debt (Continued)

Future debt service requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
2021	$ 163,350	$ 185,466	$ 348,816
2022	169,208	179,608	348,816
2023	175,276	173,540	348,816
2024	181,100	167,716	348,816
2025	188,057	160,759	348,816
2026 - 2028	4,454,226	372,056	4,826,282
Total	$ 5,331,217	$ 1,239,145	$ 6,570,362

Note 6: Defined Benefit Pension Plan

General Information

Plan Description - The School contributes to the SCHDTF, a cost-sharing multiple-employer defined benefit pension plan administered by PERA. All employees of the School participate in the SCHDTF. 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 financial report (CAFR) that includes information on the SCHDTF that may be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided - The SCHDTF provides retirement, disability, and survivor benefits to plan participants or their beneficiaries. Retirement benefits are determined by the amount of service credit earned or purchased, highest average salary, the benefit structure under which the member retires, the benefit option selected at retirement, and age at retirement.

The lifetime retirement benefit for all eligible retiring employees under the PERA benefit structure is the greater of the a) highest average salary over three years multiplied by 2.5% and then multiplied by years of service credit, or b) the value of the retiring employee's contribution account plus an equal match on eligible amounts as of the retirement date, annualized into a monthly amount based on life expectancy and other actuarial factors.

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

Note 6: Defined Benefit Pension Plan (Continued)

General Information *(Continued)*

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

As of December 31, 2019, retirees who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs) in certain years, 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 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 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 a disability. The disability benefit amount is based on the lifetime retirement benefit formula described previously, considering a minimum of twenty 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 in place under which service credit was obtained, and the qualified survivor who will receive the benefits.

Contributions - The School, eligible employees 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. The contribution rate for eligible employees is 8.75% of covered salaries during the period of July 1, 2019, through June 30, 2020. The School's contribution rate was 20.40% of covered salaries for July 1, 2019, through June 30, 2020. However, a portion of the School's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 7). Contribution rates for the SCHDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Note 6: Defined Benefit Pension Plan (Continued)

General Information *(Continued)*

As specified in C.R.S. § 24-51-414, the State is required to contribute $225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes. During the year ended June 30, 2020, the direct distribution for the SCHDTF was $127,367,213.

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. The School's contributions to the SCHDTF for the year ended June 30, 2020, were $480,483, equal to the required contributions.

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 at December 31, 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.

At June 30, 2020, the School reported a net pension liability of $6,312,442, representing 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:

School Proportionate share of net pension liability	$	7,113,096
The State's proportionate share of net pension liability as a nonemployer contributing entity associated with the School		(800,654)
Proportionate share of the net pension liability	$	6,312,442

Note 6: Defined Benefit Pension Plan (Continued)

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

The School's proportion of the net pension liability was based on 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 December 31, 2019, the School's proportion was .0422525671%, which was a decrease of .0022998796% from its proportion measured at December 31, 2018.

For the year ended June 30, 2020, the School recognized pension benefit of $478,107 which included $25,326 of 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 344,031	$ -
Changes of assumptions and other inputs	180,209	2,863,263
Net difference between projected and actual earnings on plan investments		747,771
Changes in proportion	29,816	629,798
Contributions subsequent to the measurement date	277,890	-
Total	$ 831,946	$ 4,240,832

School contributions subsequent to the measurement date of $277,890 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	
2021	$ (2,027,790)
2022	(1,418,235)
2023	13,618
2024	(254,369)
Total	$ (3,686,776)

Note 6: Defined Benefit Pension Plan (Continued)

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

Actuarial Assumptions - The actuarial valuation as of December 31, 2018, determined the total pension liability using the following actuarial assumptions and other inputs.

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

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 were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, with certain adjustments, adjusted as follows:

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

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

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

Note 6: Defined Benefit Pension Plan (Continued)

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

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, as follows:

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%.

Note 6: Defined Benefit Pension Plan (Continued)

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200 and the additional 0.50% resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State will provide an annual direct distribution of $225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered annual increase cap, from 1.50% to 1.25% resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Note 6: Defined Benefit Pension Plan (Continued)

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

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	$ 8,371,649	$ 6,312,442	$ 4,583,558

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

Note 7: Postemployment Healthcare Benefits

General Information

Plan Description - All employees of the School are eligible to receive postemployment benefits other than pensions (OPEB) through the HCTF, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Public Employees' Retirement Association of Colorado (PERA). The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (CRS), 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. PERA issues a publicly available financial report that includes information on the HCTF. That report may be obtained at www.copera.org/investments/pera-financial-reports.

Note 7: Postemployment Healthcare Benefits (Continued)

General Information *(Continued)*

Benefits Provided - The HCTF provides a healthcare premium subsidy to eligible 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.

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

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

Note 7: Postemployment Healthcare Benefits (Continued)

General Information *(Continued)*

Contributions - As established by Title 24, Article 51, Section 208 of the CRS, 1.02% of the School's contributions to the SCHDTF (see Note 6) is apportioned to the HCTF. No employee contributions are required. These contribution requirements are established and may be amended by the State Legislature. Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the Challenge to Excellence Charter School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the School for the year ended June 30, 2020, was $25,225, equal to the required amount.

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 net OPEB liability of 310,388, representing its proportionate share of the net OPEB liability of the HCTF. The net OPEB liability was measured at December 31, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31. 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 ended December 31, relative to the contributions of all participating employers. At December 31, the School's proportion was .0276146182%, which was a decrease of .001668035% from its proportion measured at December 31, 2018.

For the year ended June 30, 2020, the School recognized OPEB expense of $21,025. 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
Differences between expected and actual experience	$ 1,032	$ 52,157
Changes of assumptions and other inputs	2,576	-
Net difference between projected and actual earnings on plan investments	-	5,182
Changes in proportion	23,715	-
Contributions subsequent to the measurement date	14,647	-
Total	$ 41,970	$ 57,339

Note 7: Postemployment Healthcare Benefits (Continued)

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

School contributions subsequent to the measurement date of 14,647 will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ended June 30,		
2021	$	(5,706)
2022		(5,706)
2023		(4,206)
2024		(7,595)
2025		(6,198)
Thereafter		(605)
Total	$	(30,016)

Actuarial Assumptions - The actuarial valuation as of December 31, 2018, determined the total OPEB liability using the following actuarial assumptions and other inputs, applied to all periods included in the measurement.

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
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates:	
Service-based premium subsidy	0.0%
PERACare Medicare plans	
5.60% for 2019, gradually decreasing to 4.50% in 2029	
Medicare Part A premiums:	
3.50% for 2019, gradually rising to 4.50% in 2025	

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 7: Postemployment Healthcare Benefits (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, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, and were adopted by PERA's governing board on November 18, 2016. In addition, certain actuarial assumptions pertaining to per capita health care costs and the related trends are analyzed and reviewed by PERA's actuary as needed.

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

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

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

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

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table. The mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

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

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

Note 7: Postemployment Healthcare Benefits (Continued)

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

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

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

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

The most recent analysis of the long-term expected rate of return was adopted by PERA's governing board on November 18, 2016, and included the target allocation and best estimates of geometric real rates of return for each major asset class, as presented previously (see Note 6).

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%.

Note 7: Postemployment Healthcare Benefits (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%. 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%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	$ 420,385	$ 310,388	$ 337,514

Note 7: Postemployment Healthcare Benefits (Continued)

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

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the School's proportionate share of the net OPEB liability calculated using the current healthcare cost trend rates, ranging from 2.5% to 6.5%, as well as the School's proportionate share of the net OPEB liability if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates, as follows:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Proportionate share of the net OPEB liability	$ 303,015	$ 310,388	$ 318,908

OPEB Plan Fiduciary Net Position - Detailed information about the HCTF's fiduciary net position is available in PERA's separately issued financial report, which may be obtained at www.copera.org/investments/pera-financial-reports.

Note 8: Interfund Transactions

Certain reserves held in trust for the refunded debt (see Note 5) were released from restriction. During the year ended June 30, 2020, this excess cash was transferred to the School in the amount of $157,184.

Note 9: Commitments and Contingencies

Claims and Judgments

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

Note 9: Commitments and Contingencies (Continued)

TABOR Amendment

In November 1992, Colorado voters passed the TABOR Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The Amendment is subject to interpretation, but the School believes it is in substantial compliance with the requirements of the Amendment. As required by the Amendment, the School has established a reserve for emergencies, representing 3% of qualifying expenditures. At June 30, 2020, the emergency reserve was reported as restricted fund balance in the General Fund, in the amount of $160,000.

Note 10: Subsequent Event

Subsequent to year-end, the United States of America and the State of Colorado have declared an emergency associated with the Coronavirus pandemic. The School has been economically impacted by the event, however the full economic effect has yet to be determined.

Required Supplementary Information

Challenge to Excellence Charter School

(A Component Unit of Douglas County School District RE.1)
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and Contributions
Public Employees' Retirement Association of Colorado
School Division Trust Fund
June 30, 2020

	12/31/19	12/31/18	12/31/17	12/31/16	12/31/15	12/31/14
Proportionate Share of the Net Pension Liability						
School's Proportion of the Net Pension Liability	0.0422525671%	0.0399526875%	0.0456648566%	0.0443513783%	0.0435081376%	0.0427827980%
School's Proportionate Share of the Net Pension Liability	$ 6,312,442	$ 7,074,444	$ 14,766,391	$ 13,205,120	$ 6,654,262	$ 5,798,506
School's Covered-Employee Payroll	$ 2,482,992	$ 2,196,413	$ 2,106,465	$ 1,990,568	$ 1,896,362	$ 1,792,291
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	254%	322%	701%	663%	351%	324%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	65%	57%	44%	43%	59%	63%

	6/30/20	6/30/19	6/30/18	6/30/17	6/30/16	6/30/15
School Contributions						
Statutorily Required Contribution	$ 480,483	$ 452,043	$ 407,218	$ 375,265	$ 347,700	$ 306,721
Contributions in Relation to the Statutorily Required Contribution	(480,483)	(452,043)	(407,218)	(375,265)	(347,700)	(306,721)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -
School's Covered-Employee Payroll	$ 2,473,078	$ 2,362,912	$ 2,156,879	$ 2,041,567	$ 1,961,651	$ 1,817,034
Contributions as a Percentage of Covered-Employee Payroll	19.43%	19.13%	18.88%	18.38%	17.72%	16.88%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

Challenge to Excellence Charter School

(A Component Unit of Douglas County School District RE.1)

Required Supplementary Information

Schedule of Proportionate Share of the Net OPEB Liability and Contributions

Public Employees' Retirement Association of Colorado

Health Care Trust Fund

June 30, 2020

	12/31/2019	12/31/18	12/31/17
Proportionate Share of the Net OPEB Liability			
School's Proportion of the Net OPEB Liability	0.0276146182%	0.0259694641%	0.0259465832%
School's Proportionate Share of the Net OPEB Liability	$ 310,388	$ 353,325	$ 337,202
School's Covered Payroll	$ 2,482,992	$ 2,196,413	$ 2,198,431
School's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	13%	16%	15%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	24%	17%	18%

	6/30/2020	6/30/19	6/30/18
School Contributions			
Statutorily Required Contribution	$ 25,225	$ 24,102	$ 22,000
Contributions in Relation to the Statutorily Required Contribution	(25,225)	(24,102)	(22,000)
Contribution Deficiency (Excess)	$ -	$ -	$ -
School's Covered Payroll	$ 2,473,078	$ 2,362,912	$ 2,245,739
Contributions as a Percentage of Covered Payroll	1.02%	1.02%	0.98%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

Challenge to Excellence Charter School

(A Component Unit of Douglas County School District RE.1)

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance *Positive (Negative)*
Revenues				
Local Sources				
Per Pupil Revenue	$ 4,267,404	$ 4,133,124	$ 4,114,208	$ (18,916)
District Mill Levy	617,983	591,614	585,032	(6,582)
Tuition	100,000	80,000	59,384	(20,616)
Student Fees and Activities	185,000	265,000	205,962	(59,038)
Investment Income	25,000	35,000	41,359	6,359
Other	3,500	3,500	63,675	60,175
Total Local Sources	5,198,887	5,108,238	5,069,620	(38,618)
State Sources				
Capital Construction	129,076	123,568	139,564	15,996
Grants	52,652	136,132	120,653	(15,479)
Total State Sources	181,728	259,700	260,217	517
Federal Sources				
CDE - CRF Funding	-	-	14,856	14,856
Total Federal Sources	-	-	14,856	14,856
Total Revenues	5,380,615	5,367,938	5,344,693	(23,245)
Expenditures				
Salaries	2,592,150	2,672,939	2,549,921	123,018
Employee Benefits	897,345	982,928	857,441	125,487
Purchased Professional Services	275,930	262,855	155,176	107,679
Purchased Property Services	502,362	523,362	477,110	46,252
Other Purchased Services	499,752	531,168	529,284	1,884
Supplies	208,492	211,992	197,466	14,526
Property	76,350	611,350	135,987	475,363
Other	9,045	12,010	8,887	3,123
Contingency	200,000	35,335	0	35,335
Total Expenditures	5,261,426	5,843,939	4,911,272	932,667
Excess of Revenues Over (Under) Expenditures	119,189	(476,001)	433,421	909,422
Other Financing Sources (Uses)				
Transfers (Out)	-	-	-	-
Net Change in Fund Balance	119,189	(476,001)	433,421	909,422
Fund Balance, *Beginning of year*	2,238,983	2,712,349	2,712,350	1
Fund Balance, *End of year*	$ 2,358,172	$ 2,236,348	$ 3,145,771	$ 909,423

Note 1: Schedule of Proportionate Share of the Net Pension Liability and Contributions

The Public Employees' Retirement Association of Colorado (PERA) School Division Trust Fund's net pension liability and associated amounts are measured annually at December 31, based on an actuarial valuation as of the previous December 31. The School's contributions and related ratios represent cash contributions and any related accruals that coincide with the School's fiscal year ending on June 30.

Changes in Assumptions and Other Inputs

For the year ended June 30, 2020, the total pension liability was determined by an actuarial valuation as of December 31, 2018. The following revised economic and demographic assumptions were effective as of December 31, 2020.

- Investment rate of return assumption of 7.25% per year, compounded annually. This assumption did not change from the prior year.
- Price inflation assumption of 2.4% per year. This assumption did not change from the prior year.
- Real rate of investment return assumption increased from 4.78% per year, net of investment expenses, to 7.25%. The rate reflected in the roll-forward calculation of the collective total pension liability to the measurement date was 7.25%. This assumption did not change from prior year.
- Wage inflation assumption of 3.5% per year. This assumption did not change from the prior year.
- Healthy and disabled mortality assumptions are based on the RP-2014 Mortality Tables.

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

Budgets are required by State statutes for all funds and are adopted on a basis consistent with generally accepted accounting principles.

The School adheres to the following procedures to establish the budgetary information reflected in the financial statements.

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