

LOTUS SCHOOL FOR EXCELLENCE

BASIC FINANCIAL STATEMENTS

June 30, 2021

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JOHN CUTLER & ASSOCIATES

Board of Directors
Lotus School for Excellence
Aurora, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements governmental activities, each major fund, and the aggregate remaining fund information of Lotus School for Excellence (the "School"), a component unit of the Joint School District No. 28 J of the Counties of Adams and Arapahoe, Colorado, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Lotus School for Excellence as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, schedules of the school's proportionate share, and schedules of the school's contributions on pages 46-50 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The individual fund schedule and the schedule of expenditures of federal awards, as required by the Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the Financial Data Schedule (FDS) are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund schedule and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 25, 2021, on our consideration of the Lotus School for Excellence's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Lotus School for Excellence's internal control over financial reporting and compliance.

John Luthr & Associates, LLC

October 15, 2021

Lotus School for Excellence
(A Component Unit of the Joint School District No. 28-J of the
Counties of Adams and Arapahoe, Colorado)
Management's Discussion and Analysis (Unaudited)
As of and for the Year Ended June 30, 2021

As management of the Lotus School for Excellence (the School), we offer readers of the Lotus School for Excellence financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2021, the School's 15th year of operations.

Financial Highlights

The liabilities and deferred inflows of the School exceeded its assets and deferred outflows at the close of the most recent fiscal year by \$8,900,935. The negative net position is the result of implementing GASB 68, and reflecting the proportionate share of the Public Employees Retirement Association unfunded pension liability, in addition to GASB 75, Other Post Employment Benefit obligations.

At the close of the fiscal year the School's governmental fund reported an ending fund balance of \$1,969,686. This represents an increase of \$94,119 or 5%. The operations of the School are funded primarily by tax revenue received under the State School Finance Act (the Act). State categorical revenue (PPR) for the year was \$8,160,519.

Overview of Financial Statements

This discussion and analysis are 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 all the School's assets, deferred outflows, liabilities, and deferred inflows, with the difference between the assets/deferred outflows and liabilities/deferred inflows being reported as net position. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial condition of the 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).

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Management's Discussion and Analysis (Unaudited)
As of and for the Year Ended June 30, 2021

The government-wide financial statement of activities distinguishes functions/programs of the School supported primarily by per pupil revenue (PPR) passed through from the District (Aurora Public Schools - Arapahoe). The governmental activities of the School include instruction and supporting expenses.

The government-wide financial statements can be found on pages 1-2 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. The School, like other governmental units or charter schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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.

The School maintains one governmental fund the General Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the general fund and is considered to be a major fund.

Proprietary Funds - Services for which the School charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The School's internal service fund (one type of proprietary fund) is the same as its business-type activities but provides more detail and additional information such as cash flow analysis. The School reports one proprietary fund the Foundation.

Lotus School for Excellence
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Counties of Adams and Arapahoe, Colorado)
Management’s Discussion and Analysis (Unaudited)
As of and for the Year Ended June 30, 2021

The School adopts an annual appropriations budget for its General Fund and Foundation. A budgetary comparison statement has been provided for the General Fund and the Foundation to demonstrate compliance with the budgets. Budgetary comparison statements are provided on pages 46 and 51.

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 9-45.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government’s financial condition. In the case of the School, liabilities and deferred inflows exceeded assets and deferred outflows by \$8,900,935 for all government funds and business type activities at the close of the most recent fiscal year. \$358,000 of this total is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. Accordingly, these funds are not available to satisfy general operating expenses of the School. The unrestricted net negative position of \$14,467,791 decreased from the prior fiscal year by \$2,394,586 or 14.2%.

Lotus’s Net Position
For the Year Ended June 30, 2021 and June 30, 2020

| | Governmental and Business Type Activities <u>30-Jun-20</u> | Governmental and Business Type Activities <u>30-Jun-20</u> |
|---------------------------------------|---------------------------------------------------------------------|---------------------------------------------------------------------|
| Cash and Investments | \$2,784,620 | \$2,293,500 |
| Restricted Investments | 636,605 | 688,829 |
| Receivables and Prepaid Items | 222,262 | 390,014 |
| Capital and Other Assets, Net | 13,274,326 | 12,469,237 |
| Total Assets | 16,917,813 | 15,841,580 |
| Deferred Outflows – Pensions/OPEB | 6,284,407 | 3,286,508 |
| Accounts Payable, Deposits, Def. Rev. | 647,737 | 486,740 |
| Accrued Salaries and Benefits | 469,625 | 402,234 |
| Due in One Year | 261,138 | 249,693 |
| Due in More Than One Year | 8,440,937 | 8,702,075 |
| Net Pension/OPEB Liability | 15,801,643 | 13,225,297 |
| Total Liabilities | 25,621,080 | 23,066,039 |

Lotus School for Excellence
(A Component Unit of the Joint School District No. 28-J of the
Counties of Adams and Arapahoe, Colorado)
Management's Discussion and Analysis (Unaudited)
As of and for the Year Ended June 30, 2021

| | | |
|-----------------------------------|----------------|----------------|
| Deferred Inflows – Pensions/OPEB | 6,482,075 | 8,361,128 |
| | | |
| Net Position | | |
| Investment in Capital Assets, Net | 5,208,856 | 4,206,298 |
| Restricted for Emergencies | 358,000 | 357,000 |
| Unrestricted | (14,467,791) | (16,862,377) |
| Total Net Position | \$ (8,900,935) | \$(12,299,079) |

The majority of the School's total assets (78.7%) are in net capital assets. 18.8% percent of total assets represent cash, restricted cash and investments. The School's net position is negative due to the implementation of GASB 68 and GASB 75 and the significant unfunded net pension liability and other post-employment benefit obligations.

Lotus's Change in Net Position
For the Years Ended June 30, 2021 and June 30, 2020

| | <u>June 30,2021</u> | <u>June 30,2020</u> |
|-------------------------------------|---------------------|---------------------|
| Program Revenue: | | |
| Charges for Services | \$ 27,884 | \$ 137,464 |
| Operating Grants | 1,980,947 | 1,107,149 |
| Capital Grants and Contributions | 1,732,269 | 947,765 |
| Total Program Revenue | 3,741,100 | 2,192,378 |
| | | |
| General Revenue: | | |
| Per Pupil Operating Revenue | 8,160,519 | 8,273,732 |
| Mill Levy Revenue | 2,647,973 | 2,288,310 |
| Investment Earnings | 5,119 | 53,723 |
| Other | 296,753 | 108,308 |
| Total General Revenue | 11,110,364 | 10,724,073 |
| | | |
| Total Revenue | 14,851,464 | 12,916,451 |
| | | |
| Expenses: | | |
| Current: | | |
| Instruction | 5,666,328 | 5,769,974 |
| Supporting Services | 5,438,237 | 5,628,060 |
| Interest and Fiscal Charges | 348,755 | 375,177 |
| Total Expenses | 11,453,320 | 11,773,21 |
| | | |
| Increase (Decrease) in Net Position | 3,398,144 | 1,143,240 |
| | | |
| Beginning Net Position | (12,299,079) | (13,442,319) |

Lotus School for Excellence
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Management’s Discussion and Analysis (Unaudited)
As of and for the Year Ended June 30, 2021

Ending Net Position \$ (8,900,935) \$ (12,299,079)

Financial Analysis of the Government’s Funds

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

Governmental Funds - The focus of Lotus’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, unreserved 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, June 30, 2021, the School’s General Fund reported an ending fund balance of \$1,969,686, reflecting an increase of \$94,119 or 5%.

General Fund Budgetary Highlights

The School approves a budget prior to June 30th based on enrollment projections or Funded Pupil Count (FPC). The following is a historical recap of prior enrollment counts:

| YEAR | K | 1st | 2nd | 3rd | 4th | 5th | 6th | 7th | 8th | 9th | 10th | 11th | 12th | K-12 Count |
|------|----|-----|-----|-----|-----|-----|-----|-----|-----|-----|------|------|------|------------|
| FY07 | 0 | 0 | 0 | 0 | 0 | 0 | 85 | 56 | 0 | 0 | 0 | 0 | 0 | 141 |
| FY08 | 0 | 0 | 0 | 0 | 0 | 0 | 58 | 64 | 46 | 0 | 0 | 0 | 0 | 168 |
| FY09 | 0 | 0 | 0 | 0 | 0 | 0 | 74 | 72 | 69 | 27 | 0 | 0 | 0 | 242 |
| FY10 | 0 | 0 | 0 | 0 | 0 | 0 | 84 | 82 | 61 | 51 | 26 | 0 | 0 | 304 |
| FY11 | 25 | 27 | 53 | 53 | 53 | 54 | 52 | 85 | 76 | 59 | 47 | 23 | 0 | 607 |
| FY12 | 20 | 48 | 48 | 69 | 73 | 73 | 92 | 49 | 67 | 75 | 46 | 47 | 24 | 731 |
| FY13 | 22 | 49 | 76 | 51 | 78 | 73 | 75 | 76 | 51 | 74 | 69 | 46 | 35 | 775 |
| FY14 | 39 | 52 | 46 | 74 | 55 | 70 | 75 | 78 | 79 | 68 | 70 | 51 | 33 | 790 |
| FY15 | 40 | 52 | 57 | 51 | 74 | 52 | 85 | 70 | 75 | 73 | 52 | 52 | 31 | 764 |
| FY16 | 42 | 54 | 69 | 74 | 58 | 72 | 93 | 77 | 73 | 73 | 66 | 50 | 38 | 839 |
| FY17 | 35 | 70 | 68 | 77 | 72 | 69 | 100 | 80 | 76 | 71 | 61 | 64 | 36 | 879 |
| FY18 | 42 | 57 | 69 | 71 | 74 | 73 | 90 | 100 | 75 | 71 | 74 | 54 | 52 | 902 |
| FY19 | 40 | 68 | 75 | 69 | 71 | 69 | 105 | 87 | 86 | 57 | 47 | 54 | 34 | 862 |
| FY20 | 63 | 74 | 75 | 74 | 74 | 75 | 92 | 93 | 77 | 74 | 54 | 44 | 47 | 916 |
| FY21 | 61 | 72 | 73 | 71 | 74 | 73 | 93 | 100 | 100 | 77 | 58 | 54 | 43 | 949 |

Enrollment was budgeted at 910 for FY21 with the actual count settling on 949. Even though Per Pupil Revenue declined approximately 4.7% in FY21, the additional Federal COVID support helped to increase revenue by approximately 11% over FY20 total revenue. The FY22 budget is based on an enrollment of 938. Currently Lotus’s enrollment should equal or exceed 950 after the official count is concluded.

The School revised the budgeted General Fund expenditures from \$12,401,942 to \$13,500,000. Actual expenditures were \$13,374,394 for the School. The Building Fund/Foundation had actual expenditures of \$1,303,118 or \$1,019,697 on a non-GAAP basis which excludes principal payments.

Lotus School for Excellence
(A Component Unit of the Joint School District No. 28-J of the
Counties of Adams and Arapahoe, Colorado)
Management's Discussion and Analysis (Unaudited)
As of and for the Year Ended June 30, 2021

Capital Asset and Debt Administration

Capital Assets - The School's investment in capital assets is anticipated to improve over the coming years as asset additions are made and contributed to the internal service fund (Building Corporation/Lotus School for Excellence Foundation). Total depreciation for FY21 was \$640,654 resulting in net capital assets of \$13,274,326. This amount includes capital additions of \$1,445,743. Please see Note 4.

During FY18, the Foundation refinanced its debt of \$4.2 million and funded an expansion project. The cost of new construction with support from the School was approximately \$6,051,048. The primary construction was completed by the spring of FY19 which included eight new classrooms focused on robotics, chemistry and science. Due to the project savings, other building improvements including HVAC, Security Cameras, Administration Office Remodel and Gym improvements were completed during FY20.

Long-Term Lease Agreement & Debt

The current debt was refinanced in the spring of 2018 and included the cash out of approximately five million for the building expansion. The maximum annual debt service of \$615,577 carries an interest rate of 4.14%. This Foundation loan is secured by the building and was financed by MidWestOne Bank. The School is required to meet a debt service coverage ratio of 1.1 times and sixty days of operating cash on hand.

Economic Factors and Next Year's Budget

In November of 2000 voters in Colorado approved a provision to the Colorado constitution providing that K-12 funding would increase ratably with pupil growth, plus inflation, plus 1% for 10 years and thereafter, growth plus inflation. This provision expired in FY11 and continues without the 1% increase. The FY22 budget currently projects the School's General Fund equity will increase by approximately \$218K by year end and driven by enrollment and the Federal CARES ACT support. The PPR (Per Pupil Revenue) increase for FY22 was 8.27%. With the Mill Levy funding exceeding \$2,900 per student, CARES ACT support and the steady enrollment, the School is expected to meet its reserve and capital goals for the coming year.

Requests for Information

This financial report is designed to provide a general overview of the Lotus'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 Lotus School for Excellence, Attn: Business Office, 11001 E. Alameda Ave., Aurora, CO 80012.

BASIC FINANCIAL STATEMENTS

LOTUS SCHOOL FOR EXCELLENCE

STATEMENT OF NET POSITION

June 30, 2021

| | <u>GOVERNMENTAL ACTIVITIES</u> | |
|--------------------------------------------------------------|--------------------------------|------------------------|
| | <u>2021</u> | <u>2020</u> |
| ASSETS | | |
| Cash and Investments | \$ 2,784,620 | \$ 2,293,500 |
| Restricted Cash and Investments | 636,605 | 688,829 |
| Accounts Receivable | 37,935 | 1,203 |
| Grants Receivable | 102,462 | 212,379 |
| Due from District | - | 134,797 |
| Prepaid Items | 81,865 | 41,635 |
| Capital Assets, Not Being Depreciated | 1,479,325 | 605,038 |
| Capital Assets, Depreciated, Net of Accumulated Depreciation | 11,795,001 | 11,864,199 |
| TOTAL ASSETS | <u>16,917,813</u> | <u>15,841,580</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Related to Pensions | 6,147,421 | 3,159,387 |
| Related to OPEB | 136,986 | 127,121 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | <u>6,284,407</u> | <u>3,286,508</u> |
| LIABILITIES | | |
| Accounts Payable | 433,799 | 455,106 |
| Due to District | 146,986 | - |
| Accrued Interest Payable | 30,023 | 30,884 |
| Accrued Salaries and Benefits | 469,625 | 402,234 |
| Unearned Revenue | 36,929 | 750.00 |
| Noncurrent Liabilities | | |
| Due Within One Year | 261,138 | 249,693 |
| Due in More Than One Year | 8,440,937 | 8,702,075 |
| Net Pension Liability | 15,247,530 | 12,605,807 |
| Net OPEB Liability | 554,113 | 619,490 |
| TOTAL LIABILITIES | <u>25,621,080</u> | <u>23,066,039</u> |
| DEFERRED INFLOWS OF RESOURCES | | |
| Related to Pensions | 6,307,634 | 8,246,693 |
| Related to OPEB | 174,441 | 114,435 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | <u>6,482,075</u> | <u>8,361,128</u> |
| NET POSITION | | |
| Investment in Capital Assets | 5,208,856 | 4,206,298 |
| Restricted for Emergencies | 358,000 | 357,000 |
| Unrestricted | <u>(14,467,791)</u> | <u>(16,862,377)</u> |
| TOTAL NET POSITION | <u>\$ (8,900,935)</u> | <u>\$ (12,299,079)</u> |

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

LOTUS SCHOOL FOR EXCELLENCE

STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

| <u>FUNCTIONS/PROGRAMS</u> | <u>Expenses</u> | PROGRAM REVENUES | | | Net Expense (Revenue) and Changes in Net Position | |
|---------------------------------------------------------|-------------------|-------------------------|------------------------------------------|----------------------------------------|------------------------------------------------------|-----------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activities | |
| | | | | | 2021 | 2020 |
| PRIMARY GOVERNMENT | | | | | | |
| Governmental Activities | | | | | | |
| Instruction | \$ 5,666,328 | \$ 27,299 | \$ 1,980,920 | \$ - | \$ (3,658,109) | \$ (5,732,251) |
| Supporting Services | 5,403,850 | 585 | 27 | 1,714,161 | (3,689,077) | (3,473,405) |
| Interest and Fiscal Charges | 365,034 | - | - | - | (365,034) | (375,177) |
| Total Governmental Activities | \$ 11,435,212 | \$ 27,884 | \$ 1,980,947 | \$ 1,714,161 | (7,712,220) | (9,580,833) |
| GENERAL REVENUES | | | | | | |
| Per Pupil Revenue | | | | | 8,160,519 | 8,273,732 |
| Mill Levy Override | | | | | 2,647,973 | 2,288,310 |
| Investment Earnings | | | | | 5,119 | 53,723 |
| Other | | | | | 296,753 | 108,308 |
| SPECIAL ITEM - Capital Transfer to Building Corporation | | | | | - | - |
| TOTAL GENERAL REVENUES | | | | | 11,110,364 | 10,724,073 |
| CHANGE IN NET POSITION | | | | | 3,398,144 | 1,143,240 |
| NET POSITION, Beginning, Restated | | | | | (12,299,079) | (13,442,319) |
| NET POSITION, Ending | | | | | \$ (8,900,935) | \$ (12,299,079) |

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

LOTUS SCHOOL FOR EXCELLENCE

BALANCE SHEET
ALL GOVERNMENTAL FUNDS
June 30, 2021

| | GENERAL FUND | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-----------------------|------------------------|
| | 2021 | 2020 |
| ASSETS | | |
| Cash and Investments | \$ 2,784,620 | \$ 2,293,500 |
| Restricted Cash and Investments | 50,143 | 50,143 |
| Accounts Receivable | 37,935 | 1,203 |
| Grants Receivable | 102,462 | 212,379 |
| Due from District | - | 134,797 |
| Prepaid Expenses | 81,865 | 41,635 |
| TOTAL ASSETS | \$ 3,057,025 | \$ 2,733,657 |
| LIABILITIES AND FUND BALANCES | | |
| LIABILITIES | | |
| Accounts Payable | \$ 433,799 | \$ 455,106 |
| Due to District | 146,986 | - |
| Accrued Salaries and Benefits | 469,625 | 402,234 |
| Unearned Revenues | 36,929 | 750 |
| TOTAL LIABILITIES | 1,087,339 | 858,090 |
| FUND BALANCES | | |
| Nonspendable for Prepaid Expenses | 81,865 | 41,635 |
| Restricted for Emergencies | 358,000 | 357,000 |
| Unassigned | 1,529,821 | 1,476,932 |
| TOTAL FUND BALANCES | 1,969,686 | 1,875,567 |
| Amounts reported for governmental activities in the statement of net position are different because: | | |
| Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds. | 130,239 | 146,518 |
| Long-term liabilities and related assets are not due and payable in the current period and therefore, are not reported in the funds. This liability includes net pension liability (\$15,247,530), net OPEB liability (\$554,113), deferred outflows related to pensions \$6,147,421, deferred outflows related to OPEB \$136,986, deferred inflows related to pensions (\$6,307,634), and deferred inflows related to OPEB (\$174,441). | (15,999,311) | (18,299,917) |
| Internal service funds are used by management to charge the lease costs to governmental funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position. | 4,998,451 | 3,978,753 |
| Net position of governmental activities | \$ (8,900,935) | \$ (12,299,079) |

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

LOTUS SCHOOL FOR EXCELLENCE

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
Year Ended June 30, 2021

| | <u>GENERAL FUND</u> | |
|-------------------------------------------------|---------------------|---------------------|
| | <u>2021</u> | <u>2020</u> |
| REVENUES | | |
| Local Sources | \$ 11,137,400 | \$ 10,847,852 |
| State Sources | 805,870 | 1,038,882 |
| Federal Sources | <u>1,461,576</u> | <u>246,564</u> |
| TOTAL REVENUES | <u>13,404,846</u> | <u>12,133,298</u> |
| EXPENDITURES | | |
| Instruction | 7,413,372 | 7,077,892 |
| Supporting Services | <u>5,961,022</u> | <u>4,762,151</u> |
| TOTAL EXPENDITURES | <u>13,374,394</u> | <u>11,840,043</u> |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | <u>30,452</u> | <u>293,255</u> |
| OTHER FINANCING SOURCES | | |
| Transfer In | <u>63,667</u> | <u>3,186</u> |
| NET CHANGE IN FUND BALANCES | 94,119 | 296,441 |
| FUND BALANCES, Beginning | <u>1,875,567</u> | <u>1,579,126</u> |
| FUND BALANCES, Ending | <u>\$ 1,969,686</u> | <u>\$ 1,875,567</u> |

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

LOTUS SCHOOL FOR EXCELLENCE

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

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

| | | |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----|-------------------------|
| Net change in fund balances - total governmental funds | \$ | 94,119 |
| Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount that transfers of assets (\$18,109) exceeded depreciation expense \$34,387 for the year. | | (16,278) |
| Deferred Charges related to pensions are not recognized in the governmental funds. However, in the government-wide statements these amounts are capitalized and amortized. | | 2,300,606 |
| The Internal Service fund is used by management to charge the cost of lease payments to the governmental funds. The net revenue of the internal service fund is reported with the governmental activities. | | <u>1,019,697</u> |
| Change in net position of governmental activities | \$ | <u><u>3,398,144</u></u> |

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

LOTUS SCHOOL FOR EXCELLENCE

STATEMENT OF NET POSITION
 PROPRIETARY FUND TYPES

June 30, 2021

| | GOVERNMENTAL ACTIVITIES | |
|-------------------------------------------------|-------------------------|---------------------|
| | Internal Service Fund | |
| | 2021 | 2020 |
| ASSETS | | |
| Current Assets | | |
| Cash and Investments | \$ - | \$ - |
| Restricted Cash and Investments | 586,462 | 638,686 |
| Total Current Assets | 586,462 | 638,686 |
| Long-term Assets | | |
| Capital Assets, Net of Accumulated Depreciation | 13,144,087 | 12,322,719 |
| Total Long-term Assets | 13,144,087 | 12,322,719 |
| TOTAL ASSETS | 13,730,549 | 12,961,405 |
| LIABILITIES | | |
| Current Liabilities | | |
| Accounts Payable | - | - |
| Accrued Interest Payable | 30,023 | 30,883 |
| Mortgage Payable - Current Portion | 261,138 | 249,693 |
| Total Current Liabilities | 291,161 | 280,576 |
| Long-Term Liabilities | | |
| Mortgage Payable | 8,440,937 | 8,702,075 |
| TOTAL LIABILITIES | 8,732,098 | 8,982,651 |
| NET POSITION | | |
| Net Investment in Capital Assets | 5,028,474 | 4,009,637 |
| Unrestricted | (30,023) | (30,883) |
| TOTAL NET POSITION | \$ 4,998,451 | \$ 3,978,754 |

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

LOTUS SCHOOL FOR EXCELLENCE

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND TYPES
Year Ended June 30, 2021

| | GOVERNMENTAL ACTIVITIES | |
|-----------------------------------|-------------------------|--------------|
| | Internal Service Fund | |
| | 2021 | 2020 |
| OPERATING REVENUES | | |
| Rent | \$ 626,504 | \$ 651,399 |
| Investment Income | 875 | 13,683 |
| TOTAL OPERATING REVENUES | 627,379 | 665,082 |
| OPERATING EXPENSES | | |
| Supporting Services | 348 | 1,880 |
| Depreciation | 606,268 | 378,587 |
| Other | - | 100 |
| TOTAL OPERATING EXPENSES | 606,616 | 380,567 |
| OPERATING INCOME | 20,763 | 284,515 |
| NON-OPERATING REVENUES (EXPENSES) | | |
| Contributions | 1,427,635 | 715,421 |
| Interest Expense | (365,034) | (375,178) |
| Transfer Out | (63,667) | (3,186) |
| TOTAL NON-OPERATING EXPENSES | 998,934 | 337,057 |
| NET INCOME (LOSS) | 1,019,697 | 621,572 |
| NET POSITION, Beginning | 3,978,754 | 3,357,182 |
| NET POSITION, Ending | \$ 4,998,451 | \$ 3,978,754 |

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

LOTUS SCHOOL FOR EXCELLENCE

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPES
 Year Ended June 30, 2021
 Increase (Decrease) in Cash

| | GOVERNMENTAL ACTIVITIES | |
|--------------------------------------------------------------------------------------------|-------------------------|--------------------|
| | Internal Service Fund | |
| | 2021 | 2020 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Cash Received from Rental Operations | \$ 626,504 | \$ 651,399 |
| Cash Paid to Suppliers | (348) | (217,914) |
| Investment Income | 875 | 13,683 |
| Net Cash Provided by Operating Activities | <u>627,031</u> | <u>447,168</u> |
| CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Transfer Out | <u>(63,667)</u> | <u>(3,186)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | |
| Purchase of Capital Assets | 18,107 | (523,373) |
| Interest Expense | (384,002) | (376,005) |
| Principal Payments on Loan | <u>(249,693)</u> | <u>(239,582)</u> |
| Net Cash Used by Financing Activities | <u>(615,588)</u> | <u>(1,138,960)</u> |
| NET INCREASE (DECREASE) IN CASH | (52,224) | (694,978) |
| CASH, Beginning | <u>638,686</u> | <u>1,333,664</u> |
| CASH, Ending | <u>\$ 586,462</u> | <u>\$ 638,686</u> |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | | |
| Operating Income | <u>\$ 20,763</u> | <u>\$ 284,515</u> |
| Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities | | |
| Depreciation Expense | 606,268 | 378,587 |
| Capital Assets Purchased with Accounts Payable | - | - |
| Changes in Assets and Liabilities | | |
| Accounts Payable | - | (215,934) |
| Total Adjustments | <u>606,268</u> | <u>162,653</u> |
| Net Cash Provided by Operating Activities | <u>\$ 627,031</u> | <u>\$ 447,168</u> |

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

LOTUS SCHOOL FOR EXCELLENCE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Lotus School for Excellence (the “School”) was formed in 2003 pursuant to the Colorado Charter Schools Act to form and operate a charter school which opened in 2006. 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 following organization is included in the School’s reporting entity.

Lotus School for Excellence Foundation

The purpose of the Foundation is to provide a mechanism to issue and pay debt on behalf of the School. The Foundation 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 blended into the School’s financial statements as an internal service fund called the Building Fund. As part of its ongoing responsibilities, the Foundation provides the School with monthly financial statements. Separate financial statements are not available.

The School is a component unit of the Joint School District No. 28 J of the Counties of Adams and Arapahoe, Colorado.

Government-Wide and Fund Financial Statements

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

LOTUS SCHOOL FOR EXCELLENCE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

LOTUS SCHOOL FOR EXCELLENCE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 funds:

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

Additionally, the School reports the following fund types:

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

Deferred Outflows/Inflows of Resources

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

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

LOTUS SCHOOL FOR EXCELLENCE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Balance/Net Position

Investments – Investments are recorded at fair value.

Receivables – Receivables are reported at their gross value, and, where appropriate, are reduced by the estimated portion that is expected to be uncollectable.

Prepaid Expenses - Payments for goods and services to be received in the near future. An expenditure is reported in the year in which the goods or services are received.

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 50 years, furniture and equipment 5 to 10 years.

Unearned Revenues – The unearned revenues include amounts received but not yet available for expenditure.

Long Term Obligations - In the government-wide financial statements, and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. 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, as well as bond issuance costs, 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 debt service expenditures.

LOTUS SCHOOL FOR EXCELLENCE

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Compensated Absences – Full time employees earn 8 days and part time employees earn 4 days of paid time off (“PTO”) per year. The School’s policy allows employees to carry over up to 30 unused PTO days. Unused compensated absences are paid upon resignation or termination at a rate of \$25 per day. For the year ended June 30, 2021, the School’s compensated absences liability was immaterial and was not recorded in the government-wide financial statements.

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

- Investment in Capital Assets is intended to reflect the portion of net position which 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 represents assets that do not have any third party limitation on their use. While School management may have categorized and segmented portion for various purposes, the School Board has the unrestricted right 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 because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact. The School has reported its prepaid items as nonspendable as of June 30, 2021.

LOTUS SCHOOL FOR EXCELLENCE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The School has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The School did not have any committed resources as of June 30, 2021.
- Assigned – This classification includes amounts the government intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. The School did not have any assigned resources as of June 30, 2021.
- 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.

Risk Management

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

LOTUS SCHOOL FOR EXCELLENCE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 all funds on a basis consistent with generally accepted accounting principles.

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

NOTE 3: CASH AND INVESTMENTS

Cash and Investments at June 30, 2021 consisted of the following:

| | | |
|-------------|----|-------------------------|
| Petty Cash | \$ | 585 |
| Deposits | | 1,466,497 |
| Investments | | <u>1,954,143</u> |
| Total | \$ | <u>3,421,225</u> |

LOTUS SCHOOL FOR EXCELLENCE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 3: CASH AND INVESTMENTS (Continued)

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, 2021, 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.

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, 2021, the School had deposits with financial institutions with a carrying amount of \$1,466,497. The bank balances with the financial institutions were \$1,514,406. Of these balances \$250,000 were covered by federal depository insurance (FDIC) and \$1,264,406 was covered by collateral held by authorized escrow agents in the financial institutions name (PDPA).

Investments

Interest Rate Risk

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

Credit Risk

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

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

LOTUS SCHOOL FOR EXCELLENCE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 3: *CASH AND INVESTMENTS* (Continued)

Investments (Continued)

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

Local Government Investment Pools

The District had invested \$1,954,143 in the Colorado Government Liquid Asset Trust (ColoTrust) which has a credit rating of AAAM by Standard and Poor's. ColoTrust is an investment vehicle established for local government entities in Colorado to pool surplus funds and is regulated by the State Securities Commissioner. It operates similarly to a money market fund and each share is equal in value to \$1.00. Investments consist of U.S. Treasury and U.S. Agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities.

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

Restricted Cash and Investments

Cash and Investments in the amount of \$586,462 is restricted for debt service in the Building Fund. Cash in the amount of \$50,143 is restricted in the General Fund for Special Education Reserve requirements.

LOTUS SCHOOL FOR EXCELLENCE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 4: CAPITAL ASSETS

Capital Assets activity for the year ended June 30, 2021 is summarized below.

| | Balance <u>June 30, 2020</u> | <u>Additions</u> | <u>Deletions</u> | Balance <u>June 30, 2021</u> |
|------------------------------------------|---------------------------------|--------------------------|--------------------|---------------------------------|
| Governmental Activities | | | | |
| Capital Assets, Not Depreciated | | | | |
| Land | \$ 590,820 | \$ - | \$ - | \$ 590,820 |
| Construction in Progress | <u>14,218</u> | <u>874,287</u> | <u>-</u> | <u>888,505</u> |
| Total Capital Assets, Not Depreciated | <u>605,038</u> | <u>874,287</u> | <u>-</u> | <u>1,479,325</u> |
| Capital Assets, Depreciated | | | | |
| Building | 10,349,091 | - | - | 10,349,091 |
| Leasehold Improvements | 2,492,698 | 271,765 | - | 2,764,463 |
| Equipment | <u>1,579,485</u> | <u>299,691</u> | <u>-</u> | <u>1,879,176</u> |
| Total Capital Assets, Depreciated | <u>14,421,274</u> | <u>571,456</u> | <u>-</u> | <u>14,992,730</u> |
| Accumulated Depreciation | | | | |
| Building | 1,471,559 | 233,866 | - | 1,705,423 |
| Leasehold Improvements | 304,429 | 260,077 | - | 564,506 |
| Equipment | <u>781,087</u> | <u>146,713</u> | <u>-</u> | <u>927,800</u> |
| Total Accumulated Depreciation | <u>2,557,075</u> | <u>640,654</u> | <u>-</u> | <u>3,197,729</u> |
| Net Capital Assets, Depreciated | <u>11,864,199</u> | <u>(69,198)</u> | <u>-</u> | <u>11,795,001</u> |
| Net Capital Assets | <u>\$ 12,469,237</u> | <u>\$ 805,089</u> | <u>\$ -</u> | <u>\$ 13,274,326</u> |

Depreciation has been charged to the Supporting Services program of the School.

NOTE 5: ACCRUED SALARIES AND BENEFITS

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve month period from August to July, but are earned during a School year of nine months. The salaries and benefits earned, but unpaid, as of June 30, 2021, were \$469,625 in the General Fund.

LOTUS SCHOOL FOR EXCELLENCE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 6: LONG-TERM DEBT

Following is a summary of the School's long-term debt transactions for the year ended June 30, 2021:

| | <u>Balance</u> | | <u>Balance</u> | <u>Due In</u> |
|--------------|----------------------|------------------|-------------------|----------------------|
| | <u>June 30, 2020</u> | <u>Additions</u> | <u>Payments</u> | <u>June 30, 2021</u> |
| | | | | <u>One Year</u> |
| Bond Payable | \$ 8,951,768 | \$ - | \$ 249,693 | \$ 8,702,075 |
| Total | \$ 8,951,768 | \$ - | \$ 249,693 | \$ 8,702,075 |
| | | | | \$ 261,138 |

Bonds Payable

On March 15, 2018, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$9,250,000 Charter School Refunding Improvement Revenue Bonds, Series 2018. Proceeds of the bonds were loaned to the Foundation to construct educational facilities for the School and to pay off the existing mortgage related to the School's building. The School is obligated under a lease agreement to make monthly lease payments to the Foundation for the use of educational facilities. The Foundation is required to make equal loan payments to the Trustee, for payment of the bonds. The bonds accrue interest at 4.14% per annum. Principal and interest payments are due annually on March 1 through 2033.

Future debt service requirements are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------|---------------------|---------------------|----------------------|
| 2022 | \$ 261,138 | \$ 354,462 | \$ 615,600 |
| 2023 | 272,158 | 343,443 | 615,601 |
| 2024 | 283,643 | 331,960 | 615,603 |
| 2025 | 295,614 | 319,992 | 615,606 |
| 2026 | 308,088 | 307,519 | 615,607 |
| 2027-2031 | 1,746,794 | 1,331,277 | 3,078,071 |
| 2032-2033 | <u>5,534,640</u> | <u>358,803</u> | <u>5,893,443</u> |
| Total | \$ 8,702,075 | \$ 3,347,456 | \$ 12,049,531 |

LOTUS SCHOOL FOR EXCELLENCE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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 (FNP) and additions to/deductions from the FNP of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 made changes to certain benefit provisions. Most of these changes were in effect as of June 30, 2021.

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 (Annual Report) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided as of December 31, 2020. 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.

LOTUS SCHOOL FOR EXCELLENCE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

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

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

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

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

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

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, 2020, 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, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, and all eligible 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.

LOTUS SCHOOL FOR EXCELLENCE

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

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

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

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

Contributions provisions as of June 30, 2021: 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 10.00 percent of their PERA-includable salary during the period of July 1, 2020 through June 30, 2021. Employer contribution requirements are summarized in the table below:

| | July 1, 2020 Through June 30, 2021 |
|--------------------------------------------------------------------------------------------------------------------|------------------------------------------|
| Employer contribution rate | 10.90% |
| 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 | 9.88% |
| 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 | 19.88% |

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

LOTUS SCHOOL FOR EXCELLENCE

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

As specified in C.R.S. § 24-51-414, the State is required to contribute \$225 million (actual dollars) 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. House Bill (HB) 20-1379 suspended the \$225 million (actual dollars) direct distribution payable on July 1, 2020 for the State's 2020-21 fiscal year.

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 \$1,119,831 for the year ended June 30, 2021.

The net pension liability for the SCHDTF was measured as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll-forward the total pension liability to December 31, 2020. The School's proportion of the net pension liability was based on the School's contributions to the SCHDTF for the calendar year 2020 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

Due to the aforementioned suspension of the July 1, 2020, direct distribution payment, the nonemployer contributing entity's proportion is zero percent. Pursuant to C.R.S. § 24-51-414, the direct distribution payment from the State of Colorado is to recommence annually starting on July 1, 2021. For purposes of GASB 68 paragraph 15, a circumstance exists in which a nonemployer contributing entity is legally responsible for making contributions to the SCHDTF and is considered to meet the definition of a special funding situation.

At June 30, 2021, the School reported a liability of \$15,247,530 for its proportionate share of the net pension liability. 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's proportionate share of the net pension liability | \$15,247,530 |
| The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the School | - |
| Total | \$15,247,530 |

LOTUS SCHOOL FOR EXCELLENCE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

At December 31, 2020, the School's proportion was .1009 percent, which was an increase of .0165 percent from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the School recognized pension income of \$1,165,739 and revenue of \$0 for support from the State as a nonemployer contributing entity. At June 30, 2021, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|-----------------------------------------------------------------------------------------------------------------|-------------------------------------------|------------------------------------------|
| Difference between expected and actual experience | \$837,776 | N/A |
| Changes of assumptions or other inputs | \$1,466,765 | \$2,562,981 |
| Net difference between projected and actual earnings on pension plan investments | N/A | \$3,356,328 |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | \$3,264,916 | \$388,325 |
| Contributions subsequent to the measurement date | \$577,964 | N/A |
| Total | \$6,147,421 | \$6,307,634 |

\$577,964 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, 2022. 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: | |
|----------------------------|---------------|
| 2022 | (\$1,549,660) |
| 2023 | \$1,471,041 |
| 2024 | (\$130,077) |
| 2025 | (\$529,481) |

LOTUS SCHOOL FOR EXCELLENCE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

Actuarial assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

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

¹Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

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, 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.

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

LOTUS SCHOOL FOR EXCELLENCE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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, 2019, 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 PERA's Board during the November 18, 2016, Board meeting.

Based on the 2020 experience analysis, dated October 28, 2020, for the period January 1, 2016, through December 31, 2019, revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculation of the total pension liability from December 31, 2019, to December 31, 2020.

| | |
|---------------------------------------------------------------------------------------------------------|---------------------|
| Actuarial cost method | Entry age |
| Price inflation | 2.30% |
| Real wage growth | 0.70% |
| Wage inflation | 3.00% |
| Salary increases, including wage inflation: | 3.40%-11.00% |
| Long-term investment rate of return, net of pension plan investment expenses, including price inflation | 7.25% |
| Discount rate | 7.25% |
| Post-retirement benefit increases: | |
| PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (compounded annually) | 1.25% |
| PERA benefit structure hired after 12/31/06 ¹ | Financed by the AIR |

¹ Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

Salary scale assumptions were revised to align with revised economic assumptions and to more closely reflect actual experience.

Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

The pre-retirement mortality assumptions were based upon the PubT-2010 Employee Table with generational projection using scale MP-2019.

LOTUS SCHOOL FOR EXCELLENCE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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)

Post-retirement non-disabled mortality assumptions were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows:

- **Males:** 112 percent of the rates prior to age 80 and 94 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 83 percent of the rates prior to age 80 and 106 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- **Males:** 97 percent of the rates for all ages, with generational projection using scale MP-2019.
- **Females:** 105 percent of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions were based upon the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages with generational projection using scale MP-2019.

The mortality tables described above are generational mortality tables on a benefit-weighted basis.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020. As a result of the November 20, 2020, PERA Board meeting, the following economic assumptions were changed, effective December 31, 2020:

- Price inflation assumption decreased from 2.40 percent per year to 2.30 percent per year.
- Real rate of investment return assumption increased from 4.85 percent per year, net of investment expenses to 4.95 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50 percent per year to 3.00 percent per year.
-

LOTUS SCHOOL FOR EXCELLENCE

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

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)

Several factors are considered in evaluating the long-term rate of return assumption, 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 percentages and then adding expected inflation.

The PERA Board first adopted the 7.25 percent long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

| Asset Class | Target Allocation | 30 Year Expected Geometric Real Rate of |
|---------------------------|-------------------|-----------------------------------------|
| Global Equity | 54.00% | 5.60% |
| Fixed Income | 23.00% | 1.30% |
| Private Equity | 8.50% | 7.10% |
| Real Estate | 8.50% | 4.40% |
| Alternatives ¹ | 6.00% | 4.70% |
| Total | 100.00% | |

¹ Opportunity Fund's name changed to Alternatives, effective January 1, 2020.

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 nominal 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 3.00 percent.

LOTUS SCHOOL FOR EXCELLENCE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)]

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

- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include 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, as a nonemployer contributing entity, 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. HB 20-1379 suspended the \$225 million (actual dollars) direct distribution payable on July 1, 2020, for the State's 2020-21 fiscal year.
- 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 FNP, 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 FNP position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

LOTUS SCHOOL FOR EXCELLENCE

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

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)

Based on the above assumptions and methods, the SCHD'TF's FNP 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 index 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 | \$20,798,879 | \$15,247,530 | \$10,621,426 |

Pension plan fiduciary net position. Detailed information about the SCHD'TF's FNP is available in PERA's Annual Report 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 (FNP) and additions to/deductions from the FNP 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.

LOTUS SCHOOL FOR EXCELLENCE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

General Information about the OPEB Plan

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

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

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

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

LOTUS SCHOOL FOR EXCELLENCE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

General Information about the OPEB Plan (Continued)

PERA Benefit Structure

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

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

DPS Benefit Structure

The maximum service-based premium subsidy is \$230 per month for retirees who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for retirees who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The 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.

LOTUS SCHOOL FOR EXCELLENCE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

General Information about the OPEB Plan (Continued)

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the School were \$57,456 for the year ended June 30, 2021.

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

At June 30, 2021, the School reported a liability of \$554,113 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2020. The School's proportion of the net OPEB liability was based on the School's contributions to the HCTF for the calendar year 2020 relative to the total contributions of participating employers to the HCTF.

At December 31, 2020, the School's proportion was .0581 percent, which was an increase of .00032 percent from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the School recognized OPEB expense of \$42,220.

LOTUS SCHOOL FOR EXCELLENCE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

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

At June 30, 2021, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|-----------------------------------------------------------------------------------------------------------------|-------------------------------------------|------------------------------------------|
| Difference between expected and actual experience | \$1,471 | \$121,821 |
| Changes of assumptions or other inputs | \$4,140 | \$33,978 |
| Net difference between projected and actual earnings on OPEB plan investments | N/A | \$22,642 |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | \$101,722 | N/A |
| Contributions subsequent to the measurement date | \$29,653 | N/A |
| Total | \$136,986 | \$178,441 |

\$29,653 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| Year ended June 30: | |
|----------------------------|------------|
| 2022 | (\$13,984) |
| 2023 | (\$10,816) |
| 2024 | (\$18,084) |
| 2025 | (\$19,733) |
| 2026 | (\$7,969) |
| Thereafter | (\$522) |

LOTUS SCHOOL FOR EXCELLENCE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

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

Actuarial assumptions. The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

| | |
|------------------------------------------------------------------------------------------------------|------------------------------------------------------|
| Actuarial cost method | Entry age |
| Price inflation | 2.40% |
| Real wage growth | 1.10% |
| Wage inflation | 3.50% |
| Salary increases, including wage inflation | 3.50% in aggregate |
| Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation | 7.25% |
| Discount rate | 7.25% |
| Health care cost trend rates | |
| PERA benefit structure: | |
| Service-based premium subsidy | 0.00% |
| PERACare Medicare plans | 8.10% in 2020, gradually decreasing to 4.50% in 2029 |
| Medicare Part A premiums | 3.50% in 2020, gradually increasing to 4.50% in 2029 |
| DPS benefit structure: | |
| Service-based premium subsidy | 0.00% |
| PERACare Medicare plans | N/A |
| Medicare Part A premiums | N/A |

In determining the additional liability for PERACare enrollees who are age 65 or older and who are not eligible for premium-free Medicare Part A in the December 31, 2019, valuation, the following monthly costs/premiums (actual dollars) are assumed for 2020 for the PERA Benefit Structure:

LOTUS SCHOOL FOR EXCELLENCE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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)

| Medicare Plan | Initial Costs for Members without Medicare Part A | | |
|------------------------------------------|------------------------------------------------------|--------------------|--------------------------------|
| | Monthly Cost | Monthly Premium | Monthly Cost Adjusted to |
| Medicare Advantage/Self-Insured Rx | \$588 | \$227 | \$550 |
| Kaiser Permanente Medicare Advantage HMO | 621 | 232 | 586 |

The 2020 Medicare Part A premium is \$458 (actual dollars) per month.

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, 2019, 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.

LOTUS SCHOOL FOR EXCELLENCE

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

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

| Year | PERACare Medicare Plans | Medicare Part A |
|-------|----------------------------|--------------------|
| 2020 | 8.10% | 3.50% |
| 2021 | 6.40% | 3.75% |
| 2022 | 6.00% | 3.75% |
| 2023 | 5.70% | 3.75% |
| 2024 | 5.50% | 4.00% |
| 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 used in the December 31, 2019 valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below were applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

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

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

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

LOTUS SCHOOL FOR EXCELLENCE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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)

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.

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

The actuarial assumptions used in the December 31, 2019, valuation were based on the results of the 2016 experience analysis for the period January 1, 2012, through December 31, 2015, as well as the October 28, 2016, actuarial assumptions workshop and were adopted by PERA's Board during the November 18, 2016, Board meeting.

Based on the 2020 experience analysis, dated October 28, 2020, and November 4, 2020, for the period of January 1, 2016, through December 31, 2019, revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculation of the total OPEB liability from December 31, 2019, to December 31, 2020.

LOTUS SCHOOL FOR EXCELLENCE

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

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)

| | Trust Fund | | | |
|---------------------------------------------|---------------------------|----------------------------|------------------------------------------|------------------------------|
| | State Division | School Division | Local Government Division | Judicial Division |
| Actuarial cost method | Entry age | Entry age | Entry age | Entry age |
| Price inflation | 2.30% | 2.30% | 2.30% | 2.30% |
| Real wage growth | 0.70% | 0.70% | 0.70% | 0.70% |
| Wage inflation | 3.00% | 3.00% | 3.00% | 3.00% |
| Salary increases, including wage inflation: | | | | |
| Members other than State Troopers | 3.30%-10.90% | 3.40%-11.00% | 3.20%-11.30% | 2.80%-5.30% |
| State Troopers | 3.20%-12.40% | N/A | 3.20%-12.40% ¹ | N/A |

¹ C.R.S. § 24-51-101 (46), as amended, expanded the definition of “State Troopers” to include certain employees within the Local Government Division, effective January 1, 2020. See Note 4 of the Notes to the Financial Statements in PERA's 2020 Annual Report for more information.

The long-term rate of return, net of OPEB plan investment expenses, including price inflation and discount rate assumptions were 7.25 percent.

Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

Mortality assumptions used in the roll forward calculations for the determination of the total pension liability for each of the Division Trust Funds as shown below were applied, as applicable, in the roll forward calculation for the HCTF, using a headcount-weighted basis.

Pre-retirement mortality assumptions for the State and Local Government Divisions (Members other than State Troopers) were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Pre-retirement mortality assumptions for State Troopers were based upon the PubS-2010 Employee Table with generational projection using scale MP-2019.

The pre-retirement mortality assumptions for the School Division were based upon the PubT-2010 Employee Table with generational projection using scale MP-2019.

Pre-retirement mortality assumptions for the Judicial Division were based upon the PubG-2010(A) Above-Median Employee Table with generational projection using scale MP-2019.

LOTUS SCHOOL FOR EXCELLENCE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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)

Post-retirement non-disabled mortality assumptions for the State and Local Government Divisions (Members other than State Troopers) were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

- **Males:** 94 percent of the rates prior to age 80 and 90 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 87 percent of the rates prior to age 80 and 107 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the School Division were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows:

- **Males:** 112 percent of the rates prior to age 80 and 94 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 83 percent of the rates prior to age 80 and 106 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the Judicial Division were based upon the unadjusted PubG-2010(A) Above-Median Healthy Retiree Table with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- **Males:** 97 percent of the rates for all ages, with generational projection using scale MP-2019.
- **Females:** 105 percent of the rates for all ages, with generational projection using scale MP-2019.

LOTUS SCHOOL FOR EXCELLENCE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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)

Disabled mortality assumptions for Members other than State Troopers were based upon the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages with generational projection using scale MP-2019.

Disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Disabled Retiree Table with generational projection using scale MP-2019.

The mortality tables described above are generational mortality tables on a head-count weighted basis.

The following health care costs assumptions were updated and used in the roll forward calculation 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 2020 plan year.
- 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.

Actuarial assumptions pertaining to per capita health care costs and their related trend rates are analyzed and updated annually by the Board's actuary, as discussed above.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020. As a result of the November 20, 2020, PERA Board meeting, the following economic assumptions were changed, effective December 31, 2020:

- Price inflation assumption decreased from 2.40 percent per year to 2.30 percent per year.
- Real rate of investment return assumption increased from 4.85 percent per year, net of investment expenses to 4.95 percent per year, net of investment expenses.

LOTUS SCHOOL FOR EXCELLENCE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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)

- Wage inflation assumption decreased from 3.50 percent per year to 3.00 percent per year.

Several factors are considered in evaluating the long-term rate of return assumption, 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 percentages and then adding expected inflation.

The PERA Board first adopted the 7.25 percent long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

¹The Opportunity Fund's name changed to Alternatives, effective January 1, 2020.

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 nominal 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 | 7.10% | 8.10% | 9.10% |
| 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 | \$539,791 | \$554,113 | \$570,785 |

LOTUS SCHOOL FOR EXCELLENCE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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, 2020, 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 3.00 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.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the HCTF's FNP 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.

LOTUS SCHOOL FOR EXCELLENCE

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

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)

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

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|-----------------------------------------------|------------------------|----------------------------------|------------------------|
| Proportionate share of the net OPEB liability | \$634,746 | \$554,113 | \$485,218 |

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

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 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, 2021, 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.

LOTUS SCHOOL FOR EXCELLENCE

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 9: **COMMITMENTS AND CONTINGENCIES** (Continued)

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The School believes it has complied with the Amendment. As required by the Amendment, the School has established a reserve for emergencies. At June 30, 2021, the reserve of \$358,000 was recorded as a reservation 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 \$8,900,935 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**

Potential subsequent events were considered through October 15, 2021. It was determined that no events were required to be disclosed through this date.

REQUIRED SUPPLEMENTARY INFORMATION

LOTUS SCHOOL FOR EXCELLENCE

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2021

| | 2021 | | | VARIANCE Positive (Negative) | 2020 ACTUAL |
|-----------------------------------------|---------------------|---------------------|---------------------|------------------------------------|---------------------|
| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | | |
| REVENUES | | | | | |
| Local Sources | | | | | |
| Per Pupil Operating Revenue | \$ 7,920,986 | \$ 8,127,050 | \$ 8,160,519 | \$ 33,469 | \$ 8,273,732 |
| Mill Levy Override | 2,268,366 | 2,650,000 | 2,647,973 | (2,027) | 2,288,310 |
| Pupil Activities | 187,222 | 162,578 | 27,299 | (135,279) | 133,030 |
| Charges for Services | 4,000 | 4,000 | 585 | (3,415) | 4,434 |
| Grants and Donations | 150 | 150 | 27 | (123) | - |
| Earnings on Investments | 25,000 | 8,500 | 4,244 | (4,256) | 40,038 |
| Other Revenue | 106,155 | 162,500 | 296,753 | 134,253 | 108,308 |
| Federal and State Sources | | | | | |
| Grants and Donations | 1,890,063 | 2,315,222 | 2,267,446 | (47,776) | 1,285,446 |
| TOTAL REVENUES | <u>12,401,942</u> | <u>13,430,000</u> | <u>13,404,846</u> | <u>(25,154)</u> | <u>12,133,298</u> |
| EXPENDITURES | | | | | |
| Instruction | | | | | |
| Salaries | 4,610,416 | 4,764,549 | 4,638,420 | 126,129 | 4,316,250 |
| Employee Benefits | 1,385,617 | 1,385,617 | 1,366,259 | 19,358 | 1,353,310 |
| Purchased Services | 649,951 | 776,250 | 759,110 | 17,140 | 644,212 |
| Supplies and Materials | 758,583 | 646,939 | 642,026 | 4,913 | 513,409 |
| Property | 12,762 | 10,000 | 7,557 | 2,443 | 250,711 |
| Other | - | - | - | - | - |
| Total Instruction | <u>7,417,329</u> | <u>7,583,355</u> | <u>7,413,372</u> | <u>169,983</u> | <u>7,077,892</u> |
| Supporting Services | | | | | |
| Salaries | 1,471,618 | 1,558,921 | 1,464,386 | 94,535 | 1,330,740 |
| Employee Benefits | 411,462 | 411,462 | 426,114 | (14,652) | 403,470 |
| Purchased Services | 2,022,357 | 1,916,163 | 1,811,838 | 104,325 | 1,910,023 |
| Supplies and Materials | 225,005 | 344,450 | 327,583 | 16,867 | 214,171 |
| Property | 63,750 | 1,596,194 | 1,920,424 | (324,230) | 869,380 |
| Other | 790,421 | 89,455 | 10,677 | 78,778 | 34,367 |
| Total Supporting Services | <u>4,984,613</u> | <u>5,916,645</u> | <u>5,961,022</u> | <u>(44,377)</u> | <u>4,762,151</u> |
| TOTAL EXPENDITURES | <u>12,401,942</u> | <u>13,500,000</u> | <u>13,374,394</u> | <u>125,606</u> | <u>11,840,043</u> |
| EXCESS OF REVENUES OVER EXPENDITURES | <u>-</u> | <u>(70,000)</u> | <u>30,452</u> | <u>100,452</u> | <u>293,255</u> |
| OTHER FINANCING SOURCES | | | | | |
| Transfers In (Out) | <u>-</u> | <u>70,000</u> | <u>63,667</u> | <u>(6,333)</u> | <u>3,186</u> |
| NET CHANGE IN FUND BALANCES | <u>-</u> | <u>-</u> | <u>94,119</u> | <u>94,119</u> | <u>296,441</u> |
| FUND BALANCE, Beginning | <u>1,579,727</u> | <u>1,875,567</u> | <u>1,875,567</u> | <u>-</u> | <u>1,579,126</u> |
| FUND BALANCE, Ending | <u>\$ 1,579,727</u> | <u>\$ 1,875,567</u> | <u>\$ 1,969,686</u> | <u>\$ 94,119</u> | <u>\$ 1,875,567</u> |

See the accompanying independent auditors' report.

LOTUS SCHOOL FOR EXCELLENCE
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
SCHOOL DIVISION TRUST FUND

Years Ended June 30,

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|--------------------------------------------------------------------------------------------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|
| School's proportionate share of the Net Pension Liability | 0.058% | 0.062% | 0.067% | 0.076% | 0.083% | 0.076% | 0.084% | 0.101% |
| School's proportionate share of the Net Pension Liability | \$ 7,360,337 | \$ 8,439,678 | \$ 10,205,297 | \$ 22,585,012 | \$ 26,939,119 | \$ 13,475,677 | \$ 12,605,807 | \$ 15,247,530 |
| School's covered payroll | \$ 2,303,755 | \$ 2,588,785 | \$ 2,907,914 | \$ 3,413,865 | \$ 3,849,523 | \$ 4,519,330 | \$ 4,955,628 | \$ 5,411,309 |
| School's proportionate share of the Net Pension Liability as a percentage of its covered payroll | 319.5% | 326.0% | 350.9% | 661.6% | 699.8% | 298.2% | 254.4% | 281.8% |
| Plan fiduciary net position as a percentage of the total pension liability | 64.1% | 62.8% | 59.2% | 43.10% | 43.96% | 57.01% | 64.52% | 66.99% |

Note: Information above is presented as of the measurement date.

See the accompanying independent auditors' report.

LOTUS SCHOOL FOR EXCELLENCE
 SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
 SCHOOL DIVISION TRUST FUND

Years Ended June 30,

| | <u>2014</u> | <u>2015</u> | <u>2016</u> | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|---------------------------------------------------------------------|----------------|----------------|----------------|----------------|----------------|----------------|------------------|------------------|
| Statutorily required contributions | \$ 412,443 | \$ 497,976 | \$ 583,117 | \$ 697,564 | \$ 750,068 | \$ 864,885 | \$ 1,031,643 | \$ 1,119,831 |
| Contributions in relation to the Statutorily required contributions | <u>412,443</u> | <u>497,976</u> | <u>583,117</u> | <u>697,564</u> | <u>750,068</u> | <u>864,885</u> | <u>1,031,643</u> | <u>1,119,831</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| School's covered payroll | \$ 2,400,701 | \$ 2,759,665 | \$ 3,104,519 | \$ 3,595,502 | \$ 3,973,072 | \$ 4,519,330 | \$ 5,316,394 | \$ 5,632,957 |
| Contributions as a percentage of covered payroll | 17.18% | 18.04% | 18.78% | 19.40% | 18.88% | 19.14% | 19.40% | 19.88% |

See the accompanying independent auditors' report.

LOTUS SCHOOL FOR EXCELLENCE

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

Years Ended June 30,

| | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|-------------------------------------------------------------------------------------------------------|--------------|--------------|--------------|--------------|--------------|
| School's proportionate share of the Net Pension Li | 0.043% | 0.047% | 0.049% | 0.055% | 0.058% |
| School's proportionate share of the Net Pension Li \$ | 559,074 | \$ 616,228 | \$ 673,028 | \$ 619,476 | \$ 554,113 |
| School's covered payroll | \$ 3,413,865 | \$ 3,849,523 | \$ 4,519,330 | \$ 4,955,628 | \$ 5,411,309 |
| School's proportionate share of the Net Pension Liability as a a percentage of its covered payroll | 16.4% | 16.0% | 14.9% | 12.5% | 10.2% |
| Plan fiduciary net position as a percentage of the total pension liability | 16.72% | 17.53% | 17.03% | 24.49% | 32.78% |

Note: Information above is presented as of the measurement date.

See the accompanying independent auditors' report.

LOTUS SCHOOL FOR EXCELLENCE

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
HEALTH CARE TRUST FUND

Years Ended June 30,

| | <u>2017</u> | <u>2018</u> | <u>2019</u> | <u>2020</u> | <u>2021</u> |
|------------------------------------------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Statutorily required contributions | \$ 36,665 | \$ 40,525 | \$ 46,096 | \$ 54,229 | \$ 57,456 |
| Contributions in relation to the Statutorily required contributions | <u>36,665</u> | <u>40,525</u> | <u>46,096</u> | <u>54,229</u> | <u>57,456</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| School's covered payroll | \$ 3,595,502 | \$ 3,973,072 | \$ 4,519,330 | \$ 5,316,394 | \$ 5,632,957 |
| Contributions as a percentage of covered payroll | 1.02% | 1.02% | 1.02% | 1.02% | 1.02% |

See the accompanying independent auditors' report.

INDIVIDUAL FUND SCHEDULE

LOTUS SCHOOL FOR EXCELLENCE

BUDGETARY COMPARISON SCHEDULE
 BUILDING FUND
 Year Ended June 30, 2021

| | 2021 | | VARIANCE Positive (Negative) | 2020 ACTUAL |
|-----------------------------------|---------------------------------|---------------------|------------------------------------|---------------------|
| | ORIGINAL AND FINAL BUDGET | ACTUAL | | |
| REVENUES | | | | |
| Local Sources | | | | |
| Lease Revenue | \$ 651,400 | \$ 626,504 | \$ (24,896) | \$ 651,399 |
| Earnings on Investments | 13,500 | 875 | (12,625) | 13,683 |
| Contributed Capital | 375,000 | 1,427,635 | 1,052,635 | 715,421 |
| TOTAL REVENUES | <u>1,039,900</u> | <u>2,055,014</u> | <u>(37,521)</u> | <u>1,380,503</u> |
| EXPENDITURES | | | | |
| Purchased Services | 3,000 | 348 | 2,652 | 1,880 |
| Depreciation | 376,500 | 606,268 | (229,768) | 378,587 |
| Debt Service | | | | |
| Principal | 237,075 | 249,693 | (12,618) | - |
| Interest and Other Fiscal Charges | 378,467 | 365,034 | 13,433 | 375,178 |
| Transfer Out | - | 63,667 | (63,667) | 3,186 |
| Contingency | - | - | - | - |
| Other | 6,000 | - | 6,000 | 100 |
| TOTAL EXPENDITURES | <u>1,001,042</u> | <u>1,285,010</u> | <u>(283,968)</u> | <u>758,931</u> |
| NET INCOME, Budget Basis | <u>\$ 38,858</u> | <u>\$ 770,004</u> | <u>\$ (321,489)</u> | <u>\$ 621,572</u> |
| GAAP BASIS ADJUSTMENTS | | | | |
| Loan Principal Payments | | <u>249,693</u> | | <u>-</u> |
| NET INCOME, GAAP Basis | | 1,019,697 | | 621,572 |
| NET POSITION, Beginning | | <u>3,978,754</u> | | <u>3,357,182</u> |
| NET POSITION, Ending | | <u>\$ 4,998,451</u> | | <u>\$ 3,978,754</u> |

See the accompanying independent auditors' report.

COMPLIANCE



JOHN CUTLER & ASSOCIATES

Board of Directors
Lotus School for Excellence
Aurora, Colorado

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Lotus School for Excellence as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Lotus School for Excellence's basic financial statements, and have issued our report thereon dated October 15, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Lotus School for Excellence's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Lotus School for Excellence's internal control. Accordingly, we do not express an opinion on the effectiveness of the Lotus School for Excellence's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a *material weakness*, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Lotus School for Excellence's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose

John Cutler & Associates, LLC

October 15, 2021



JOHN CUTLER & ASSOCIATES

Board of Directors
Lotus School for Excellence
Aurora, Colorado

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM, REPORT ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY THE UNIFORM GUIDANCE

Report on Compliance for Each Major Federal Program

We have audited the Lotus School for Excellence's compliance with the types of compliance requirements described in the OMB *Compliance Supplement* that could have a direct and material effect on each of the Lotus School for Excellence's major federal programs for the year ended June 30, 2021. The Lotus School for Excellence's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the Lotus School for Excellence's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Lotus School for Excellence's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the Lotus School for Excellence's compliance.

Opinion on Each Major Federal Program

In our opinion, the Lotus School for Excellence complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2021.

Report on Internal Control Over Compliance

Management of the Lotus School for Excellence is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Lotus School for Excellence's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Lotus School for Excellence's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

John Cutler & Associates, LLC

October 15, 2021

LOTUS SCHOOL FOR EXCELLENCE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

Year Ended June 30, 2021

Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: unqualified

Internal control over financial reporting:

- Material weaknesses identified? _____ yes x no
- Significant deficiencies noted? _____ yes x none reported

Noncompliance material to financial statements noted?

_____ yes x no

Federal Awards

Internal control over major programs:

- Material weaknesses identified? _____ yes x no
- Significant deficiencies noted? _____ yes x none reported

Type of auditor's report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of the Uniform Guidance?

_____ yes x no

Identification of major program:

21.019 Coronavirus Relief Fund

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?

_____ yes x no

Findings Related to Financial Statements

The audit of the financial statements did not disclose any significant deficiencies in internal control that would be considered a material weakness, and did not disclose any instances of noncompliance with requirements of certain provisions of laws, regulations, and grants that were material to those financial statements.

Findings and Questioned Costs for Federal Awards

The audit of federal awards did not disclose any significant deficiencies in internal control that would be considered a material weakness, and did not disclose any instances of noncompliance with requirements of certain provisions of laws, regulations, and grants that were material to those federal awards.

LOTUS SCHOOL FOR EXCELLENCE

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

For the Year Ended June 30, 2021

| | Major Program ? | Assistance Listing Number | Additional Award Identification | Pass-through Entity Identifying # | Total Expenditures | Passed Through to Subrecipient |
|---------------------------------------------------------|--------------------|---------------------------------|---------------------------------------|-----------------------------------------|-----------------------|--------------------------------------|
| <u>U.S. DEPARTMENT OF TREASURY</u> | | | | | | |
| Passed through Colorado Department of Education | | | | | | |
| Coronavirus Relief Funds - CRF | Yes | 21.019 | COVID-19 | 4012 | \$ 778,212 | \$ - |
| Coronavirus Relief Funds - CRF (At-Risk) | No | 21.019 | COVID-19 | 5012 | 108,165 | - |
| Department of Treasury Subtotal | | | | | <u>886,377</u> | <u>-</u> |
| <u>U.S. DEPARTMENT OF EDUCATION</u> | | | | | | |
| Passed through the Colorado Department of Education | | | | | | |
| ESSR II | No | 84.425 | COVID-19 | 4420 | 2,261 | - |
| ESSR III - Lost Instructional Time | No | 84.425 | COVID-19 | 9414 | 167,996 | - |
| Title I, part A - Education for the Disadvantaged | No | 84.010 | | 4010 | 372,701 | - |
| Title II, part A - High Quality Teachers and Principals | No | 84.367 | | 4367 | 35,369 | - |
| Title IV - Student Support and Academic Enrichment | No | 84.424 | | 4424 | 18,183 | - |
| Department of Education Subtotal | | | | | <u>594,249</u> | <u>-</u> |
| Total Federal Financial Assistance | | | | | <u>\$ 1,480,626</u> | <u>\$ -</u> |

NOTES

1. Basis of Presentation

The Schedule of Expenditures of Federal Awards includes the federal grant activity of the School and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the purpose financial statements.

2. The School has elected not to use the 10% de minimis cost rate as covered in §200.414 Indirect (F&A) costs, CFR 200.510(6).

3. No amounts were provided to sub recipients per §200.510 (b)(4).

4. Reported commodities were valued based on current market value §200.502(g).

See the accompanying independent auditors' report.