

Lotus School for Excellence

*(A Component Unit of the Joint School District No. 28-J of the
Counties of Adams and Arapahoe, Colorado)*

Aurora, Colorado

Financial Statements

with Independent Auditor's Report

June 30, 2026

Lotus School for Excellence
(A Component Unit of the Joint School District No. 28-J of the
Counties of Adams and Arapahoe, Colorado)
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June 30, 2026

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COMPANY**

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Business Advisors

Independent Auditor's Report

Board of Directors
Lotus School for Excellence
Aurora, Colorado

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of Lotus School for Excellence (the School), a component unit of Aurora Public Schools, as of and for the year ended June 30, 2026, and the related notes to the financial statements, which collectively comprise the basic financial statements of the School, as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the School as of June 30, 2026, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Emphasis of Matter

Change in Accounting Principle

As discussed in Note 9 to the financial statements, effective for the fiscal year ended June 30, 2026, the School adopted Governmental Accounting Standards Board (GASB) Statement No. 103, *Financial Reporting Model Improvements*. This standard modifies the presentation and required content of the Management's Discussion and Analysis (MD&A), revives the display formatting for proprietary fund operating statements, and redefines reporting requirements for unusual and infrequent items. Our opinion is not modified with respect to this matter.

Office Locations:

Colorado Springs, CO
Denver, CO
Frisco, CO
Tulsa, OK

Denver Office:

750 W. Hampden Avenue,
Suite 400
Englewood,
Colorado 80110
TEL: 303.796.1000
FAX: 303.796.1001
www.HinkleCPAs.com

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Hick & Company, PC

Englewood, Colorado
October 6, 2026



Lotus School for Excellence

Management's Discussion and Analysis

As of and for the Year Ended June 30, 2026

The Management's Discussion and Analysis (MD&A) provide an overview and analysis of the financial activities of Lotus School for Excellence (the "School") for the fiscal year ended June 30, 2026, with comparative information for the fiscal year ended June 30, 2025. The MD&A is intended to assist readers in understanding the School's financial position, results of operations, and significant economic and operational factors affecting the School.

Overview of Basic Financial Statements

The School's financial statements have been prepared in accordance with accounting principles prescribed by the Governmental Accounting Standards Board (GASB), including the provisions of GASB Statement No. 103, *Financial Reporting Model Improvements*, as applicable to public institutions. These financial statements provide information about the School's financial position and changes in net position:

Statement of Net Position: The Statement of Net Position presents the assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position of the School as of the end of the fiscal year. The statement provides a snapshot of the School's financial condition and helps readers assess the School's ability to meet its obligations and continue to provide educational services.

Statement of Revenues, Expenses, and Changes in Net Position: The Statement of Revenues, Expenses, and Changes in Net Position presents the results of operations for the fiscal year. This statement helps readers evaluate whether the School's financial condition has improved or declined as a result of current-year activities.

The School follows the accrual method of accounting, reporting revenues and expenses as they occur rather than when cash is received or expended.

Financial Summary

Lotus School for Excellence (LSE) continued a stable financial position during fiscal year 2026 while continuing to invest in staff, technology, and campus infrastructure. Total assets increased as a result of higher cash balances and capital asset additions. Cash and cash equivalents increased by approximately 24%, strengthening the School's liquidity position and providing resources for existing projects and future growth. Net capital assets increased 67% as a result of the new facility construction on the existing campus.

Total liabilities increased 36% due to an influx in deferred revenue, and debt accounted for 59% of that increase. LSE received bond proceeds of \$1.8 million for tech and security support. Proceeds will be recognized when the expense occurs. The debt associated with the new campus was \$5.8 million. The new facility will serve PK-3 students.

Lotus School for Excellence
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2026

Operating revenues increased 19% primarily due to Mill Levy Override revenue tied to property valuations complimented by a 7.3% increase in enrolled students. State funded categorical revenue increased as well and is directly tied to inflation and enrolled students. Operating expenses increased due the increased enrollment, the new facility and pension related inflows.

Overall, the School reported an increase in cash resources, continued investment in capital assets, and reductions in certain long-term obligations. Management believes the School remains financially stable and well-positioned to support its educational mission, address campus infrastructure needs, and respond to future opportunities.

Detailed Analysis

The Statement of Net Position

The Statement of Net Position presents the financial position of the School at the end of the fiscal year. Over time the increases and decreases in the School's net position are one indicator of whether its financial health is improving. Non-financial factors are also important to be considered such as enrollment levels, the condition of the physical facilities, and the programs academic performance.

Lotus School for Excellence
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2026

Statement of Net Position

Net position as of June 30, 2026 and June 30, 2025 is as follows:				
			\$ Change	
	30-Jun-26	30-Jun-25	Inc/(Dec)	% Inc/(Dec)
Assets				
Cash and Investments	\$7,050,752	\$5,722,585	\$1,328,167	23.21%
Restricted Cash and Investments	190,903	140,151	50,752	36.21%
Accounts/Grants/District Receivable	648,598	153,481	495,117	322.59%
Prepaid Expenses and Deposits	183,307	95,749	87,558	91.45%
Capital Assets, not being depreciated	11,292,580	929,297	10,363,283	1115.17%
Capital Assets, being depreciated	14,285,244	14,416,803	(131,559)	-0.91%
Total Assets	33,651,384	21,458,066	12,193,318	56.82%
Deferred Outflows - Pensions /OPEB	4,366,064	3,558,156	807,908	22.71%
Liabilities				
Accounts and Retainage Payable	2,295,088	316,344	1,978,744	625.50%
Accrued Salaries and Benefits	820,003	749,972	70,031	9.34%
Accrued Interest Payable	25,138	21,056	4,082	19.39%
Deferred Revenue	1,322,371	10,000	1,312,371	13123.71%
Noncurrent Liability - Due Within One Year	446,931	308,088	138,843	45.07%
Noncurrent Liability - Due in More Than One Year	12,805,246	7,283,290	5,521,956	75.82%
Noncurrent Liability - Net Pension/OPEB Liability	18,605,412	17,967,811	637,601	3.55%
Total Liabilities	36,320,189	26,656,561	9,663,628	36.25%
Deferred Inflows - Pensions/OPEB	2,710,753	842,422	1,868,331	221.78%
Net Position				
Net Investment in Capital Assets	12,325,647	7,754,722	4,570,925	58.94%
Restricted for Emergencies	676,000	533,500	142,500	26.71%
Restricted for Debt Service and Legal	190,903	140,151	50,752	36.21%
Unrestricted	(14,206,046)	(10,911,134)	(3,294,912)	30.20%
Total Net Position	-\$1,013,496	-\$2,482,761	1,469,265	-59.18%

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Management's Discussion and Analysis
As of and for the Year Ended June 30, 2026

Assets

Current Assets represent resources that are readily available to meet the School's current operational needs and obligations. These assets include cash and cash equivalents, restricted investments, accounts receivable, and prepaid expenses. Total current assets increased by 32% during fiscal year 2026. The most significant change was a \$1,328,167 increase in cash and investments or 23% and primarily attributable to enrollment and categorical revenue increases.

Non-current Assets represent resources that are not readily available to meet the School's short-term operating needs. A significant component of non-current assets is capital assets, which include land, building, improvements, and equipment. These assets are reported net of accumulated depreciation, and additional information is provided in *Note 3* to the financial statements. Total non-current assets increased by \$10,231,724 during fiscal year 2026. This increase was attributable primarily to the new PK-3 facility and associated equipment.

Liabilities

Similarly, liabilities are classified into current and non-current liabilities.

Current Liabilities represent obligations that are expected to be satisfied within one year using current assets or other current resources. Total current liabilities increased by \$3,365,228 during fiscal year 2026. This increase was primarily attributable to District bond proceeds designated for technology with the remaining increase driven by accounts payable associated with capital investment.

Non-current Liabilities consist of obligations that are not due within the next fiscal year and include long-term debt and the Schools's proportionate share of net pension and other postemployment benefit (OPEB) liabilities. Additional information regarding long-term obligations is provided in *Note 4* to the financial statements. Total non-current liabilities increased by \$6,298,400 from \$25,559,189 in fiscal year 2025 to \$31,857,589 in fiscal year 2026. The increase was primarily attributable to a \$5,660,799 increase in debt with a lesser portion attributed to the School's net pension and OPEB liabilities associated with the Colorado Public Employee Retirement Association (PERA), reflecting changes in actuarial assumptions, investment performance, and the School's proportionate share of the plan's obligations.

Deferred outflows and inflows

Deferred outflows of resources and deferred inflows of resources represent the consumption or acquisition of net position that applies to future reporting periods. The School's deferred outflows and inflows are primarily related to pension and other postemployment benefit (OPEB) activities. The information is provided by PERA and supported by GASB standards 68 and 75. The School is required to reflect the proportionate share of the unfunded pension and OPEB obligations in the Government Wide statements. Deferred outflows of resources increased by \$807,908 during fiscal year 2026, primarily due to changes in pensions and other

Lotus School for Excellence
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2026

postemployment benefit (OPEB) related actuarial assumptions, differences between expected and actual experience, and the scheduled amortization of previously deferred amounts. Deferred inflows of resources increased by \$1,868,331 as pension and OPEB-related deferred balances were recognized as components of expense during the year. These balances are largely driven by actuarial valuations and investment performance and do not reflect current-year operating activities, therefore, fluctuations from year to year are expected as the underlying pension and OPEB plans are remeasured.

Net Position

Net position, which represents total equity, of the School, are divided into three major categories, defined below:

Invested in capital assets, net of related debt. This category represents the School's investment in capital assets, including land, buildings, improvements and equipment, net of accumulated depreciation and outstanding debt or other obligations incurred to acquire, construct, or improve those assets. This component of net position increased by \$4,570,925 during fiscal year 2026. The increase was primarily attributable to ongoing investments in campus facilities and infrastructure improvements and the acquisition of equipment to support instructional and operational activities. These investments enhanced the School's capital asset base and contributed to strengthening its long-term operational capacity while supporting the institution's strategic objectives.

Restricted. This category reflects assets whose use is constrained by external parties, legislation, or other legally enforceable requirements. Restricted assets increased by \$193,252 during fiscal year 2026 or 28.7%. The increase was primarily attributable to the Tabor, a 3% State required emergency reserve.

Unrestricted. This category represents the School's net position that is free from externally imposed restrictions. Although unrestricted net positions are available for general institutional purposes, a significant portion can be designated by management to support strategic initiatives, academic programs, capital improvements, and ongoing operational needs. For FY26 the unrestricted net position declined by \$3,294,912 or 30% during fiscal year 2026. The 30% decline was driven by the increase in deferred inflows and added debt. The State of Colorado continues to shore up the pension's viability by transferring State resources directly into the pension. For the prior pension report period, an infusion of \$142 million was transferred by the State. However, LSE's proportionate share of the current unfunded pension and OPEB obligations combine to reduce net position by \$16.9 million.

A negative unrestricted net position is common among public schools and is largely attributable to the recognition of long-term obligations, including pension and other postemployment benefits liabilities required by GASB 67 and 75 accounting standards.

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Management's Discussion and Analysis
As of and for the Year Ended June 30, 2026

Statement of Revenues, Expenses, and Changes in Net Position

A schedule and narrative follow that report elements of the Statement of Revenues, Expenses, and Changes in Net Assets including Operating Revenues by source, Operating Expenses and Non-operating Revenues. Previous year amounts are also reported for comparative purposes. See the financial highlights section previously reported in this analysis and the financial statements for additional analysis of these figures.

Change in net position for the years ended June 30, 2026 and June 30, 2025 is as follows:				
			\$ Change	
	30-Jun-26	30-Jun-25	Inc/(Dec)	% Inc/(Dec)
Revenues				
Program Revenues				
Operating Grants and Contributions	\$2,009,386	\$1,058,170	\$951,216	89.89%
Capital Grants and Contributions	538,425	505,929	32,496	6.42%
Charges for Services	957,822	759,674	198,148	26.08%
Total Program Revenues	3,505,633	2,323,773	1,181,860	50.86%
General Revenues				
State Categorical Revenue (PPR)	14,084,126	12,549,914	1,534,212	12.22%
Mill Levy Override	4,818,616	4,011,512	807,104	20.12%
Transfers and Other	113,145	53,772	59,373	110.42%
Interest	322,255	243,885	78,370	32.13%
Total General Revenues	19,338,142	16,859,083	2,479,059	14.70%
Total Revenues	22,843,775	19,182,856	3,660,919	19.08%
Expenditures/Expenses Current				
Instruction	13,573,379	10,206,023	3,367,356	32.99%
Support Services	7,388,291	7,084,827	303,464	4.28%
Interest and Fees Long-Term Debt	412,840	319,157	93,683	29.35%
Total Expenses	21,374,510	17,610,007	3,764,503	21.38%
Increase in Net Position	1,469,265	1,572,849	-103,584	-6.59%
Net Position, Beginning of Year	-2,482,761	-4,055,610	1,572,849	-38.78%
Net Position, End of Year	-\$1,013,496	-\$2,482,761	\$1,469,265	-59.18%

Lotus School for Excellence
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2026

Operating and Program Revenues

Operating and Program Revenues increased by \$3,660,919, or 19%, from \$19,182,856 in fiscal year 2025 to \$22,843,775 in fiscal year 2026. Operating and program revenues consist primarily of state categorical funding or Per Pupil Revenue (PPR), mill levy revenue and federal and state grants in addition to student fees, interest earnings and local fundraising. The primary driver for the overall increase of 19% was the 7.3% increase in enrollment and the inflation adjustment for categorical revenue or PPR.

State categorical funding along with mill levy funding increased by \$2,341,316 or 14%. Federal and state grants increased \$512,076 or 34.6%.

Operating Expenses

Operating Expenses increased by \$3,764,503, or 21%, from \$17,610,007 in fiscal year 2025 to \$21,374,510 in fiscal year 2026. The increase was primarily attributable to added salary and benefits, new facility related costs and to a lesser extent deferred inflows or changes in pension-related expenses.

Overall, the increase in operating and program revenues provided additional support for the School's operations and capital investment initiatives, helping to offset increases in pension related expenses and new facility expenditures.

Financial Analysis of the School's Funds

The School has two governmental funds, the General Fund and the Building Fund. The General Fund is considered a major fund and is used to account for the School's general operations. The General Fund began the year with \$4,978,772 in fund balance. The General Fund ending fund balance increased to \$5,123,386 at year-end or an increase of 2.9% or \$144,614. The General Fund surplus was driven unanticipated bond tech funding in addition to increased enrollment.

The Building Fund/Foundation was created in 2005 to facilitate purchasing the existing facility from the Aurora First Assembly of God. In June of 2008, the existing building residing on three lots totaling 11.79 acres was purchased for \$6.2 million. The Building Fund serves as the conduit to facilitate financing for School facilities.

Lotus School for Excellence

Management's Discussion and Analysis

As of and for the Year Ended June 30, 2026

General and Building Fund Budgetary Highlights

The School's final General Fund budgeted expenditures and transfers out were \$24,425,389 for the year ended June 30, 2026. Actual expenditures were \$23,759,332. The positive variance of \$666,057 was anticipated. The General Fund budget was increased/revised twice during the year.

The Building Fund activity only included debt service, and capital expenses related to the new facility. Total expenditures and transfers out for the Building fund were \$13,501,891.

Capital Assets and Debt Administration

Capital Assets

As of June 30, 2026, the School and Building Corporation had a netbook value of fixed assets of \$25,577,824 compared to \$15,346,100 the previous year-end, reflecting an increase of \$10,231,724. Investments for the current year included \$10,815,542 for building construction, improvements and equipment. Depreciation recorded for 2026 and 2025 was \$583,818, and \$567,492 respectively.

During 2026 the School began construction of a new facility. The project budget was \$11.6 million. Debt of \$10.14 million was financed and the unfunded balance was covered by a School equity contribution.

Debt Administration

The current facility debt was refinanced in the spring of 2018 and included cash out of approximately five million for a science wing expansion. The maximum annual debt service of \$615,577 and carries an interest rate of 4.14%. This Foundation loan is secured by the building and was financed by MidWestOne (MWO) Bank. The School is required to meet a debt service coverage ratio (DSCR) of 1.1 times and 75 days of operating cash on hand (DOCOH). For the year ending June 30, 2026 Lotus's DSCR was 7.53 times and DOCOH were 134.7 days.

New debt was issued in July of 2025. Two loans, one with Blueprint for \$1.5 million at 3% and one with MWO/Nicolet Bank for \$8.64 million at 5.10%. Both loans are interest only until the new facility and all of the associated infrastructure is complete.

Lotus School for Excellence

Management's Discussion and Analysis

As of and for the Year Ended June 30, 2026

Economic Factors, Next Year's Budget, Student Counts

YEAR	K	1st	2nd	3rd	4th	5th	6th	7th	8th	9th	10th	11th	12th	K-12 Count	% Chg.
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	19%
FY09	0	0	0	0	0	0	74	72	69	27	0	0	0	242	44%
FY10	0	0	0	0	0	0	84	82	61	51	26	0	0	304	26%
FY11	25	27	53	53	53	54	52	85	76	59	47	23	0	607	100%
FY12	20	48	48	69	73	73	92	49	67	75	46	47	24	731	20%
FY13	22	49	76	51	78	73	75	76	51	74	69	46	35	775	6%
FY14	39	52	46	74	55	70	75	78	79	68	70	51	33	790	2%
FY15	40	52	57	51	74	52	85	70	75	73	52	52	31	764	-3%
FY16	42	54	69	74	58	72	93	77	73	73	66	50	38	839	10%
FY17	35	70	68	77	72	69	100	80	76	71	61	64	36	879	5%
FY18	42	57	69	71	74	73	90	100	75	71	74	54	52	902	3%
FY19	40	68	75	69	71	69	105	87	86	57	47	54	34	862	-4%
FY20	63	74	75	74	74	75	92	93	77	74	54	44	47	916	6%
FY21	61	72	73	71	74	73	93	100	100	77	58	54	43	949	4%
FY22	62	73	68	74	73	63	99	89	97	95	66	44	53	956	1%
FY23	61	73	72	72	71	73	93	94	87	80	76	54	45	951	-1%
FY24	63	71	72	72	70	70	83	89	95	77	66	63	54	945	-1%
FY25	66	78	68	75	77	77	100	101	102	78	73	54	59	1008	7%
FY26	73	78	78	78	83	83	105	104	112	92	76	60	55	1077	7%

The primary factor driving the budget for the School is student enrollment. Funded Pupil Count (FPC) or pupil count is shown above (taken from CDE's website) for the School's twenty years of operations. The enrollment used to create the FY27 budget was 1,294. Currently the School is projecting 1,308 enrolled students for this fiscal year.

As the Colorado economy continues to excel, LSE anticipates PPR increases will continue in line with Colorado's population, tax base growth and inflation. There is a new school finance funding formula addressed with SB26-023. The new school funding formula has a focus on at risk students, special education, English language learners, cost of living factors and district. As the School expands programs, revenue will increase as enrollment and inflation increases. The school has a waiting list and with the District's recent approval of a second campus, a new facility/site search is underway. The FY28 budget projections for K-12 funding will be indicated in the Governor's budget due out in early November.

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, 11001 E. Alameda Ave., Aurora CO 80012

Basic Financial Statements

Lotus School for Excellence
*(A Component Unit of the Joint School District No. 28-J of the
Counties of Adams and Arapahoe, Colorado)*
Statement of Net Position
June 30, 2026

	Governmental Activities
Assets	
Cash and Investments	\$ 7,050,752
Restricted Cash and Investments	190,903
Accounts Receivable	90,916
Grants Receivable	475,821
Due from District	81,859
Prepays and Deposits	183,307
Capital Assets, <i>Not Being Depreciated</i>	11,292,580
Capital Assets, <i>Depreciated, Net of Accumulated Depreciation</i>	<u>14,285,244</u>
Total Assets	<u>33,651,382</u>
Deferred Outflows of Resources	
OPEB, <i>Net of Accumulated Amortization</i>	112,256
Pensions, <i>Net of Accumulated Amortization</i>	<u>4,253,808</u>
Total Deferred Outflows of Resources	<u>4,366,064</u>
Liabilities	
Accounts Payable	1,887,547
Retainage Payable	407,541
Accrued Interest	25,138
Accrued Salaries and Benefits	820,003
Deferred Revenue	1,322,371
Noncurrent Liabilities	
Due Within One Year	446,931
Due in More Than One Year	12,805,246
Net OPEB Liability	203,368
Net Pension Liability	<u>18,402,044</u>
Total Liabilities	<u>36,320,189</u>
Deferred Inflows of Resources	
OPEB, <i>Net of Accumulated Amortization</i>	228,926
Pensions, <i>Net of Accumulated Amortization</i>	<u>2,481,827</u>
Total Deferred Inflows of Resources	<u>2,710,753</u>
Net Position	
Net Investment in Capital Assets	12,325,647
Restricted for Emergencies	533,500
Unrestricted	<u>(13,872,643)</u>
Total Net Position	<u>\$ (1,013,496)</u>

See Notes to the Financial Statements.

Lotus School for Excellence
*(A Component Unit of the Joint School District No. 28-J of the
Counties of Adams and Arapahoe, Colorado)*
Statement of Activities
For the Year Ended June 30, 2026

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government					
<i>Governmental Activities</i>					
Instruction	\$ 13,573,379	\$ 910,451	\$ 2,009,305	\$ 538,425	\$ (10,115,198)
Supporting Services	7,388,291	47,371	81	-	(7,340,839)
Interest on Long-Term Debt	412,840	-	-	-	(412,840)
Total Governmental Activities	<u>\$ 21,374,510</u>	<u>\$ 957,822</u>	<u>\$ 2,009,386</u>	<u>\$ 538,425</u>	<u>(17,868,877)</u>
General Revenues					
Per Pupil Revenue					14,084,126
District Mill Levy					4,818,616
Investment Income					322,255
Other					<u>113,145</u>
Total General Revenues					<u>19,338,142</u>
Change in Net Position					1,469,265
Net Position, Beginning of Year					<u>(2,482,761)</u>
Net Position, End of Year					<u>\$ (1,013,496)</u>

Lotus School for Excellence
*(A Component Unit of the Joint School District No. 28-J of the
 Counties of Adams and Arapahoe, Colorado)*
Balance Sheet
Governmental Fund
June 30, 2026

	General	Building	Total
Assets			
Cash and Investments	\$ 7,050,752	\$ -	\$ 7,050,752
Restricted Cash and Investments	60,520	130,383	190,903
Accounts Receivable	90,916	-	90,916
Grants Receivable	475,821	-	475,821
Due from District	81,859	-	81,859
Prepays and Deposits	183,307	-	183,307
	<u>7,943,175</u>	<u>130,383</u>	<u>8,073,558</u>
Total Assets	\$ 7,943,175	\$ 130,383	\$ 8,073,558
Liabilities and Fund Balance			
<i>Liabilities</i>			
Accounts Payable	\$ 677,415	\$ 1,210,132	\$ 1,887,547
Retainage Payable	-	407,541	407,541
Accrued Salaries and Benefits	820,003	-	820,003
Deferred Revenue	1,322,371	-	1,322,371
	<u>2,819,789</u>	<u>1,617,673</u>	<u>4,437,462</u>
Total Liabilities	2,819,789	1,617,673	4,437,462
<i>Fund Balance</i>			
Nonspendable Prepaid Expenditures	183,307	-	183,307
Restricted for Emergencies	533,500	-	533,500
Unrestricted, Unassigned	4,406,579	(1,487,290)	2,919,289
	<u>5,123,386</u>	<u>(1,487,290)</u>	<u>3,636,096</u>
Total Fund Balance	5,123,386	(1,487,290)	3,636,096
Total Liabilities and Fund Balance	\$ 7,943,175	\$ 130,383	\$ 8,073,558

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

Total Fund Balance of the Governmental Fund	\$ 3,636,096
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	25,577,824
Long-term liabilities and related items are not reported in governmental funds:	
Bonds Payable	(13,252,177)
Accrued Interest	(25,138)
Net Pension Liability	(18,402,044)
Pension-Related Deferred Outflows of Resources	4,253,808
Pension-Related Deferred Inflows of Resources	(2,481,827)
Net OPEB Liability	(203,368)
OPEB-Related Deferred Outflows of Resources	112,256
OPEB-Related Deferred Inflows of Resources	(228,926)
Total Net Position of Governmental Activities	\$ (1,013,496)

Lotus School for Excellence
*(A Component Unit of the Joint School District No. 28-J of the
Counties of Adams and Arapahoe, Colorado)*
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2026

	General	Building	Total
Revenues			
Local Sources	\$ 19,545,028	\$ 758,657	\$ 20,303,685
State Sources	1,314,000	-	1,314,000
Federal Sources	1,225,837	-	1,225,837
	<u>22,084,865</u>	<u>758,657</u>	<u>22,843,522</u>
Total Revenues			
Expenditures			
Instruction	11,464,022	-	11,464,022
Supporting Services	7,062,043	10,968,962	18,031,005
Debt Service			
Principal	-	305,090	305,090
Interest	-	408,758	408,758
	<u>18,526,065</u>	<u>11,682,810</u>	<u>30,208,875</u>
Total Expenditures			
Excess of Revenues Over Expenditures	3,558,800	(10,924,153)	(7,365,353)
Other Sources (Uses) of Resources and Transfers			
Proceeds from Issuance of Debt	-	5,965,799	5,965,799
Transfers In	1,819,081	5,233,267	7,052,348
Transfers Out	(5,233,267)	(1,819,081)	(7,052,348)
	<u>144,614</u>	<u>(1,544,168)</u>	<u>(1,399,554)</u>
Net Change in Fund Balance			
Fund Balance, Beginning of Year	4,978,772	56,878	5,035,650
Fund Balance, End of Year	<u>\$ 5,123,386</u>	<u>\$ (1,487,290)</u>	<u>\$ 3,636,096</u>

Lotus School for Excellence
*(A Component Unit of the Joint School District No. 28-J of the
 Counties of Adams and Arapahoe, Colorado)*
 Reconciliation of the Statement of Revenues, Expenditures and Changes in
 Fund Balance of the Governmental Fund to the Statement of Activities
 For the Year Ended June 30, 2026

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

Net Change in Fund Balance of the Governmental Fund	\$ (1,399,554)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Depreciation Expense	(583,818)
Capital Outlays	10,815,542
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities. Repayment of debt principal are expenditures in governmental funds, but they reduce long-term liabilities in the Statement of net position and do not affect the statement of activities.	
Issuance of Long-term Debt	(5,965,799)
Principal Payments	305,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This includes the change in:	
Accrued Interest	(4,082)
Net Pension Liability	(747,475)
Pension-Related Deferred Outflows of Resources	773,626
Pension-Related Deferred Inflows of Resources	(1,828,482)
Net OPEB Liability	109,874
OPEB-Related Deferred Outflows of Resources	34,282
OPEB-Related Deferred Inflows of Resources	(39,849)
Change in Net Position of Governmental Activities	\$ <u>1,469,265</u>

Lotus School for Excellence
(A Component Unit of the Joint School District No. 28-J of the
Counties of Adams and Arapahoe, Colorado)
Notes to Financial Statements
June 30, 2026

Note 1: Summary of Significant Accounting Policies

Nature of Operations

The Lotus School for Excellence (the School) was formed in 2003 pursuant to the Colorado Charter Schools Act to form and operate a charter school within Aurora Public Schools (the District) which opened in 2006.

The accounting policies of the School conform to generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the more significant policies.

Reporting Entity

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

Based on the application of this criteria, the School includes the Lotus School for Excellence Foundation (the Foundation) within its reporting entity. The Foundation is a Colorado non-profit entity organized 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 a special revenue fund called the Building Fund. The Foundation has no financial balances or transactions outside of those reported by the School and therefore is not reported separately in the financial statements. The Foundation does not issue separate financial statements.

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

Government-wide and Fund Financial Statements

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

Lotus School for Excellence
(A Component Unit of the Joint School District No. 28-J of the
Counties of Adams and Arapahoe, Colorado)
Notes to Financial Statements
June 30, 2026

Note 1: Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements (Continued)

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current year. Intergovernmental revenues, grants and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the School. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

The School reports the following major governmental funds:

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

Building Fund - This fund is used to account for the financial activities of the Foundation, which are primarily for capital purposes and the related debt service.

Lotus School for Excellence
(A Component Unit of the Joint School District No. 28-J of the
Counties of Adams and Arapahoe, Colorado)
Notes to Financial Statements
June 30, 2026

Note 1: Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Net Position/Fund Balance

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

Prepaid Expenses - Certain payments to vendors reflect costs applicable to future accounting periods and are reported as prepaid expenses using the consumption method.

Capital Assets - Capital assets are reported in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the acquisition value on the date of donation.

Capital assets are amortized or depreciated using the straight-line method over the life of the related lease agreement or the estimated useful lives, as follows:

Buildings	50 years
Leasehold Improvements	15 - 40 years
Furniture and Equipment	5 - 10 years

Accrued Salaries and Benefits - Salaries and benefits of certain contractually employed personnel are paid over a twelve-month period from August to July but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, are reported as a liability of the General Fund. Accrued salaries and benefits were \$820,003 as of June 30, 2026.

Unearned Revenues - Unearned revenues represent resources received by the School before it has a legal claim to them, including tuition and fees.

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.

Long-Term Debt - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. In the fund financial statements, governmental funds recognize the face amount of debt issued as other financing sources. Issuance costs, whether or not withheld from the debt proceeds, are reported as current debt service expenditures.

Lotus School for Excellence
(A Component Unit of the Joint School District No. 28-J of the
Counties of Adams and Arapahoe, Colorado)
Notes to Financial Statements
June 30, 2026

Note 1: Summary of Significant Accounting Policies (Continued)

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

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.

Postemployment Benefits Other Than Pensions (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.

Net Position - The government-wide financial statements utilize a net position presentation. Net position is categorized as follows:

- 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 portions for various purposes, the School Board has the unrestricted right to revisit or alter these managerial decisions.

Lotus School for Excellence
(A Component Unit of the Joint School District No. 28-J of the
Counties of Adams and Arapahoe, Colorado)
Notes to Financial Statements
June 30, 2026

Note 1: Summary of Significant Accounting Policies (Continued)

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

Fund Balance - The governmental fund financial statements present fund financial statements 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.
- 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.
- 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.
- 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.
- Unassigned - This classification includes the residual fund balance for the funds' financial statements. 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.

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

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.

Lotus School for Excellence
(A Component Unit of the Joint School District No. 28-J of the
Counties of Adams and Arapahoe, Colorado)
Notes to Financial Statements
June 30, 2026

Note 1: Summary of Significant Accounting Policies (Continued)

Subsequent Events

The School evaluated subsequent events through October 6, 2026, the date the financial statements were available to be issued.

Note 2: Cash and Investments

Cash and Investments at June 30, 2026 consisted of the following:

Petty Cash	\$ 585
Deposits	477,752
Investments	<u>6,763,318</u>
Total	<u>\$ 7,241,655</u>

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2026, the School does have bank deposits in excess of federal depository insurance amounts of \$228,684.

Investments

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

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

Lotus School for Excellence
*(A Component Unit of the Joint School District No. 28-J of the
 Counties of Adams and Arapahoe, Colorado)*
 Notes to Financial Statements
 June 30, 2026

Note 2: Cash and Investments (Continued)

Investments *(Continued)*

On June 30, 2026, the School had the following investments:

Investment Type	Rating	Fair Value	Less than 1 year
COLOTRUST PLUS+	AAAm	\$ 6,763,318	\$ 6,763,318
Total		\$ 6,763,318	\$ 6,763,318

Interest Rate Risk - State statutes generally limit investments to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years. 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 - State statutes limit certain investments to those with specified ratings from nationally recognized statistical rating organizations, depending on the type of investment. The School has no policy for managing credit risk or interest rate risk.

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

Local Government Investment Pools

The School had invested \$6,763,318 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 \$130,383 is restricted for debt service in the Building Fund. Cash in the amount of \$60,520 is restricted in the General Fund for Special Education Reserve requirements.

Lotus School for Excellence
*(A Component Unit of the Joint School District No. 28-J of the
Counties of Adams and Arapahoe, Colorado)*
Notes to Financial Statements
June 30, 2026

Note 3: Capital Assets

Changes in capital assets for the year ended June 30, 2026, are summarized below. Depreciation and amortization are combined in the following table.

	Balance 6/30/25	Additions	Deletions	Balance 6/30/26
<i>Capital Assets, Not Depreciated</i>				
Land	\$ 590,820	\$ -	\$ -	\$ 590,820
CIP	338,477	10,363,283	-	10,701,760
<i>Total Capital Assets, Not Being Depreciated</i>	<u>929,297</u>	<u>10,363,283</u>	<u>-</u>	<u>11,292,580</u>
<i>Capital Assets, Being Depreciated</i>				
Building	13,033,400	-	-	13,033,400
Leasehold Improvements	4,480,361	452,259	-	4,932,620
Equipment	2,367,029	-	-	2,367,029
<i>Total Capital Assets, Being Depreciated</i>	<u>19,880,790</u>	<u>452,259</u>	<u>-</u>	<u>20,333,049</u>
<i>Less: Accumulated Depreciation</i>				
Building	(2,697,995)	(252,902)	-	(2,950,897)
Leasehold Improvements	(1,170,786)	(185,304)	-	(1,356,090)
Equipment	(1,595,206)	(145,612)	-	(1,740,818)
<i>Total Accumulated Depreciation</i>	<u>(5,463,987)</u>	<u>(583,818)</u>	<u>-</u>	<u>(6,047,805)</u>
<i>Capital Assets, Being Depreciated, Net</i>	<u>14,416,803</u>	<u>(131,559)</u>	<u>-</u>	<u>14,285,244</u>
<i>Capital Assets, Net</i>	<u>\$ 15,346,100</u>	<u>\$ 10,231,724</u>	<u>\$ -</u>	<u>\$ 25,577,824</u>

Depreciation and amortization expenses were charged to the supporting services program.

Note 4: Long-Term Debt

Following is a summary of the School's long-term debt transactions for the year ended June 30, 2026:

	Balance 6/30/25	Additions	Payments	Balance 6/30/26	Due Within One Year
Governmental Activities					
Series 2018	\$ 7,591,378	\$ -	\$ (305,000)	\$ 7,286,378	\$ 319,973
Blueprint	-	1,500,000	-	1,500,000	29,159
Series 2025	-	4,465,799	-	4,465,799	97,799
Total	<u>\$ 7,591,378</u>	<u>\$ 5,965,799</u>	<u>\$ (305,000)</u>	<u>\$ 13,252,177</u>	<u>\$ 446,931</u>

Lotus School for Excellence
*(A Component Unit of the Joint School District No. 28-J of the
 Counties of Adams and Arapahoe, Colorado)*
 Notes to Financial Statements
 June 30, 2026

Note 4: Long-Term Debt (Continued)

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:

Year Ended June 30,	Principal	Interest	Total
2027	\$ 319,973	\$ 295,623	\$ 615,596
2028	333,476	282,122	615,598
2029	347,548	268,050	615,598
2030	362,216	253,385	615,601
2031-2033	<u>5,923,165</u>	<u>616,038</u>	<u>6,539,203</u>
Total	<u>\$ 7,286,378</u>	<u>\$ 1,715,218</u>	<u>\$ 9,001,596</u>

On July 16, 2025, the School borrowed \$1,500,000 in a construction and mini perm loan agreement (Blueprint) from Blueprint Colorado, a California nonprofit corporation, ("Lender"). Proceeds were loaned to the School to construct an educational facility for the School. The School is obligated under a construction loan agreement to make monthly payments to the Lender for the construction of the educational facility. The School is required to make equal loan payments to the Lender, for payment of the bonds. The bonds accrue interest at 4.14% per annum. Principal and interest payments are due annually on July 1 through 2030.

Future debt service requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
2027	\$ 41,142	\$ 22,500	\$ 63,642
2028	42,376	43,766	86,142
2029	43,647	42,495	86,142
2030	44,957	41,185	86,142
2031	<u>1,327,878</u>	<u>23,238</u>	<u>1,351,116</u>
Total	<u>\$ 1,500,000</u>	<u>\$ 173,184</u>	<u>\$ 1,673,184</u>

Lotus School for Excellence
*(A Component Unit of the Joint School District No. 28-J of the
 Counties of Adams and Arapahoe, Colorado)*
 Notes to Financial Statements
 June 30, 2026

Note 4: Long-Term Debt (Continued)

On July 16, 2025, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$8,641,974 Charter School Refunding Improvement Revenue Bonds, Series 2025. 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 5.10% per annum. Principal and interest payments are due annually on July 1 through 2030.

As of June 30, 2026, the School had only drawn \$4,465,799 on the facility. The School anticipates drawing the remaining \$4,176,175 during the next fiscal year. Once all funds are drawn, the future debt service will be adjusted for a full amount of funds drawn.

Future debt service requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
2027	\$ 126,959	\$ 424,507	\$ 551,466
2028	198,700	429,664	628,364
2029	209,074	419,290	628,364
2030	219,990	408,374	628,364
2031	7,887,251	33,521	7,920,772
Total	\$ <u>8,641,974</u>	\$ <u>1,715,356</u>	\$ <u>10,357,330</u>

Note 5: Defined Benefit Pension Plan

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 annual comprehensive financial report (ACFR) that can be obtained at www.copera.org/forms-resources/financial-reports-and-studies.

Benefits provided as of December 31, 2025 - 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.

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Note 5: 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% and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100% match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

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% and then multiplied by years of service credit.
- \$15 times the first 10 years of service credit plus \$20 times the 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% of highest average salary and cannot exceed the maximum benefit allowed by the federal Internal Revenue Code.

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

Upon meeting certain criteria, benefit recipients who elect to receive a lifetime retirement benefit generally receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Subject to the automatic adjustment provision (AAP) under C.R.S. § 24-51-413, 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 the maximum annual increase (AI) or AI cap of 1.00% unless adjusted by the AAP. 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 the 1.00% AI cap or the average increase of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed a determined increase that would exhaust 10% of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned AI cap by up to 0.25% based on the parameters specified in C.R.S. § 24-51-413.

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Note 5: Defined Benefit Pension Plan (Continued)

General Information about the Pension Plan (Continued)

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, 2026 - 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 11.00% of their PERA-includable salary during the period of July 01, 2025 through June 30, 2026. Employer contribution requirements are summarized in the following table:

	07/01/2025 Through 06/30/2026
Employer Contribution rate	11.40%
Amount of employer contribution apportioned to the	
Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02%)
Amount apportioned to the SCHDTF	10.38%
Amortization Equalization Disbursement (AED)	
as specified in C.R.S. § 24-51-411	4.50%
Supplemental Amortization Equalization Disbursement	
(SAED) as specified in C.R.S. § 24-51-411	5.50%
Contributions subsequent to the measurement date	20.38%

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

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 \$2,040,462, for the year ended June 30, 2026.

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Note 5: Defined Benefit Pension Plan (Continued)

General Information about the Pension Plan (Continued)

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. As specified in C.R.S. § 24-51-414, the State is required to contribute a \$225 million direct distribution each year to PERA starting on July 1, 2018. For 2024, 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 DPS Division Trust Fund. Effective July 1, 2025, and prior to July 1, 2030, HB 25-1105 excludes the DPS Division from receiving a portion of the annual Direct Distribution.

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

The net pension liability for the SCHDTF was measured at December 31, 2025, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2024. Standard update procedures were used to roll forward the TPL to December 31, 2025. The School proportion of the net pension liability was based on the School contributions to the SCHDTF for the calendar year, 2025 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2026, the School reported a liability of \$18,402,044, for its proportionate share of the net pension liability that reflected an increase for support from the State as a nonemployer contributing entity. The amount recognized by the School as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the School were as follows:

School's proportionate share of the net pension liability	\$ 18,402,044
State proportionate share of pension liability	<u>1,729,369</u>
Net Proportionate share of net pension liability	<u>\$ 20,131,413</u>

At December 31, 2025, the School's proportion was 0.1179926437%, which was an increase of 0.0156763748% from its proportion measured at December 31, 2024.

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Note 5: Defined Benefit Pension Plan (Continued)

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

For the year ended June 30, 2026, the School recognized pension expense of \$1,171,502 and benefit of \$253 for support from the State as a nonemployer contributing entity. At June 30, 2026, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 1,107,520	\$ -
Changes of assumptions and other inputs	90,336	-
Net difference between projected and actual earnings on plan investments	-	2,207,559
Changes in proportion	2,032,244	274,268
Contributions subsequent to the measurement date	1,023,708	-
Total	\$ 4,253,808	\$ 2,481,827

\$1,023,708 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 subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	
2027	\$ 1,930,727
2028	(221,593)
2029	(403,246)
2030	(557,615)
Total	\$ 748,273

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Note 5: 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 December 31, 2024, actuarial valuation used the following actuarial cost method and key actuarial assumptions and other inputs.

Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	4.00% - 13.40%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-employment benefit increases:	
Hired prior to 1/1/2007	1.00%
Hired after 12/31/2006	Financed by the AIR

All mortality assumptions are developed on a benefit-weighted basis and apply generational mortality. Note that in all categories, displayed as follows, the mortality tables are generationally projected using the 2024 adjusted MP-2021 scale.

	Mortality Table	Adjustments, as Applicable
Pre-Retirement	PubT-2010 Employee	N/A
Post-Retirement (Retiree), Non-Disabled	PubT-2010 Healthy Retiree	Males: 106% of the rates for all ages Females: 86% of the rates prior to age 85/115% of the rates age 85 and older
Post-Retirement (Beneficiary), Non-Disabled	Pub-2010 Contingent Survivor	Males: 92% of the rates for all ages Females: 100% of the rates for all ages
Disabled	PubNS-2010 Disabled Retiree	95% of the rates for all ages

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Note 5: 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, 2024, valuation were based on the 2024 experience analysis, dated January 3, 2025, for the period January 1, 2020, through December 31, 2023. Revised economic and demographic assumptions were adopted by the PERA Board on January 17, 2025.

The long-term expected return on plan assets is monitored on an ongoing basis and reviewed as part of periodic experience studies prepared every four years, and asset/liability studies, performed every three to five years for PERA. The most recent analyses were outlined in the 2024 Experience Study report dated January 3, 2025.

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% 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 November 15, 2019, meeting, and again at the Board's September 20, 2024, meeting. 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 Return
Global Equity	51.00%	5.00%
Fixed Income	23.00%	2.60%
Private Equity	10.00%	7.60%
Real Estate	10.00%	4.10%
Alternatives	6.00%	5.20%
Total	<u>100.00%</u>	

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Note 5: Defined Benefit Pension Plan (Continued)

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

Note: 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%. For projections, geometric long-term returns are converted to arithmetic returns, which reflect the expected one-year annual performance.

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employee contributions were assumed to be made at the current member contribution rates in effect for each year, reflecting the prior increases as required by SB 18-200 and the 2018 and 2020 AAP assessments. 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 the current fixed statutory rates specified in law for each year, reflecting the prior increases as required by SB 18-200 and the 2018 and 2020 AAP assessments. Employer contributions also include current and future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million 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. Effective July 1, 2025, and prior to July 1, 2030, HB 25-1105 excludes the DPS Division from receiving a portion of the annual direct distribution. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

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Note 5: Defined Benefit Pension Plan (Continued)

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

- The balance was excluded from the initial FNP because, per statute, AIR amounts cannot be used to pay benefits until they are transferred out of the AIR to the appropriate accounts for retirement and survivor benefit payments. Estimated transfers from the AIR and the related benefit payments were included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the SCHDTF's FNP was projected to be available to make all projected future benefit payments of current plan members and were not projected to reach a depletion date. Therefore, the long-term expected rate of return of 7.25% on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%. There was no change in the discount rate from the prior measurement date.

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 26,033,681	\$ 18,402,044	\$ 12,011,501

Pension plan fiduciary net position - Detailed information about the SCHDTF's FNP is available in PERA's ACFR which can be obtained at www.copera.org/forms-resources/financial-reports-and-studies.

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Note 6: Postemployment Healthcare Benefits (OPEB)

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, and 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 by the Colorado General Assembly. PERA issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at www.copera.org/forms-resources/financial-reports-and-studies.

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 health benefits program 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.

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Note 6: Postemployment Healthcare Benefits (OPEB) (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% 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 service based subsidy, in each case, is for retirees with retirement benefits based on 20 or more years of service credit. There is a 5% reduction in the subsidy for each year less than 20. The retiree pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

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

Contributions - Pursuant to Title 24, Article 51, Section 208(1) (f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02% of PERA-includable salary into the HCTF. Effective July 1, 2026, HB 26-1400 also reduces the PERA employer contribution rate allocated to the HCTF, by 0.50%, from 1.02% to 0.52% of member salaries for the State, School, Local Government, and Judicial Divisions.

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Note 6: Postemployment Healthcare Benefits (OPEB) (Continued)

General Information about the OPEB Plan *(Continued)*

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the members and the School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the School were \$102,123, for the year ended June 30, 2026.

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

At June 30, 2026, the School reported a liability of \$203,368 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2025, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2024. Standard update procedures were used to roll forward the TOL to December 31, 2025. The School's proportion of the net OPEB liability was based on the School's contributions to the HCTF for the calendar year 2025 relative to the total contributions of participating employers to the HCTF.

At December 31, 2025, the School's proportion was 0.0655088983%, which was an increase of 0.0099657751% from its proportion measured as of December 31, 2024.

For the year ended June 30, 2026, the School recognized OPEB expense of \$25,968. At June 30, 2026, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 82,294
Changes of assumptions and other inputs	2,231	98,712
Net difference between projected and actual earnings on plan investments	-	32,481
Changes in proportion	58,789	15,439
Contributions subsequent to the measurement date	51,236	-
Total	\$ <u>112,256</u>	\$ <u>228,926</u>

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Note 6: Postemployment Healthcare Benefits (OPEB) (Continued)

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

\$51,236 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 of subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

<u>Year Ended June 30,</u>	
2027	\$ (37,618)
2028	(52,090)
2029	(37,560)
2030	(27,447)
2031	<u>(13,191)</u>
Total	\$ <u>(167,906)</u>

Actuarial Assumptions - The December 31, 2024 actuarial valuation used the following actuarial cost method and key actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	4.00% - 13.40%
Long-term investment rate of return, net of 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:	
8.00% for 2025, gradually decreasing to 4.50% in 2035	
Medicare Part A premiums:	
3.50% for 2025, gradually increasing to 4.50% in 2033	

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Note 6: Postemployment Healthcare Benefits (OPEB) (Continued)

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

Each year the per capita health care costs are developed by plan option. As of the December 31, 2023, actuarial valuation, costs are based on 2024 premium rates for the UnitedHealthcare Medicare Advantage Prescription Drug (MAPD) PPO plan #1, the UnitedHealthcare MAPD PPO plan #2, and the Kaiser Permanente MAPD HMO plan. MAPD premium costs are not age graded, an allowed exception under Section 3.7.7 (c) of Actuarial Standard of Practice No. 6.

Plan	With Medicare Part A	Without Medicare Part A
MAPD PPO #1	\$ 4,188	\$ 8,928
MAPD PPO #2	\$ 2,028	\$ 5,508
MAPD HMO (Kaiser)	\$ 2,040	\$ 7,596

The 2025 Medicare Part A premium is \$518 per month.

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

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 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. PERACare Medicare plan rates are applied where members have no premium-free Part A.

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Note 6: Postemployment Healthcare Benefits (OPEB) (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 TOL are summarized in the following table:

Year	PERACare Medicare Plans	Medicare Part A Premiums
2025	8.00%	3.50%
2026	7.65%	3.75%
2027	7.30%	3.75%
2028	6.95%	4.00%
2029	6.60%	4.00%
2030	6.25%	4.25%
2031	5.90%	4.25%
2032	5.55%	4.25%
2033	5.20%	4.50%
2034	4.85%	4.50%
2035+	4.50%	4.50%

Mortality assumptions used in the December 31, 2024, valuation for the Division Trust Funds as shown in the following table, reflect generational mortality and were applied, as applicable, in the December 31, 2024, valuation for the HCTF, but developed using a headcount-weighted basis. Note that in all categories, displayed as follows, the mortality tables are generationally projected using the 2024 adjusted MP-2021 scale.

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 Notes to Financial Statements
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Note 6: Postemployment Healthcare Benefits (OPEB) (Continued)

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

Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

	Mortality Table	Adjustments, as Applicable
Pre-Retirement	PubT-2010 Employee	N/A
Post-Retirement (Retiree), Non-Disabled	PubT-2010 Healthy Retiree	Males: 106% of the rates for all ages Females: 86% of the rates prior to age 85/115% of the rates age 85 and older
Post-Retirement (Beneficiary), Non-Disabled	Pub-2010 Contingent Survivor	Males: 92% of the rates for all ages Females: 100% of the rates for all ages
Disabled	PubNS-2010 Disabled Retiree	95% of the rates for all ages

The following health care costs assumptions were updated and used in the roll-forward calculation for the HCTF:

- Per capita health care costs in effect as of the December 31, 2024, valuation date for those PERACare enrollees under the PERA benefit structure who are expected to be age 65 and older and are not eligible for premium-free Medicare Part A benefits were updated to reflect costs for the 2025 plan year.
- The health care cost trend rates applicable to health plan premiums were revised to reflect the current expectation of future increases in those premiums.

The actuarial assumptions pertaining to per capita health care costs and their related trend rates are analyzed annually and updated, as appropriate, by the PERA Board's actuary.

The actuarial assumptions used in the December 31, 2024, valuations were based on the 2024 experience analysis, dated January 3, 2025, for the period January 1, 2020, through December 31, 2023 . Revised economic and demographic assumptions were adopted by the Board on January 17, 2025.

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Note 6: Postemployment Healthcare Benefits (OPEB) (Continued)

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

The long-term expected return on plan assets is monitored on an ongoing basis and reviewed as part of periodic experience studies prepared every four years, and asset/liability studies, performed every three to five years for PERA. The most recent analyses were outlined in the 2024 Experience Study report dated January 3, 2025.

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% 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 November 15, 2019, meeting, and again at the Board's September 20, 2024, meeting. 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 Return
Global Equity	51.00%	5.00%
Fixed Income	23.00%	2.60%
Private Equity	10.00%	7.60%
Real Estate	10.00%	4.10%
Alternatives	6.00%	5.20%
Total	100.00%	

Note: 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%. For projections, geometric long-term returns are converted to arithmetic returns, which reflect the expected one-year annual performance.

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Note 6: Postemployment Healthcare Benefits (OPEB) (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 Health Care Cost Trend Rates. The following table 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 Trend Rates (6.25%)	Current Trend Rate (7.25%)	1% Increase Trend Rates (8.25%)
Proportionate share of the net OPEB liability (asset)	\$ 194,914	\$ 203,368	\$ 212,937

Discount Rate - The discount rate used to measure the TOL was 7.25%. The basis for the projection of liabilities and the FNP used to determine the discount rate was an actuarial valuation performed as of December 31, 2024, and the financial status of the HCTF as of the current measurement date December 31, 2025. 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, 2025, 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%.
- 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. The current employer contribution rate for the HCTF is 1.02% of salary. HB26-1400, effective July 1, 2026, reduces the PERA employer contribution rate allocated to the HCTF, by 0.50%, from 1.02% to 0.52% of member salaries for the State, School, Local Government, and Judicial Divisions.
- 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.

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Note 6: Postemployment Healthcare Benefits (OPEB) (Continued)

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

Based on the above assumptions and methods, the FNP for the HCTF was projected to be available to make all projected future benefit payments of current members and were not projected to reach a depletion date. Therefore, the long-term expected rate of return of 7.25% on OPEB plan investments was applied to all periods of projected benefit payments to determine the TOL. The discount rate determination did not use the municipal bond index rate, and therefore, the discount rate is 7.25%. There was no change in the discount rate from the prior measurement date.

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability (asset)	\$ 279,997	\$ 203,368	\$ 137,277

OPEB plan fiduciary net position - Detailed information about the HCTF's FNP is available in PERA's ACFR which can be obtained at www.copera.org/forms-resources/financial-reports-and-studies.

Note 7: Commitments and Contingencies

Claims and Judgments

The School participates in a number of federal and state programs that are fully or partially funded by revenues received from other governmental entities. Expenditures financed by these revenues are subject to audit by the appropriate government. If expenditures are disallowed due to noncompliance with program regulations, the School may be required to reimburse the other government. At June 30, 2026, significant amounts of related expenditures have not been audited but management believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

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Notes to Financial Statements
June 30, 2026

Note 7: Commitments and Contingencies (Continued)

TABOR Amendment

In November 1992, Colorado voters passed the TABOR Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The Amendment is subject to many interpretations, but the School believes it is in substantial compliance with the Amendment. In accordance with the Amendment, the School has established an emergency reserve representing 3% of qualifying expenditures. At June 30, 2026, the District held \$81,859 on behalf of the School for this reserve.

Note 8: Deficit Net Position

The net position of the School is a deficit position in the amount of \$1,013,496 due to the inclusion of its Net Pension Liability and Net OPEB liability balances in accordance with the requirements of GASB Statement Nos. 68 and 75.

Note 9: Change in Accounting Principle

During the fiscal year ended June 30, 2026, the School implemented GASB Statement No. 103, Financial Reporting Model Improvements. The objective of this Statement is to enhance the effectiveness of the financial reporting model for decision-making and accountability by refining presentation and disclosure requirements.

The adoption of GASB Statement No. 103 introduced changes to the Management's Discussion and Analysis (MD&A), which is an integral part of the financial statements. There are no other changes to the financial statements as a result of the adoption of this standard.

Required Supplementary Information

Lotus School for Excellence
*(A Component Unit of the Joint School District No. 28-J of the
Counties of Adams and Arapahoe, Colorado)*
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and Contributions
Public Employees' Retirement Association of Colorado School Division Trust Fund
June 30, 2026

Measurement Date	12/31/25	12/31/24	12/31/23	12/31/22	12/31/21
Proportionate Share of the Net Pension Liability					
School's Proportion of the Net Pension Liability	0.1179926437%	0.1023162689%	0.1065055044%	0.0884726029%	0.0967387763%
School's Proportionate Share of the Net Pension Liability	\$ 18,402,044	\$ 17,654,569	\$ 18,833,818	\$ 16,110,388	\$ 11,257,845
State's Proportionate Share of the Net Pension Liability	1,729,369	1,585,660	412,970	412,970	1,290,569
Total Proportionate Share of the Net Pension Liability	<u>\$ 20,131,413</u>	<u>\$ 19,240,229</u>	<u>\$ 19,246,788</u>	<u>\$ 16,523,358</u>	<u>\$ 12,548,414</u>
School's Covered-Employee Payroll	\$ 9,564,752	\$ 7,906,448	\$ 7,040,968	\$ 6,822,110	\$ 6,045,868
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	192%	223%	267%	236%	186%
Plan Fiduciary Net Position (FNP) as a Percentage of the Total Pension Liability	72%	67%	62%	62%	75%
Reporting Date	6/30/26	6/30/25	6/30/24	6/30/23	6/30/22
School Contributions					
Statutorily Required Contribution	\$ 2,040,462	\$ 1,791,856	\$ 1,453,482	\$ 1,432,140	\$ 1,281,865
Contributions in Relation to the Statutorily Required Contribution	<u>(2,040,462)</u>	<u>(1,791,856)</u>	<u>(1,453,482)</u>	<u>(1,432,140)</u>	<u>(1,281,865)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered-Employee Payroll	\$ 10,012,072	\$ 8,792,238	\$ 7,131,898	\$ 7,027,146	\$ 6,376,883
Contributions as a Percentage of Covered-Employee Payroll	20.38%	20.38%	20.38%	20.38%	20.10%

This schedule is presented to show information for 10 years.

(Continued)

Lotus School for Excellence

(A Component Unit of the Joint School District No. 28-J of the
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Required Supplementary Information

Schedule of Proportionate Share of the Net Pension Liability and Contributions Public Employees' Retirement Association of Colorado School Division Trust Fund

June 30, 2026

(Continued)

Measurement Date	12/31/20	12/31/19	12/31/18	12/31/17	12/31/16
Proportionate Share of the Net Pension Liability					
School's Proportion of the Net Pension Liability	0.1008569425%	0.0840000000%	0.0760000000%	0.0830000000%	0.0760000000%
School's Proportionate Share of the Net Pension Liability	\$ 15,247,530	\$ 12,605,807	\$ 13,475,677	\$ 26,939,119	\$ 22,585,012
State's Proportionate Share of the Net Pension Liability	-	2,025,151	1,842,612	-	-
Total Proportionate Share of the Net Pension Liability	<u>\$ 15,247,530</u>	<u>\$ 14,630,958</u>	<u>\$ 15,318,289</u>	<u>\$ 26,939,119</u>	<u>\$ 22,585,012</u>
School's Covered-Employee Payroll	\$ 5,411,309	\$ 4,955,628	\$ 4,519,330	\$ 3,849,523	\$ 3,413,865
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	282%	254%	298%	700%	662%
Plan Fiduciary Net Position (FNP) as a Percentage of the Total Pension Liability	65%	57%	57%	44%	43%
Reporting Date	6/30/21	6/30/20	6/30/19	6/30/18	6/30/17
School Contributions					
Statutorily Required Contribution	\$ 1,119,831	\$ 1,031,643	\$ 864,885	\$ 750,068	\$ 697,564
Contributions in Relation to the Statutorily Required Contribution	<u>(1,119,831)</u>	<u>(1,031,643)</u>	<u>(864,885)</u>	<u>(750,068)</u>	<u>(697,564)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered-Employee Payroll	\$ 5,632,957	\$ 5,316,394	\$ 4,519,330	\$ 3,973,072	\$ 3,595,502
Contributions as a Percentage of Covered-Employee Payroll	19.88%	19.40%	19.14%	18.88%	19.40%

This schedule is presented to show information for 10 years.

Lotus School for Excellence

*(A Component Unit of the Joint School District No. 28-J of the
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Notes to Schedule of Proportionate Share of the Net Pension Liability and Contributions June 30, 2026

Note 1: Significant Changes in Plan Provisions Affecting Trends in Actuarial Information

2025 Changes in Plan Provisions Since 2024

- SB 25-310, enacted June 2, 2025, and effective immediately, allows PERA to accept a series of warrants from the State Treasurer totaling \$500,000 on or after July 1, 2025, and before October 1, 2025. These dollars are held by PERA in a custodial capacity on behalf of the State of Colorado to be proportioned over time to replace reductions to future direct distributions intended to fund the Peace Officer Training and Support Fund and, at that time, will be allocated to the appropriate Division Trust Fund(s) within PERA. SB 25-310 also allows for an alternative actuarial method to allocate the direct distribution if the allocation, based on the reported payroll of each participating division, results in an automatic adjustment provision (AAP) assessment ratio below the 98% benchmark and the alternative allocation method results in an AAP ratio that meets or exceeds the 98% benchmark.

2024 Changes in Plan Provisions Since 2023

- There were no changes made to the plan provisions.

2023 Changes in Plan Provisions Since 2022

- Senate Bill (SB) 23-056, enacted and effective June 2, 2023, intended to recompense PERA for the remaining portion of the \$225 million direct distribution originally scheduled for receipt July 1, 2020, suspended due to the enactment of House Bill (HB) 20-1379, but not fully repaid through the provisions within HB 22-1029. Pursuant to SB 23-056, the State Treasurer issued a warrant consisting of the balance of the PERA Payment Cash Fund, created in §24-51-416, plus \$10 million from the General Fund, totaling \$14.561 million.
- As of the December 31, 2023, measurement date, the total pension liability (TPL) recognizes the change in the default method applied for granting service accruals for certain members, from a "12-pay" method to a "non-12-pay" method. The default service accrual method for positions with an employment pattern of at least eight months but fewer than 12 months (including, but not limited to positions in the School and DPS Divisions) receive a higher ratio of service credit for each month worked, up to a maximum of 12 months of service credit per year.

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Notes to Schedule of Proportionate Share of the Net Pension Liability and Contributions June 30, 2026

Note 1: Significant Changes in Plan Provisions Affecting Trends in Actuarial Information (Continued)

2022 Changes in Plan Provisions Since 2021

- HB 22-1029, effective upon enactment in 2022, required the State Treasurer to issue, in addition to the regularly scheduled \$225,000,000 direct distribution, a warrant to PERA in the amount of \$380,000,000 with reductions to future direct distributions. The July 1, 2023, direct distribution will be reduced by \$190,000 to \$35,000,000. The July 1, 2024, direct distribution will not be reduced from \$225,000 due to a negative investment return in 2022.

2021 Changes in Plan Provisions Since 2020

- The following changes reflect the anticipated adjustments resulting from the 2020 automatic adjustment provision (AAP) assessment, statutorily recognized July 1, 2021, and effective July 1, 2022:
 - Member contribution rates increase by 0.50%.
 - Employer contribution rates increase by 0.50%.
 - Annual increase (AI) cap is lowered from 1.25% per year to 1.00% per year.

2020 Changes in Plan Provisions Since 2019

- HB 20-1379, enacted on June 29, 2020, suspended the \$225,000,000 direct distribution payable on July 1, 2020 for the State's 2020-21 fiscal year.

2019 Changes in Plan Provisions Since 2018

- SB 18-200 was enacted on June 4, 2018, which included the adoption of the AAP. The following changes reflect the anticipated adjustments resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020:
 - Member contribution rates increase by 0.50%.
 - Employer contribution rates increase by 0.50%.
 - AI cap is lowered from 1.50% per year to 1.25%.

2018 Changes in Plan Provisions Since 2017

- The following changes were made to the plan provisions as part of SB 18-200:
 - Member contribution rates increase by 0.75% effective July 1, 2019, an additional 0.75% effective July 1, 2020, and an additional 0.50% effective July 1, 2021.

Lotus School for Excellence

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Notes to Schedule of Proportionate Share of the Net Pension Liability and Contributions June 30, 2026

Note 1: Significant Changes in Plan Provisions Affecting Trends in Actuarial Information (Continued)

2018 Changes in Plan Provisions Since 2017 *(Continued)*

- Employer contribution rates increase by 0.25% effective July 1, 2019 for State, School, Judicial, and DPS Divisions.
- An annual direct distribution of \$225,000,000 from the State of Colorado, recognized as a nonemployer contributing entity, is distributed between the State, School, Judicial, and DPS Divisions proportionally based on payroll.
- AI cap is lowered from 2.00% per year to 1.50% per year.
- Initial AI waiting period is extended from one year after retirement to three years after retirement.
- AI payments are suspended for 2018 and 2019.

2017 Changes in Plan Provisions Since 2016

- There were no changes made to the plan provisions applicable to the School Division Trust Fund.

2016 Changes in Plan Provisions Since 2015

- There were no changes made to the plan provisions applicable to the School Division Trust Fund.

Note 2: Significant Changes in Assumptions or Other Inputs Affecting Trends in Actuarial Information

2025 Changes in Assumptions or Other Inputs Since 2024

- There were no changes made to the actuarial methods or assumptions.

2024 Changes in Assumptions or Other Inputs Since 2023

- Salary scale assumptions were altered to better reflect actual experience.
- Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.
- The Pub-2010 Public Retirement Plans Mortality base tables were retained for purposes of active, retired, disabled, and beneficiary lives, with revised adjustments for credibility and gender, where applicable. In addition, the applied generational projection scale was updated to the 2024 adjusted scale MP-2021.

Lotus School for Excellence

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Notes to Schedule of Proportionate Share of the Net Pension Liability and Contributions June 30, 2026

Note 2: Significant Changes in Assumptions or Other Inputs Affecting Trends in Actuarial Information (Continued)

2024 Changes in Assumptions or Other Inputs Since 2023 *(Continued)*

- The estimated administrative expense as a percentage of covered payroll was increased from 0.40% to 0.45%.

2023 Changes in Assumptions or Other Inputs Since 2022

- There were no changes made to the actuarial methods or assumptions.

2022 Changes in Assumptions or Other Inputs Since 2021

- There were no changes made to the actuarial methods or assumptions.

2021 Changes in Assumptions or Other Inputs Since 2020

- The assumption used to value the AI cap benefit provision was changed from 1.25% to 1.00%.

2020 Changes in Assumptions or Other Inputs Since 2019

- The price inflation assumption was lowered from 2.40% to 2.30%.
- The wage inflation assumption was lowered from 3.50% to 3.00%.
- The real rate of investment return assumption was increased to 4.95% per year, net of investment expenses from 4.85% per year, net of investment expenses.
- 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 assumption for the School and DPS Divisions was changed to the PubT-2010 Employee Table with generational projection using scale MP-2019.
- The post-retirement non-disabled mortality assumption for the School and DPS Divisions was changed to the PubT-2010 Healthy Retiree Table, adjusted as follows:
 - Males: 112% of the rates prior to age 80 and 94% of the rates for ages 80 and older, with generational projection using scale MP-2019.
 - Females: 83% of the rates prior to age 80 and 106% of the rates for ages 80 and older, with generational projection using scale MP-2019.

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Notes to Schedule of Proportionate Share of the Net Pension Liability and Contributions June 30, 2026

Note 2: Significant Changes in Assumptions or Other Inputs Affecting Trends in Actuarial Information (Continued)

2020 Changes in Assumptions of Other Inputs Since 2019 *(Continued)*

- The disabled mortality assumption for the Division Trust Funds (members other than Safety Officers) was changed to the PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages with generational projection using scale MP-2019.
- The mortality tables are generational mortality tables developed on a benefit-weighted basis.

2019 Changes in Assumptions of Other Inputs Since 2018

- The assumption used to value the AI cap benefit provision was changed from 1.50% to 1.25%.

2018 Changes in Assumptions of Other Inputs Since 2017

- The single equivalent interest rate (SEIR) for the School Division was increased from 4.78% to 7.25% to reflect the changes to the projection's valuation basis which no longer resulted in a projected year of depletion of the FNP, thereby eliminating the need to apply the municipal bond index rate.

2017 Changes in Assumptions of Other Inputs Since 2016

- The SEIR for the School Division was lowered from 5.26% to 4.78% to reflect the changes to the projection's valuation basis, a projected year of depletion of the FNP, and the resulting application of the municipal bond index rate.

2016 Changes in Assumptions of Other Inputs Since 2015

- The investment return assumption was lowered from 7.50% to 7.25%.
- The price inflation assumption was lowered from 2.80% to 2.40%.
- The wage inflation assumption was lowered from 3.90% to 3.50%.
- The post-retirement mortality assumption for healthy lives for the School, Judicial, and DPS Divisions was changed to the RP-2014 White Collar Healthy Annuitant Mortality Table with adjustments for credibility and gender adjustments of a 93% factor applied to ages below 80 and a 113% factor applied to age 80 and above, projected to 2018, for males, and a 68% factor applied to ages below 80 and a 106% factor applied to age 80 and above, projected to 2020, for females.
- For disabled retirees, the mortality assumption was changed to reflect 90% of RP-2014 Disabled Retiree Mortality Table.

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Notes to Schedule of Proportionate Share of the Net Pension Liability and Contributions
June 30, 2026

Note 2: Significant Changes in Assumptions or Other Inputs Affecting Trends in Actuarial Information (Continued)

2016 Changes in Assumptions of Other Inputs Since 2015 *(Continued)*

- The mortality assumption for active members was changed to 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% factor applied to male rates and a 55% factor applied to female rates.
- The rates of retirement, withdrawal, and disability were revised to reflect more closely actual experience.
- The estimated administrative expense as a percentage of covered payroll was increased from .35% to .40%.
- The SEIR for the State and School Divisions was lowered from 7.50% to 5.26% to reflect the changes to the projection's valuation basis, a projected year of depletion of the FNP, and the resulting application of the municipal bond index rate of 3.86% on the measurement date.

Subsequent Events

HB 26-1400, enacted June 1, 2026, and effective July 1, 2026, modifies the allocation of the direct distribution. Beginning with the direct distribution on July 1, 2026, and annually thereafter, PERA is required to allocate the direct distribution to the Division Trust Funds on an actuarial basis. HB 26-1400 also reduces the PERA employer contribution rate allocated to the HCTF, by 0.50%, from 1.02% to 0.52% of member salaries for the State, School, Local Government, and Judicial Divisions.

Lotus School for Excellence
*(A Component Unit of the Joint School District No. 28-J of the
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Required Supplementary Information
Schedule of Proportionate Share of the Net OPEB Liability and Contributions
Public Employees' Retirement Association of Colorado Health Care Trust Fund
June 30, 2026

Measurement Date	12/31/25	12/31/24	12/31/23	12/31/22
Proportionate Share of the Net OPEB Liability				
School's Proportion of the Net OPEB Liability	0.0655088983%	0.0655088983%	0.0637164188%	0.0672284660%
School's Proportionate Share of the Net OPEB Liability	\$ 203,368	\$ -	\$ 313,242	\$ 548,906
School's Covered Payroll	\$ 9,564,752	\$ 7,906,448	\$ 7,040,968	\$ 6,822,110
School's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	2%	0%	4%	8%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	76%	60%	46%	39%
School Contributions				
Statutorily Required Contribution	\$ 102,123	\$ 89,681	\$ 72,745	\$ 71,677
Contributions in Relation to the Statutorily Required Contribution	<u>(102,123)</u>	<u>(89,681)</u>	<u>(72,745)</u>	<u>(71,677)</u>
Contribution Deficiency (Excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
School's Covered Payroll	\$ 10,012,072	\$ 8,792,238	\$ 7,131,898	\$ 7,027,146
Contributions as a Percentage of Covered Payroll	1.02%	1.02%	1.02%	1.02%

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

(Continued)

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Required Supplementary Information
Schedule of Proportionate Share of the Net OPEB Liability and Contributions
Public Employees' Retirement Association of Colorado Health Care Trust Fund
June 30, 2026
(Continued)

Measurement Date	12/31/21	12/31/20	12/31/19	12/31/18	12/31/17
Proportionate Share of the Net OPEB Liability					
School's Proportion of the Net OPEB Liability	0.0631630960%	0.0583140270%	0.0490000000%	0.0470000000%	0.0430000000%
School's Proportionate Share of the Net OPEB Liability	\$ 544,659	\$ 554,113	\$ 619,476	\$ 673,028	\$ 616,228
School's Covered Payroll	\$ 6,822,110	\$ 5,411,309	\$ 4,955,628	\$ 4,955,628	\$ 3,849,523
School's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	8%	10%	13%	14%	16%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	39%	33%	24%	17%	18%
School Contributions					
Statutorily Required Contribution	\$ 65,770	\$ 57,456	\$ 54,229	\$ 46,096	\$ 40,525
Contributions in Relation to the Statutorily Required Contribution	(65,770)	(57,456)	(54,229)	(46,096)	(40,525)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
School's Covered Payroll	\$ 6,376,883	\$ 5,632,957	\$ 5,316,394	\$ 4,519,330	\$ 3,973,072
Contributions as a Percentage of Covered Payroll	1.03%	1.02%	1.02%	1.02%	1.02%

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

Lotus School for Excellence

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Notes to Schedule of Proportionate Share of the Net OPEB Liability and Contributions
June 30, 2026

Note 1: Significant Changes in Plan Provisions Affecting Trends in Actuarial Information

2025 Changes in Plan Provisions Since 2024

- There were no changes made to plan provisions.

2024 Changes in Plan Provisions Since 2023

- As of the December 31, 2024, measurement date, the FNP and related disclosure components for HCTF reflect additional payments related to the disaffiliation of Tri-County Health Department as a PERA-affiliated employer, effective December 31, 2022. The additional employer disaffiliation payment allocations to the HCTF and Local Government Division Trust Fund were \$0.020 million and \$0.486 million, respectively.

2023 Changes in Plan Provisions Since 2022

- As of the December 31, 2023, measurement date, the fiduciary net position (FNP) and related disclosure components for the Health Care Trust Fund (HCTF) reflect payments related to the disaffiliation of Tri-County Health Department (Tri-County Health) as a PERA-affiliated employer, effective December 31, 2022. As of the December 31, 2023, year-end, PERA recognized two additions for accounting and financial reporting purposes: a \$24 million payment received on December 4, 2023, and a \$2 million receivable. The employer disaffiliation payment and receivable allocations to the HCTF and Local Government Division Trust Fund were \$1.033 million and \$24.967 million, respectively.

2022 Changes in Plan Provisions Since 2021

- The total OPEB liability for the HCTF, as of the December 31, 2022, measurement date, was adjusted to reflect the disaffiliation, allowable under C.R.S. 24-51-313, of Tri-County Health, effective December 31, 2022. As of the close of the 2022 fiscal year, no disaffiliation payment associated with Tri-County Health was received, and therefore no disaffiliation dollars were reflected in the FNP as of the December 31, 2022, measurement date.

2021 Changes in Plan Provisions Since 2020

- There were no changes made to plan provisions.

2020 Changes in Plan Provisions Since 2019

- There were no changes made to plan provisions.

Lotus School for Excellence

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Notes to Schedule of Proportionate Share of the Net OPEB Liability and Contributions
June 30, 2026

Note 1: Significant Changes in Plan Provisions Affecting Trends in Actuarial Information (Continued)

2019 Changes in Plan Provisions Since 2018

- There were no changes made to plan provisions.

2018 Changes in Plan Provisions Since 2017

- There were no changes made to plan provisions.

2017 Changes in Plan Provisions Since 2016

- There were no changes made to plan provisions.

Note 2: Significant Changes in Assumptions or Other Inputs Affecting Trends in Actuarial Information

2025 Changes in Assumptions or Other Inputs Since 2024

- There were no significant changes made to the actuarial methods or assumptions.

2024 Changes in Assumptions or Other Inputs Since 2023

- Salary scale assumptions were altered to better reflect actual experience.
- Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.
- The adjustments for credibility applied to the Pub-2010 mortality tables for active and retired lives, including beneficiaries, were updated based on experience. In addition, the mortality projection scale was updated to the 2024 adjusted scale MP-2021 to reflect future improvements in mortality for all groups.
- Participation rates were reduced.
- MAPD premium costs are no longer age graded.

2023 Changes in Assumptions or Other Inputs Since 2022

- There were no changes made to the actuarial methods or assumptions.

2022 Changes in Assumptions or Other Inputs Since 2021

- The timing of the retirement decrement was adjusted to middle-of-year.

Lotus School for Excellence

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Notes to Schedule of Proportionate Share of the Net OPEB Liability and Contributions
June 30, 2026

Note 2: Significant Changes in Assumptions or Other Inputs Affecting Trends in Actuarial Information (Continued)

2021 Changes in Assumptions or Other Inputs Since 2020

- There were no changes made to the actuarial methods or assumptions.

2020 Changes in Assumptions or Other Inputs Since 2019

- The price inflation assumption was lowered from 2.40% to 2.30%.
- The wage inflation assumption was lowered from 3.50% to 3.00%.
- The real rate of investment return assumption was increased to 4.95% per year, net of investment expenses from 4.85% per year, net of investment expenses.
- Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.
- The pre-retirement mortality assumption for the School and DPS Divisions was changed to the PubT-2010 Employee Table with generational projection using scale MP-2019.
- The post-retirement non-disabled mortality assumption for the School and DPS Divisions was changed to the PubT-2010 Healthy Retiree Table, adjusted as follows:
 - Males: 112% of the rates prior to age 80 and 94% of the rates for ages 80 and older, with generational projection using scale MP-2019.
 - Females: 83% of the rates prior to age 80 and 106% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- The post-retirement non-disabled beneficiary mortality assumption for the Division Trust Funds was changed to the Pub-2010 Contingent Survivor Table, adjusted as follows:
 - Males: 97% of the rates for all ages, with generational projection using scale MP-2019.
 - Females: 105% of the rates for all ages, with generational projection using scale MP-2019.
- The disabled mortality assumption for the Division Trust Funds (members other than Safety Officers) was changed to the PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages with generational projection using scale MP-2019.
- The mortality tables are generational mortality tables developed on a head-count weighted basis.

2019 Changes in Assumptions or Other Inputs Since 2018

- There were no changes made to the actuarial methods or assumptions.

Lotus School for Excellence

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Notes to Schedule of Proportionate Share of the Net OPEB Liability and Contributions
June 30, 2026

Note 2: Significant Changes in Assumptions or Other Inputs Affecting Trends in Actuarial Information (Continued)

2018 Changes in Assumptions or Other Inputs Since 2017

- There were no changes made to the actuarial methods or assumptions.

2017 Changes in Assumptions or Other Inputs Since 2016

- There were no changes made to the actuarial methods or assumptions.

Lotus School for Excellence
(A Component Unit of the Joint School District No. 28-J of the
Counties of Adams and Arapahoe, Colorado)
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2026

	Original Budget	Final Budget	Variance with Original Budget - Over (Under) Final Budget	Actual	Variance Positive (Negative)
Revenues					
<i>Local Sources:</i>					
Per Pupil Revenue	\$ 12,502,245	\$ 14,740,433	\$ 2,238,188	\$ 14,084,126	\$ (656,307)
Mill Levy Override	3,661,857	4,628,397	966,540	4,818,616	190,219
Pupil Activities	104,200	141,900	37,700	193,430	51,530
Charges for Services	32,500	47,000	14,500	50,371	3,371
Grants and Donations	7,350	10,450	3,100	7,721	(2,729)
Earnings on Investments	210,000	277,000	67,000	277,619	619
Other	22,500	51,300	28,800	113,145	61,845
Total Local Sources	16,540,652	19,896,480	3,355,828	19,545,028	(351,452)
<i>State Sources:</i>					
Capital Construction	367,418	384,134	16,716	384,134	-
PERA On Behalf	140,000	140,000	-	732,359	592,359
ELPA Grant	151,319	158,164	6,845	158,164	-
FASFA Grant	22,350	22,350	-	-	(22,350)
READ Act Grant	29,718	37,918	8,200	37,918	-
MPHA GAL Grant	2,500	1,425	(1,075)	1,425	-
Total State Sources	713,305	743,991	30,686	1,314,000	570,009
<i>Federal Sources:</i>					
Title I	549,358	605,700	56,342	606,226	526
Title II	36,151	43,010	6,859	43,010	-
Title IV	20,777	20,777	-	18,353	(2,424)
Facilities Grant	119,310	261,210	141,900	154,291	(106,919)
GSC CSP Grant	-	1,159,414	1,159,414	403,957	(755,457)
Total Federal Sources	725,596	2,090,111	1,364,515	1,225,837	(864,274)
Total Revenues	17,979,553	22,730,582	4,751,029	22,084,865	(645,717)
Expenditures					
Salaries	8,804,252	9,680,613	876,361	10,379,731	(699,118)
Benefits	2,846,474	3,138,848	292,374	3,269,719	(130,871)
Professional Purchased Services	765,153	977,030	211,877	988,982	(11,952)
Purchased Services	1,166,940	1,292,218	125,278	1,259,038	33,180
Other Contacted Services	1,366,410	1,650,723	284,313	1,804,604	(153,881)
Supplies and Materials	559,756	661,633	101,877	795,297	(133,664)
Property	1,200,000	4,504,671	3,304,671	-	4,504,671
Other	74,594	31,600	(42,994)	28,694	2,906
Total Expenditures	16,783,579	21,937,336	5,153,757	18,526,065	3,411,271
Excess of Revenues Over Expenditures	1,195,974	793,246	(402,728)	3,558,800	2,765,554
Other Sources (Uses) of Resources and Transfers					
Transfers In	-	1,550,001	1,550,001	1,819,081	269,080
Transfers Out	-	-	-	(5,233,267)	(5,233,267)
Net Change in Fund Balance	1,195,974	2,343,247	1,147,273	144,614	(2,198,633)
Fund Balance, Beginning of Year	5,031,885	4,978,772	(53,113)	4,978,772	-
Fund Balance, End of Year	\$ 6,227,859	\$ 7,322,019	\$ 1,094,160	\$ 5,123,386	\$ (2,198,633)

See Accompanying Independent Auditor's Report.

Lotus School for Excellence
*(A Component Unit of the Joint School District No. 28-J of the
Counties of Adams and Arapahoe, Colorado)*
Budgetary Comparison Schedule
Building Fund
For the Year Ended June 30, 2026

	Original Budget	Final Budget	Variance with Original Budget - Over (Under) Final Budget	Actual	Variance Positive (Negative)
Revenues					
<i>Local Sources:</i>					
Building Rental	\$ 877,851	\$ 914,211	\$ 36,360	\$ 714,021	\$ (200,190)
Contributed Capital	1,200,000	2,651,000	1,451,000	-	(2,651,000)
Earnings on Investments	1,250	1,250	-	44,636	43,386
	<u>2,079,101</u>	<u>3,566,461</u>	<u>1,487,360</u>	<u>758,657</u>	<u>(2,807,804)</u>
Total Revenues					
Expenditures					
Purchased Professional Services	1,250	70,522	69,272	153,510	(82,988)
Property	-	-	-	10,815,452	(10,815,452)
Debt Service					
Principal Payment	283,643	308,088	24,445	305,090	2,998
Interest Expense	593,960	606,123	12,163	408,758	197,365
Other	-	82,742	82,742	-	82,742
Contingency	-	2,362,188	2,362,188	-	2,362,188
	<u>878,853</u>	<u>3,429,663</u>	<u>2,550,810</u>	<u>11,682,810</u>	<u>(8,253,147)</u>
Total Expenditures					
Excess of Revenues Over Expenditures	1,200,248	136,798	(1,063,450)	(10,924,153)	(11,060,951)
Other Sources (Uses) of Resources and Transfers					
Proceeds from Issuance of Debt	10,550,000	10,141,974	(408,026)	5,965,799	(4,176,175)
Transfers In	-	-	-	5,233,267	5,233,267
Transfers Out	(11,750,248)	(10,278,772)	1,471,476	(1,819,081)	8,459,691
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,544,168)</u>	<u>(1,544,168)</u>
Net Change in Fund Balance					
Fund Balance, Beginning of Year	7,904,851	7,904,851	-	56,878	(7,847,973)
Fund Balance, End of Year	<u>\$ 7,904,851</u>	<u>\$ 7,904,851</u>	<u>\$ -</u>	<u>\$ (1,487,290)</u>	<u>\$ (9,392,141)</u>

Lotus School for Excellence
*(A Component Unit of the Joint School District No. 28-J of the
Counties of Adams and Arapahoe, Colorado)*
Notes to Budgetary Comparison Schedule - General Fund and Building Fund
June 30, 2026

Note 1: Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

A budget is adopted for the School 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, for their approval. The budget includes proposed expenditures and the means of financing them.

Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Board of Directors.

All appropriations lapse at fiscal year-end.

Note 2: Explanation of Significant Variances Between Final Budget and Actual

Below is the discussion of reasons for significant variances between final budget and actual amounts. Management has defined significant variances as differences for which the variance between final budget and actual amounts exceeds both a variance of 5% of final budget and 2% of total actual revenues or expenditures.

Revenues

Federal grant receipts were below final budget primarily due to the CSP grant. The grant was finalized after the beginning of the fiscal year. Thus, the budget was not included in the original budget the Board of Directors approved in June 2025. Two budget revisions occurred during the year in January and June addressing new grants, an enrollment increase of 11%, and new grant awards from PLTW, the Broncos, and Dicks Sporting Goods. Finally and most impactful was the recognition of bond funding supporting technology and security investments of approximately \$549, 170.

Expenses

Overall there was a 32% variance in total expenditures and transfers out. Instructional expenditures were higher due to increases in staff, staff pay and benefits resulting in a 13.7% variance. Support expenditures were higher by 57% which was driven by building construction, renovations and equipment purchases. The balance of the support variance can be attributed to enrollment increases.