American Academy

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

Financial Statements

June 30, 2020

HINKLE & COMPANY PC

Strategic Business Advisors

American Academy

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

HINKLE & COMPANY PC
Strategic Business Advisors

Independent Auditors' Report

Board of Directors
American Academy
Castle Pines, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, and each major fund of the American Academy, component unit of Douglas County School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements of the American Academy, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

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Opinions
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the American Academy as of June 30, 2020, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Hinkle & Company, PC

Greenwood Village, Colorado
October 30, 2020

American Academy
MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)
Required Supplementary Information (RSI)
June 30, 2020

The following Management Discussion and Analysis (MD&A) of American Academy financial performance provides a general review of financial activities for the fiscal year ended June 30, 2019. The intent of this narrative overview and analysis is to review the school's financial performance as a whole. Readers should also review Financial Statements, including the Notes to Financial Statements, to expand understanding of the school's financial performance.

American Academy is a high-performing Core Knowledge, pre-kindergarten through eighth grade, public charter school with a special emphasis on science, technology, engineering, and math (STEM) and an outstanding visual and performing arts program. For more information on the school, you can visit online at www.aak8.org.

Financial Highlights

The period from July 1, 2019 through June 30, 2020 marks the fifteenth year of operation for American Academy. During 2017/18, American Academy opened a third campus serving students kindergarten through sixth grade. As of June 30, 2020, fund balance for combined campus operations had increased approximately 6% from prior year to reach $5,595,907. When including GASB Statement No. 68 and related campus facilities, combined total net position as was ($48,280,781).

Funding provided in the Colorado State School Finance Act is the primary support received for basic school operations. Tax revenue for the year July 1, 2019 – June 30, 2020 increased by 10% from $18,821,391 compared with $20,637,584. The American Academy – Castle Pines, Lincoln Meadows and Motsenbocker campuses currently operate near capacity serving 878, 772 and 882 students, respectively, in 2019/20.

The American Academy - Lincoln Meadows campus opened to serve students in 2017/18 and began operations with 618 students in grades kindergarten through sixth grade. This campus will grow by one grade level per year until the full kindergarten through eighth grade program is established. The American Academy – Lincoln Meadows campus will operate an educational program that mirrors the structure at the Castle Pines and Motsenbocker campuses. In addition, the Lincoln Meadows campus also offers a KindiePrep program that emulates the Motsenbocker campus structure providing service to 126 students during 2019/20.

Overview of Financial Statements

This financial review is intended to serve as an introduction to American Academy's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-Wide Financial Statements

Government-wide financial statements are prepared to provide interested parties with a broad overview of American Academy's financial reporting in similar format to a private-sector business. The statement of net position presents information related to assets and liabilities, and deferred inflows and outflows, and remaining net position. With historical data, increases or decreases in net position may serve as a useful indicator of whether the financial position of the school is weakening or improving.

The statement of activities, or income statement, presents information showing how American Academy's net position changed during the year. Change to net position is reported at the primary occurrence, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future periods (for example, salaries and benefits earned but unpaid as of fiscal year end).

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of American Academy, liabilities and deferred inflows exceeded assets and deferred outflows by $48,280,781 at the close of the most recent fiscal year. The negative balance is due primarily to the adoption of GASB Statement No. 68, resulting in a net pension liability of $30,883,959, representing the school's proportionate share of the plan's net pension liability.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives, as designated by Colorado state statute. American Academy monitors these funds to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements, except that the focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources.

American Academy adopts an annual budget for the general fund. A budgetary comparison has been provided to demonstrate compliance with the budget as part of the required supplementary information included in the audited financial statements.

The AA Building Corporation II is considered to be a blended component unit of American Academy and is reported as a proprietary fund. Information is presented in the statement of net position, statement of revenues, expenses and changes in net position and the statement of cash flows.

Notes to Financial Statements

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

Table I: Net Position

	2020 Governmental Activities	2019 Governmental Activities	2020 Business Type Activities	2019 Business Type Activities
ASSETS				
Capital Assets, Net			$ 50,343,105	$ 51,142,086
Other Assets	$ 8,007,993	$ 6,795,956	$ 4,374,238	$ 3,490,742
Total Assets	**$ 8,007,993**	**$ 6,795,956**	**$ 54,717,343**	**$ 54,632,828**
DEFERRED OUTFLOWS OF RESOURCES, as restated				
Pensions, Net of Accumulated Amortization	$ 7,663,606	$ 4,722,149		$ -
OPEB, Net of Accumulated Amortization	$ 356,454	$ 305,558		$ -
Loss on Debt Refunding			$ 1,068,920	$ 2,662,989
Total Deferred Outflows	**$ 8,020,060**	**$ 5,027,707**	**$ 1,068,920**	**$ 2,662,989**
LIABILITIES				
Long Term Liabilities	$ 286,286	$ 298,265	$ 64,589,748	$ 62,900,000
Net Pension Liability	$ 30,883,959	$ 34,121,427	$ -	$ -
Net OPEB Liability	$ 1,518,578	$ 1,704,157	$ -	$ -
Other Liabilities	$ 2,609,020	$ 1,707,331	$ 233,565	$ 1,521,254
Total Liabilities	**$ 35,297,843**	**$ 37,831,180**	**$ 64,823,313**	**$ 64,421,254**
DEFERRED INFLOWS OF RESOURCES, as restated				
Pensions, Net of Accumulated Amortization	$ 18,205,682	$ 21,415,846	$ -	$ -
OPEB, Net of Accumulated Amortization	$ 1,768,259	$ 1,969,226	$ -	$ -
Total Deferred Inflows	**$ 19,973,941**	**$ 23,385,072**	**$ -**	**$ -**
NET POSITION				
Net Investment in Capital Assets	$ -	$ -	$ (13,177,723)	$ (10,394,925)
Restricted for Debt Service	$ -	$ -	$ 3,921,157	$ 3,137,488
Restricted for Repair & Replace	$ -	$ -		$ -
Restricted for Emergencies	$ 900,000	$ 800,000		$ -
Unrestricted	$ (40,143,731)	$ (50,192,589)	$ 219,516	$ 132,000
Total Net Position	**$ (39,243,731)**	**$ (49,392,589)**	**$ (9,037,050)**	**$ (7,125,437)**

Government-Wide Financial Analysis

For the year ended June 30, 2020, the governmental activities net position of American Academy was recognized as ($39,243,731) due to the adoption of GASB Statement No. 68 that created a net pension liability of $30,883,959. Including the net pension liability, the school acknowledged ($40,143,731) in unrestricted funds and $900,000 to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. For the business-type activities, ($13,177,723) was the net investment in capital assets, $3,921,157 was restricted for debt service and $219,516 was unrestricted. The Foundation recognized total net position of $42,598 in unrestricted funds. As a result, the school's proportionate share of the PERA Health Care Trust Fund's unfunded OPEB liability is reported in the financial statements, in the amount of $1,768,259.

Table II: Change in Net Position

	2020 Governmental Activities	2019 Governmental Activities	2020 Business Type Activities	2019 Business Type Activities
REVENUES				
General Revenues				
Per Pupil Revenues	$ 20,637,584	$ 18,821,391		$ -
District Mill Levy	$ 2,961,528	$ 2,877,779		$ -
Capital Construction Funding	$ 706,188	$ 725,135		$ -
Grants and Contributions not restricted to specific programs	$ 635,927	$ 706,317		$ -
Investment Earnings	$ 66,531	$ 15,149	$ 60,492	$ 83,475
Other	$ 72,004	$ 15,513		
Program Revenues				
Charges for Services: Instruction	$ 3,104,301	$ 4,626,664		$ -
Charges for Services: Supporting Services	$ 80,812	$ 82,507		$ -
Operating Grants & Contributions	$ 579,365	$ 109,514		$ -
Total Revenue	**$ 28,844,240**	**$ 27,979,969**	**$ 60,492**	**$ 83,475**
EXPENSES				
Instruction	$ 7,094,818	$ 23,849,624		
Supporting Services	$ 8,532,597	$ 13,042,363		
Foundation		$ -		
Building Corporation		$ -	$ 5,853,395	$ 4,666,840
Prior Period Adjustments		$ -		
Total Expenses	**$ 15,627,415**	**$ 36,891,987**	**$ 5,853,395**	**$ 4,666,840**
Transfers	$ (3,872,084)	$ (3,784,166)	$ 3,881,290	$ 3,784,166
Change in Net Position	$ (10,148,858)	$ (12,948,321)	$ 8,237,245	$ (13,747,520)
Net Position, Beginning, as restated	**$ 49,392,589**	**$ (36,444,268)**	**$ (56,518,026)**	**$ (42,770,506)**
Net Position, Ending	**$ 39,243,731**	**$ (49,392,589)**	**$ (48,280,781)**	**$ (56,518,026)**

Fund Financial Analysis

General Fund

During 2019/20, PPR funding increased 10% overall due to minor changes in student count for the existing campus operations and the opening of the Lincoln Meadows kindergarten through eighth grade combined with over a 3% increase to per student funding. Mill Levy revenue increased 3% due to the student count increase; the voter approved Mill Levy override also contributed significantly to this increase. Contributions increased 48% compared with the prior year due to timing of distributions from the PTO organizations that support each campus. Tuition and fees decreased 67% compared with prior year as a result of reimbursements due to going remote for Covid-19. Facility Rental income decreased by 2%.

Expenditures - Total expenditures for the period of July 1, 2019 – June 30, 2020 were $29,601,428, a 10% increase from prior year. Salaries recognized a 6% increase and benefit costs a 28% increase as a result of hiring to accommodate third campus staffing and modest raises for all employees. Salaries also increased relative to the increased income for American Academy Extracurricular programs. Benefits increased as a result of these salary increases combined with annual increases to statutory contributions to the Public Employees' Retirement Association of Colorado (PERA) and increases to health, dental and vision premiums for employees along with plan utilization rates.

Purchased services increased 8% to support operations at the three campus locations; while there were cost increases for existing services, the bulk of the increase is derived from the third campus. Materials and supplies increased 19%; property expenditures increased 11%; and other expenses increased 49%.

Net Change in Fund Balance – As of June 30th the American Academy General Fund recorded net change in fund balance of $310,290.

AA Building Corporation II

During 2019/20, the AA Building Corporation II continued to hold the debt issuance for the American Academy campus facility issuances.

Revenues – Total gross revenues for the period of July 1, 2019 – June 30, 2020 were $3,941,782. This included investment income, contributions and lease payments from the General Fund based on the facility purchase agreements.

Expenses - Total expenses for the period of July 1, 2019 – June 30, 2020 were $5,853,395. Interest expense was recognized as $3,790,702. Depreciation expense was $1,591,685 for this fiscal year; purchased service costs totaled $14,870 for cash management fees and the site lease expense.

Change in Net Position – As of June 30th AA Building Corporation II recorded a decrease in net position of ($1,911,613) and ending net position of ($9,037,050). It is anticipated that the negative balance will be eliminated over time as debt is paid.

Analysis of Significant Budget Variations: General Fund

The adopted budget for the American Academy General Fund was approved April of 2019 for the 2019/20 school year. The adopted budget is reviewed in detail by school administration and the Board of Directors in the spring with specific effort to correlate the budget with the strategic plan for the subsequent school year. Assumptions such as projected student count, per pupil revenue and hiring decisions are not finalized at the time the adopted budget is approved. American Academy reviewed and revised all key revenue and expense considerations for the final budget adoption in the fall of 2019.

The actual activity for 2019/20 acknowledged variances from the final budget amounts approved for all major budget categories. Salaries were 98% of budget ($333,317 less than budget); benefits were 138% ($1,623,796 more than budget); purchased services were 91% ($749,234 less than budget); materials and supplies were 103% ($27,855 more than budget); property was 93% ($75,359 less than budget); and other objects were 112% ($40,348 more than budget). There are no known variations that are expected to have a significant effect on future services or liquidity.

Capital Assets and Debt Administration

Capital assets - American Academy's capital assets as of June 30, 2020 amount to $50,343,105 net of accumulated depreciation. These assets account for land, buildings and equipment and furniture for the Castle Pines, Motsenbocker and Lincoln Meadows facilities.

Long-term debt - As of June 30, 2020, American Academy had outstanding debt of $64,823,313. This amount includes the balances of the CECFA issuance for Castle Pines, Motsenbocker and Lincoln Meadows and the technology leases in place to support the school One-to-One computer program.
Additional information on capital assets and long-term debt is provided in Notes 4 and 5 to the financial statements.

Economic Factors and Next Year's Budget

The primary factor driving the budget for American Academy is the future of the Colorado state budget and related Per Pupil Revenue (PPR) for K-12 education. American Academy regularly reviews projected plans for PPR funding and budget impact. Many budget scenarios and operation plans have been developed to analyze options to respond to state decisions. Student count changes across the three campus locations, facility financing costs and additional considerations specific to the new facility growth were all considered in the strategic budgeting projections for 2020/21 through 2024/25.

Requests for Information

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

American Academy
6971 Mira Vista Lane
Castle Pines, CO 80108

Basic Financial Statements

American Academy
(A Component Unit of Douglas County School District RE.1)
Statement of Net Position
June 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Foundation
Assets				
Cash and Investments	$ 7,931,869	$ -	$ 7,931,869	$ 42,598
Restricted Cash and Investments	46,107	4,154,722	4,200,829	-
Accounts Receivable	1,444	91,516	92,960	-
Prepaid Expenses	28,573	128,000	156,573	-
Capital Assets*, Not Being Depreciated*	-	3,657,167	3,657,167	-
Capital Assets*, Net of Accumulated Depreciation*	-	46,685,938	46,685,938	-
Total Assets	8,007,993	54,717,343	62,725,336	42,598
Deferred Outflows of Resources				
Pensions*, Net of Accumulated Amortization*	7,663,606	-	7,663,606	-
OPEB, *Net of Accumulated Amortization*	356,454	-	356,454	-
Loss on Debt Refunding*, Net of Accumulated Amortization*	-	1,068,920	1,068,920	-
Total Deferred Outflows of Resources	8,020,060	1,068,920	9,088,980	-
Liabilities				
Accounts Payable	315,763	-	315,763	-
Accrued Salaries and Benefits	968,002	-	968,002	-
Unearned Revenues	1,128,321	-	1,128,321	-
Accrued Interest Payable	-	233,565	233,565	-
Noncurrent Liabilities				
Due Within One Year	196,934	-	196,934	-
Due in More Than One Year	286,286	64,589,748	64,876,034	-
Net Pension Liability	30,883,959	-	30,883,959	-
Net OPEB Liability	1,518,578	-	1,518,578	-
Total Liabilities	35,297,843	64,823,313	100,121,156	-
Deferred Inflows of Resources				
Pensions*, Net of Accumulated Amortization*	18,205,682	-	18,205,682	-
OPEB, *Net of Accumulated Amortization*	1,768,259	-	1,768,259	-
Total Deferred Inflows of Resources	19,973,941	-	19,973,941	-
Net Position				
Net Investment in Capital Assets	-	(13,177,723)	(13,177,723)	-
Restricted for:				
Debt Service	-	3,921,157	3,921,157	-
Emergencies	900,000	-	900,000	-
Unrestricted	(40,143,731)	219,516	(39,924,215)	42,598
Total Net Position	$ (39,243,731)	$ (9,037,050)	$ (48,280,781)	$ 42,598

American Academy

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

Statement of Activities

For the Year Ended June 30, 2020

		Program Revenues		Net (Expense) Revenue and Change in Net Position			Component Unit
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Foundation
Primary Government							
Governmental Activities							
Instruction	$ 7,094,818	$ 3,104,301	$ 920,726	$ (3,069,791)	$ -	$ (3,069,791)	$ -
Supporting Services	8,532,597	80,812	367,093	(8,084,692)	-	(8,084,692)	-
Total Governmental Activities	15,627,415	3,185,113	1,287,819	(11,154,483)	-	(11,154,483)	-
Business-Type Activities							
Building Corporation	5,853,395	-	-	-	(5,853,395)	(5,853,395)	-
Total Primary Government	$ 21,480,810	$ 3,185,113	$ 1,287,819	(11,154,483)	(5,853,395)	(17,007,878)	-
Component Unit							
Foundation	$ 6,228	$ -	$ -	-	-	-	(6,228)
	General Revenues						
	Per Pupil Revenue			20,637,584	-	20,637,584	-
	District Mill Levy			2,961,528	-	2,961,528	-
	Capital Construction			706,188	-	706,188	-
	Grants and Contributions Not Restricted to Specific Programs			731,590	-	731,590	11,588
	Investment Income			66,531	60,492	127,023	30
	Capital Outlay			-	-	-	-
	Other			72,004	-	72,004	-
	Transfers			(3,872,084)	3,881,290	9,206	(9,206)
	Total General Revenues and Transfers			21,303,341	3,941,782	25,245,123	2,412
	Change in Net Position			10,148,858	(1,911,613)	8,237,245	(3,816)
	Net Position, *Beginning of year*			(49,392,589)	(7,125,437)	(56,518,026)	46,414
	Net Position, *End of year*			$ (39,243,731)	$ (9,037,050)	$ (48,280,781)	$ 42,598

American Academy

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

Balance Sheet

Governmental Fund

June 30, 2020

		General
Assets		
Cash and Investments	$	7,907,535
Restricted Cash and Investments		70,441
Accounts Receivable		1,444
Prepaid Expenditures		28,573
Total Assets	$	8,007,993
Liabilities and Fund Balance		
Liabilities		
Accounts Payable	$	315,763
Accrued Salaries and Benefits		968,002
Unearned Revenues		1,128,321
Total Liabilities		2,412,086
Fund Balance		
Nonspendable		
Prepaid Expenditures		28,573
Restricted for Emergencies		900,000
Unrestricted, Unassigned		4,667,334
Total Fund Balance		5,595,907
Total Liabilities and Fund Balance	$	8,007,993
Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:		
Total Fund Balance of the Governmental Fund	$	5,595,907
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds:		
Capital leases		(483,220)
Net pension liability		(30,883,959)
Pension-related deferred outflows of resources		7,663,606
Pension-related deferred inflows of resources		(18,205,682)
Net OPEB liability		(1,518,578)
OPEB-related deferred outflows of resources		356,454
OPEB-related deferred inflows of resources		(1,768,259)
Total Net Position of Governmental Activities	$	(39,243,731)

American Academy

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

Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2020

	General
Revenues	
Local Sources	$ 27,558,687
State Sources	1,189,890
Federal Sources	95,663
Total Revenues	28,844,240
Expenditures	
Instruction	14,022,763
Supporting Services	15,578,665
Total Expenditures	29,601,428
Excess of Revenues Over Expenditures	(757,188)
Other Financing Sources	
Transfers In	879,792
Proceeds on Capital Leases	187,686
Total Other Financing Sources (Uses)	1,067,478
Net Change in Fund Balance	310,290
Fund Balance, *Beginning of year*	5,285,617
Fund Balance, *End of year*	$ 5,595,907

American Academy

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

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of the Governmental Fund to the Statement of Activities
For the Year Ended June 30, 2020

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Net Change in Fund Balance of the Governmental Fund	$ 310,290
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. Repayments 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.	
Capital leases issued	(187,686)
Capital lease payments	199,723
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This includes changes in the following:	
Net pension liability	3,237,469
Pension-related deferred outflows of resources	2,941,457
Pension-related deferred inflows of resources	3,210,164
Net OPEB liability	185,579
OPEB-related deferred outflows of resources	50,896
OPEB-related deferred inflows of resources	200,966
Change in Net Position of Governmental Activities	$ 10,148,858

American Academy

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

Statement of Net Position

Proprietary Fund

June 30, 2020

	Building Corporation
Assets	
Current Assets	
Restricted Cash and Investments	$ 4,154,722
Accounts Receivable	91,516
Prepaid Expenses	128,000
Total Current Assets	4,374,238
Noncurrent Assets	
Capital Assets, *Not Being Depreciated*	3,657,167
Capital Assets, *Net of Accumulated Depreciation*	46,685,938
Total Noncurrent Assets	50,343,105
Total Assets	54,717,343
Deferred Outflows of Resources	
Loss on Debt Refunding, *Net of Accumulated Amortization*	1,068,920
Liabilities	
Current Liabilities	
Accrued Interest Payable	233,565
Loan Payable, *Current Portion*	-
Total Current Liabilities	233,565
Noncurrent Liabilities	
Loan Payable	64,589,748
Total Liabilities	64,823,313
Net Position	
Net Investment in Capital Assets	(14,246,643)
Restricted for Debt Service	3,921,157
Unrestricted	1,288,436
Total Net Position	$ (9,037,050)

American Academy
(A Component Unit of Douglas County School District RE.1)
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Fund
For the Year Ended June 30, 2020

	Building Corporation
Operating Revenues	
Lease Revenue	$ 3,959,172
Total Operating Revenues	3,959,172
Operating Expenses	
Purchased Services	14,870
Depreciation	1,591,685
Debt Service	
Interest	3,790,702
Issuance cost	456,138
Total Operating Expenses	5,853,395
Net Operating Loss	(1,894,223)
Nonoperating Revenues (Expenses)	
Investment Income	60,492
Total Operating Revenues (Expenses)	60,492
Net Loss Before Capital Contributions	(1,833,731)
Transfers and Capital Contributions	
Transfers	(870,586)
Contributed Capital Assets	792,704
Change in Net Position	(1,911,613)
Net Position, *Beginning of year*	(7,125,437)
Net Position, *End of year*	$ (9,037,050)

American Academy

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

Statement of Cash Flows

Proprietary Fund

For the Year Ended June 30, 2020

	Building Corporation
Cash Flows From Operating Activities	
Lease Payments Received	$ 3,867,656
Cash Paid to Suppliers	(10,870)
Loan Issuance costs	(456,138)
Loan Interest Paid	(2,184,322)
Proceeds on Loan	64,589,748
Loan Principal Paid	(64,200,000)
Net Cash Used in Operating Activities	1,606,074
Cash Flows From Capital and Related Financing Activities	
Construction and Acquisition of Capital Assets	-
Net Cash Used in Capital and Related Financing Activities	-
Cash Flows From Investing Activities	
Payment to the Academy	(870,586)
Investment Income Received	60,492
Net Cash Provided (Used) by Investing Activities	(810,094)
Net Change in Cash and Cash Equivalents	795,980
Cash and Cash Equivalents, *Beginning of year*	3,358,742
Cash and Cash Equivalents, *End of year*	$ 4,154,722
Reconciliation of Net Operating Loss to Net Cash Used in Operating Activities	
Net Operating Loss	$ (1,894,223)
Adjustments to Reconcile Net Operating Loss to Net Cash Used in Operating Activities	
Depreciation Expense	1,591,685
Amortization of Loss on Debt Refunding	1,594,069
Changes in Assets and Liabilities	
Accounts Receivable	(91,516)
Prepaid Expenses	4,000
Accrued Interest Payable	12,311
Loan Payable	389,748
Net Cash Used in Operating Activities	$ 1,606,074
Noncash Capital Transactions	
Contributed Capital Assets	$ 792,704

Note 1: Summary of Significant Accounting Policies

The American Academy (the Academy) was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Douglas County School District (the District). The Academy began operations in the Fall of 2005, and currently operates three campuses in Castle Pines and Parker, Colorado.

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) 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 Academy's more significant accounting policies.

Reporting Entity

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

The Academy includes the American Academy Foundation (the Foundation) and the AA Building Corporation II (the Corporation) within its reporting entity. The Foundation was formed exclusively to support the educational program of the Academy through grant applications and other fundraising activities, and for the purpose of holding title to real and personal property and to make same available for use by the Academy and to otherwise provide facilities, equipment, and other physical plant and related support to the Academy. The Corporation was organized exclusively for charitable and educational purposes, but primarily to finance the acquisition and construction of the Academy's education facilities. The Foundation currently performs fundraising activities and is discretely presented in the Academy's financial statements. The Corporation is blended into the financial statements as an enterprise fund. The Foundation and the Corporation do not issue separate financial statements.

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

Note 1: Summary of Significant Accounting Policies (Continued)

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 Academy and its component units. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The *primary government* is reported separately from the legally separate *component unit* for which the Academy is financially accountable.

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

Separate financial statements are provided for the governmental fund and the proprietary fund. Major individual funds are reported as separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

The Academy reports the following major governmental fund:

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

The Academy reports one major proprietary fund, as follows:

> *Building Corporation* - This fund is used to account for the financial activities of the Corporation, including facilities acquisition and construction, and the related debt service.

Assets, Liabilities and Fund Balance/Net Position

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

Receivables - All 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 years and are reported as prepaid expenses.

Deposits - The Academy has provided a deposit for utilities, refundable after three years of service.

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

Buildings and Improvements	40 - 45 years
Equipment and Furniture	3 - 10 years

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

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

Long-Term Debt - In the government-wide financial statements and the proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Debt premiums, discounts, and accounting losses resulting from debt refunding's are deferred and amortized over the life of the debt using the straight-line method. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as current expenses or expenditures.

Compensated Absences - The Academy's policy allows employees to use eight days of personal leave during each school year. Employees are compensated for any unused leave prior to the end of the fiscal year, at the rate of $100 per day. Therefore, no liability for compensated absences is reported in the financial statements.

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

Postemployment Benefits Other Than Pensions (OPEB) - The Academy participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan administered by the Public Employees' Retirement Association of Colorado (PERA). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position, and additions to and deductions from the HCTF's fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting, the same basis of accounting used by the HCTF. For this purpose, the HCTF recognizes benefit payments when due and payable in accordance with the benefit terms. Employer contributions are recognized when the compensation is payable to the employees. Investments are reported at fair value.

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

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

Risk Management

The Academy 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 Academy purchases commercial insurance for these risks of loss.

Subsequent Events

We have evaluated subsequent events through October 30, 2020, the date the financial statements were available to be issued.

Note 2: Stewardship, Compliance and Accountability

Accountability

At June 30, 2020, the Corporation had a negative net position of $13,177,723. Management expects this negative balance to be eliminated as the Corporation's debt is paid.

Note 3: Cash and Investments

At June 30, 2020, cash and investments consisted of the following:

Petty Cash	$ 200
Deposits	2,953,635
Investments	9,221,461
Total	$ 12,175,296

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

Cash and Investments	$ 7,931,869
Restricted Cash and Investments	4,200,829
Foundation Cash	42,598
Total	$ 12,175,296

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2020, the Academy had bank deposits of $2,761,570 collateralized with securities held by the financial institution's agent but not in the Academy's name.

Investments

The Academy 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

Note 3: Deposits and Investments (Continued)

Investments *(Continued)*

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.

Credit Risk - State statutes limit certain investments to those with specified ratings from nationally recognized statistical rating organizations, depending on the type of investment.

Concentration of Credit Risk - State statutes do not limit the amount the Academy may invest in one issuer of investment securities, except for corporate securities.

Local Government Investment Pool - At June 30, 2020, the Academy and the Corporation had $5,066,739 and $3,823,434, respectively, invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment trust established for local government entities in Colorado to pool surplus funds for investment purposes. The Colorado Division of Securities administers and enforces the requirements of creating and operating Colotrust. Colotrust operates in conformity with the Securities and Exchange Commission's Rule 2a-7. Colotrust is measured at the net asset value per share, with each share valued at $1. Colotrust is rated AAAm by Standard and Poor's. Investments of Colotrust are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

Restricted Cash and Investments

At June 30, 2020, the Academy had certificates of deposit of $46,107 restricted as collateral for a letter of credit securing infrastructure improvements at the new campus. The Corporation had investments of $4,200,829 restricted for future debt service.

Note 4: Capital Assets

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

Business-Type Activities	**Balance 6/30/19**	**Additions**	**Deletions**	**Balance 6/30/20**
Capital Assets, *Not Being Depreciated*				
Land	$ 3,657,167	$ -	$ -	$ 3,657,167
Total Capital Assets, *Not Being Depreciated*	3,657,167	-	-	3,657,167

Note 4: Capital Assets (Continued)

Business-Type Activities (Continued)	Balance 6/30/19	Additions	Deletions	Balance 6/30/20
Capital Assets, Being Depreciated				
Buildings and Improvements	54,163,126	324,790	-	54,487,916
Equipment and Furniture	1,546,812	467,914	-	2,014,726
Total Capital Assets, Being Depreciated	55,709,938	792,704	-	56,502,642
Less Accumulated Depreciation				
Building and Improvements	(7,478,513)	(1,371,324)	-	(8,849,837)
Equipment and Furniture	(746,506)	(220,361)	-	(966,867)
Total Accumulated Depreciation	(8,225,019)	(1,591,685)	-	(9,816,704)
Total Capital Assets, Being Depreciated, net	47,484,919	(798,981)	-	46,685,938
Business-Type Activities Capital Assets, net	$ 51,142,086	$ (798,981)	$ -	$ 50,343,105

Note 5: Long-Term Debt

Governmental Activities

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

	Balance 6/30/19	Additions	Payments	Balance 6/30/20	Due Within One Year
Governmental Activities					
Capital Leases	$ 495,257	$ 187,686	$ (199,723)	$ 483,220	$ 196,934

The Academy has entered into several lease agreements directly with the vendor to purchase laptop computers and related technology equipment. Monthly payments are required by the lease agreements, with terms of three years. The equipment does not qualify for capitalization under the Academy's policies.

Note 5: Long-Term Debt (Continued)

Governmental Activities *(Continued)*

Future minimum lease payments to maturity are as follows:

Year Ended June 30,	
2021	$ 213,466
2022	160,741
2023	107,120
2024	54,878
Total Minimum Lease Payments	536,205
Less: Interest Portion	(52,985)
Present Value of Minimum Lease Payments	$ 483,220

Business-Type Activities

Following is a summary of long-term debt transactions for the business-type activities for the year ended June 30, 2020.

	Balance 6/30/19	Additions	Deletions	Balance 6/30/20	Due Within One Year
Business-Type Activities					
2015 CECFA Loan	$ 36,630,000	$ -	$ (36,630,000)	$ -	$ -
2016 CECFA Loan	27,570,000	-	(27,570,000)	-	-
2020 CECFA Loan	-	55,040,000	-	55,040,000	
Premium	-	10,072,628	-	10,072,628	
Discount		(522,880)		(522,880)	
Total	$ 64,200,000	$ 64,589,748	$ (64,200,000)	$ 64,589,748	$ -

On May 26, 2020, CECFA issued $55,040,000 Charter School Revenue Bonds, Series 2020. Bond proceeds were used to refund the Charter School Revenue Bonds, Series 2015, and Series 2016. Proceeds of the refunded bonds were loaned to the Corporation to construct education facilities. The Academy is obligated under a lease agreement to make monthly lease payments to the Corporation for using the facilities. The Corporation is required to make equal loan payments to the trustee, for payment of the bonds. Interest accrues on the outstanding balance of the bonds at 5% per annum and is payable annually on December 1. Principal is payable annually beginning December 1, 2021, with a balloon payment of $3,245,000 due at maturity on December 1, 2055.

Note 5: Long-Term Debt (Continued)

Business-Type Activities *(Continued)*

Future debt service requirements for the bonds are as follows:

Year Ended June 30,	Principal	Interest	Total
2021	$ -	$ 1,401,390	$ 1,401,390
2022	100,000	2,741,850	2,841,850
2023	300,000	2,736,850	3,036,850
2024	685,000	2,721,850	3,406,850
2025	720,000	2,687,600	3,407,600
2626 - 2030	4,195,000	12,858,500	17,053,500
2031 - 2035	5,320,000	11,732,700	17,052,700
2036 - 2040	6,775,000	10,285,500	17,060,500
2041 - 2045	8,625,000	8,415,750	17,040,750
2046 - 2050	11,015,000	6,032,250	17,047,250
2051 - 2055	17,305,000	3,150,500	20,455,500
Total	$ 55,040,000	$ 64,764,740	$ 119,804,740

Note 6: Defined Benefit Pension Plan

General Information

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

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

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

Note 6: Defined Benefit Pension Plan (Continued)

General Information *(Continued)*

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

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned.

If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

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

Disability benefits are available for eligible plan participants once they reach five years of earned service credit and are determined to meet the definition of a disability. The disability benefit amount is based on the lifetime retirement benefit formula described previously, considering a minimum of twenty years of service credit, if deemed disabled.

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

Contributions - The Academy, eligible employees and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, et seq. and § 24-51-413. The contribution rate for eligible employees is 8.75% of covered salaries during the period of July 1, 2019 through June 30, 2020. The Academy's contribution rate was 20.40% of covered salaries for July 1, **2019** through June 30, 2020. However, a portion of the School's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 7). Contribution rates for the SCHDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Note 6: Defined Benefit Pension Plan (Continued)

General Information *(Continued)*

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

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. The Academy's contributions to the SCHDTF for the year ended June 30, 2020, were $2,399,450 equal to the required contributions.

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

The net pension liability for the SCHDTF was measured at December 31, **2019**, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, **2018**. Standard update procedures were used to roll forward the total pension liability to December 31, **2019**.

At June 30, 2019, the Academy reported a net pension liability of $30,883,959 representing its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the American Academy 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 American Academy were as follows:

Academy's proportionate share of net pension liaility	$ 34,801,202
The State's proportionate share of net pension liability as a nonemployer contributing entity associated with the Academy	(3,917,243)
Proportionate share of the net pension liability	$ 30,883,959

Note 6: Defined Benefit Pension Plan (Continued)

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

The Academy's proportion of the net pension liability was based on the Academy's contributions to the SCHDTF for the calendar year **2019** relative to the total contributions of participating employers and the State as a nonemployer contributing entity. At December 31, **2019**, the Academy's proportion was .2067229401% which was an increase of .000140233121% from its proportion measured at December 31, 2018.

For the year ended June 30, 2020, the Academy recognized pension expense of $775,881 which included $123,908 of support from the state as a nonemployer contributing entity. At June 30, 2019, the Academy 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	$ 1,683,193	$ -
Changes of assumptions and other inputs	881,688	14,008,669
Net difference between projected and actual earnings on plan investments		3,658,509
Changes in proportion	3,677,906	538,504
Contributions subsequent to the measurement date	1,420,819	-
Total	$ 7,663,606	$ 18,205,682

Academy contributions subsequent to the measurement date of $1,420,819 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	
2021	$ (6,638,947)
2022	(4,607,341)
2023	527,913
2024	(1,244,520)
Total	$ (11,962,895)

Note 6: Defined Benefit Pension Plan (Continued)

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

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

Actuarial cost method	Entry Age
Price inflation	2.4%
Real wage growth	1.1%
Wage inflation	3.5%
Salary increases, including wage inflation	3.5% - 9.7%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Future post-employment benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)	1.25%
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

Actuarial Assumptions - The actuarial valuation as of December 31, 2017, determined the total pension liability using the following actuarial assumptions and other inputs.

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

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

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

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

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

Note 6: Defined Benefit Pension Plan (Continued)

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

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

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

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

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

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

Note 6: Defined Benefit Pension Plan (Continued)

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

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

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

Note 6: Defined Benefit Pension Plan (Continued)

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

- The projected benefit payments reflect the lowered annual increase cap, from 1.50% to 1.25% resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	$ 40,958,742	$ 30,883,959	$ 22,425,300

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

Note 7: Postemployment Healthcare Benefits

General Information

Plan Description - All employees of the Academy are eligible to receive postemployment benefits other than pensions (OPEB) through the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Public Employees' Retirement Association of Colorado (PERA). The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (CRS), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. PERA issues a publicly available financial report that includes information on the HCTF. That report may be obtained at www.copera.org/investments/pera-financial-reports.

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

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

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

The maximum service-based premium subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare, and $115 per month for benefit recipients who are over 65 years of age or who are under 65 years of age and entitled to Medicare.

Note 7: Postemployment Healthcare Benefits (Continued)

General Information *(Continued)*

The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

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

Contributions - As established by Title 24, Article 51, Section 208 of the CRS, 1.02% of the School's contributions to the SCHDTF (see Note 7) is apportioned to the HCTF. No employee contributions are required. These contribution requirements are established and may be amended by the State Legislature. Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions. The Academy's apportionment to the HCFT for the year ended June 30, 2020, was $126,287, equal to the required amount.

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

At June 30, 2020, the Academy reported a net OPEB liability of $1,518,578, representing its proportionate share of the net OPEB liability of the HCTF. The net OPEB liability was measured at December 31, **2019**, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, **2018**. Standard update procedures were used to roll forward the total OPEB liability to December 31, **2019**.

The Academy's proportion of the net OPEB liability was based on the Academy's contributions to the HCTF for the calendar year ended December 31, 2019, relative to the contributions of all participating employers. At December 31, 2019, the Academy's proportion was 0.0135105080%, which was an increase of 0.0098493062% from its proportion measured at December 31, 2018.

Note 7: Postemployment Healthcare Benefits (Continued)

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

For the year ended June 30, 2020, the Academy recognized OPEB benefit of $324,548. At June 30, 2020, the Academy 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	$ 5,041	$ 255,178
Changes of assumptions and other inputs	12,599	-
Net difference between projected and actual earnings on plan investments		25,348
Changes in proportion	272,565	1,487,733
Contributions subsequent to the measurement date	66,249	-
Total	$ 356,454	$ 1,768,259

Academy contributions subsequent to the measurement date of $66,249 will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ended June 30,	
2021	$ (473,377)
2022	(473,377)
2023	(466,033)
2024	(28,755)
2025	(36,512)
Thereafter	
Total	$ (1,478,054)

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

Note 7: Postemployment Healthcare Benefits (Continued)

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

Actuarial Cost method	Entry age
Price inflation	2.4%
Real wage growth	1.1%
Wage inflation	3.5%
Salary increases, including wage inflation	3.5%
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:	
Service-based premium subsidy	0.0%
PERACare Medicare plans	
5.60% for 2019, gradually decreasing to 4.50% in 2029	
Medicare Part A premiums:	
3.50% for 2019, gradually rising to 4.50% in 2025	

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

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

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

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs Medicare Part A.

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

Note 7: Postemployment Healthcare Benefits (Continued)

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

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

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

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

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

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

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

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2019 plan year.
- The morbidity assumptions were updated to reflect the assumed standard aging factors.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

Note 7: Postemployment Healthcare Benefits (Continued)

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

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

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

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

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2019, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Note 7: Postemployment Healthcare Benefits (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 projection test indicates the HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%.

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	$ 1,717,059	$ 1,518,578	$ 1,348,836

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

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Proportionate share of the net OPEB liability	$ 1,482,505	$ 1,518,578	$ 1,560,264

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

Note 8: Commitments and Contingencies

Claims and Judgments

The Academy 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 Academy may be required to reimburse the other government. At June 30, 2020, significant amounts of related expenditures have not been audited but the Academy believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Academy.

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 Academy believes it is in substantial compliance with the Amendment. As required by the Amendment, the Academy has established a reserve for emergencies. At June 30, 2020, the reserve was reported as restricted fund balance in the General Fund, in the amount of $900,000.

Site Lease

On November 13, 2012, the Corporation entered into a site lease agreement with the District to use land owned by the District for a second campus. The Corporation prepaid the full amount of the lease in the amount of $160,000. During the year ended June 30, 2020, the Corporation recognized lease expense of $4,000, and the remaining balance of $128,000 was reported as prepaid expenses of the Corporation. The lease agreement matures on December 31, 2052.

Note 9: Subsequent Event

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

Required Supplementary Information

American Academy

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

Required Supplementary Information

Schedule of Proportionate Share of the Net Pension Liability and Contributions

Public Employees' Retirement Association of Colorado School Division Trust Fund

June 30, 2020

	12/31/19	12/31/18	12/31/17	12/31/16	12/31/15	12/31/14
Proportionate Share of the Net Pension Liability						
Academy's Proportion of the Net Pension Liability	0.2067229401%	0.1926996280%	0.1875008081%	0.1557198217%	0.16604901617%	0.1423417169%
Academy's Proportionate Share of the Net Pension Liability	$ 30,883,959	34,121,427	$ 60,631,098	$ 46,363,813	$ 25,396,025	$ 19,292,084
Academy's Covered-Employee Payroll	$ 12,121,407	9,388,013	$ 8,649,121	$ 6,964,480	$ 7,236,367	$ 5,963,170
Academy's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	255%	363%	701%	666%	351%	324%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	65%	57%	44%	43%	59%	63%

	6/30/20	6/30/19	6/30/18	6/30/17	6/30/16	6/30/15
Academy Contributions						
Statutorily Required Contribution	$ 2,399,450	$ 1,965,540	$ 1,825,718	$ 1,377,714	$ 1,290,913	$ 1,073,514
Contributions in Relation to the Statutorily Required Contribution	(2,399,450)	(1,965,540)	(1,825,718)	(1,377,714)	(1,290,913)	(1,073,514)
Contribution Deficiency (Excess)	$ -	-	$ -	$ -	$ -	$ -
Academy's Covered-Employee Payroll	$ 12,381,034	10,253,577	$ 9,668,678	$ 7,493,251	$ 7,267,833	$ 6,351,023
Contributions as a Percentage of Covered-Employee Payroll	19.38%	19.17%	18.88%	18.39%	17.76%	16.90%

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.

American Academy

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

Required Supplementary Information

Schedule of Proportionate Share of the Net OPEB Liability and Contributions

Public Employees' Retirement Association of Colorado Health Care Trust Fund

June 30, 2020

	12/31/19	12/31/18	12/31/17
Proportionate Share of the Net OPEB Liability			
Academy's Proportion of the Net OPEB Liability	0.1351050800%	0.1252557738%	0.1065363811%
Academy's Proportionate Share of the Net OPEB Liability	$ 1,518,578	$ 1,906,804	$ 1,384,547
Academy's Covered Payroll	$ 12,121,407	$ 9,388,013	$ 8,649,121
Academy's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	13%	20%	15%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	24%	18%	18%

	6/30/20	6/30/19	6/30/18
Academy Contributions			
Statutorily Required Contribution	$ 126,287	$ 81,123	$ 98,645
Contributions in Relation to the Statutorily Required Contribution	(126,287)	(81,123)	(98,645)
Contribution Deficiency (Excess)	$ -	-	$ -
Academy's Covered Payroll	$ 12,381,034	10,253,577	$ 9,668,678
Contributions as a Percentage of Covered Payroll	1.02%	0.79%	0.92%

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.

American Academy
(A Component Unit of Douglas County School District RE.1)
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance *Positive (Negative)*
Revenues				
Local Sources				
Per Pupil Revenue	$ 20,660,112	$ 20,600,589	$ 20,637,584	$ 36,995
District Mill Levy	3,051,083	2,941,992	2,961,528	19,536
Contributions	368,100	658,399	635,927	(22,472)
Tuition and Fees	3,953,371	3,244,076	3,104,301	(139,775)
Facility Rental	80,000	79,282	80,812	1,530
Investment Income	12,000	75,079	66,531	(8,548)
Other			72,004	72,004
Total Local Sources	28,124,666	27,599,417	27,558,687	(40,730)
State Sources				
Capital Construction	718,819	705,000	706,188	1,188
Grants	73,832	239,701	483,702	244,001
Total State Sources	792,651	944,701	1,189,890	245,189
Federal Sources				
Grants		1,065,000	95,663	
Total Federal Sources		1,065,000	95,663	
Total Revenues	28,917,317	29,609,118	28,844,240	204,459
Expenditures				
Salaries	13,644,862	13,725,890	13,392,573	333,317
Employee Benefits	4,574,162	4,289,981	5,913,777	(1,623,796)
Purchased Services	8,631,874	8,672,817	7,923,583	749,234
Supplies	1,250,468	1,037,590	1,065,445	(27,855)
Property	741,500	1,010,251	934,892	75,359
Other	336,078	330,810	371,158	(40,348)
Total Expenditures	29,178,944	29,067,339	29,601,428	(534,089)
Excess of Revenues Over (Under) Expenditures	(261,627)	541,779	(757,188)	(1,298,967)
Other Financing Sources				
Transfers In			879,792	879,792
Lease proceeds	300,000	300,000	187,686	(112,314)
Total Financing Sources	300,000	300,000	1,067,478	767,478
Net Change in Fund Balance	38,373	841,779	310,290	(531,489)
Fund Balance, *Beginning of year*	4,066,965	4,066,965	5,285,617	1,218,652
Fund Balance, *End of year*	$ 4,105,338	$ 4,908,744	$ 5,595,907	$ 687,163

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

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

Changes in Assumptions and Other Inputs

For the year ended June 30, 2020, the total pension liability was determined by an actuarial valuation as of December 31, 2017. The following revised economic and demographic assumptions were effective as of December 31, **2018**.

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

Note 2: Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

A budget is adopted for the Academy 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 annual appropriations lapse at fiscal year-end.

Note 2: Stewardship, Compliance and Accountability (Continued)

Legal Compliance

For the year ended June 30, 2020, expenditures of the Academy exceeded the appropriated amounts by $534,089. This is a result of the PERA on-behalf expense recognized by the Academy.