

NORTH STAR ACADEMY

FINANCIAL STATEMENTS
With Independent Auditors' Report

For the Year Ended June 30, 2020

NORTH STAR ACADEMY
TABLE OF CONTENTS
JUNE 30, 2020

	Page
Independent Auditors' Report	
Management Discussion and Analysis	<i>i</i>
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements	
Balance Sheet—Governmental Funds	3
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	4
Statement of Revenues, Expenditures and Changes in Fund Balances—Governmental Funds	5
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	6
Statement of Net Position – Proprietary Fund	7
Statement of Revenues, Expenses, and Change in Net Position – Proprietary Fund	8
Statement of Cash Flows – Proprietary Fund	9
Notes to Financial Statements	10
Required Supplementary Information:	
Schedule of the Employer's Proportionate Share of the Net Pension Liability	36
Schedule of the Employer's Payroll Contributions - Pension	37
Schedule of the Employer's Proportionate Share of the Net OPEB Liability	38
Schedule of the Employer's Payroll Contributions - OPEB	39
Statement of Revenues, Expenditures, and Change in Fund Balance—Budget and Actual—General Fund	40



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
North Star Academy

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 North Star Academy, a 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 School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 of material misstatement.

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

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

Opinions

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

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as 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 an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Hoelting & Company Inc.

Colorado Springs, Colorado
October 27, 2020

**North Star Academy
Management's Discussion and Analysis
June 30, 2020**

As management of North Star Academy (the School), we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2020.

Financial Highlights

The School opened in the fall of 2006. In fiscal 2020, the School operated within or favorably to the approved operating budget.

The School's operations are funded primarily by the tax revenue received under the State School Finance Act. Revenue for the year from per pupil revenue and school district mill levies was \$5.3 million and \$0.8 million, respectively which represents approximately 76% and 11% of total revenues for the year. Other sources of revenues were primarily from tuition, capital construction funds, grants, and fundraising activities.

At the close of the fiscal year, the School's governmental fund reported an ending fund balance of \$3.0 million. The fund balance increased by \$1.0 for the year ended June 30, 2020 due to receipt of funds from the Paycheck Protection Program loan program of \$0.9 million. As of June 30, 2020, the Board of Directors had placed a restriction on the usage of the funds, pending evaluation of the ongoing impacts of the COVID-19 pandemic.

The COVID-19 pandemic and the mitigation efforts by state and local governments to attempt to control its spread, including social distancing, quarantines, and business shutdowns, have caused significant economic disruption and adversely impacted funding for education. In addition, in the fourth quarter of fiscal 2020, the School was mandated to move to remote learning, resulting in unexpected costs. Even if such measures are relaxed at any point, they may be put back into place or increased if the spread of the pandemic continues or increases in the future. As a result of COVID-19 and the current economic environment, per pupil revenue was reduced for fiscal 2021 and may experience continued pressure until economic conditions improve. A return to more ordinary course economic activity is dependent on the duration and severity of the COVID-19 pandemic, which are in turn dependent on a series of evolving factors, including the severity and transmission rate of the virus, the extent and effectiveness of containment efforts, and future policy decisions made by governments as they react to evolving conditions. We continue to work with our teachers, staff and families to provide a high-quality education in a safe environment. These mitigation efforts have included implementing a voluntary remote learning program for fiscal 2021 and increased expenditures to maintain a safe in-person learning environment. While the School received federal Coronavirus Relief Funds to assist with some of the economic impact, the School may be required to utilize funds from the Paycheck Protection Program to offset the impacts to revenue and the increased costs as a result of Covid-19.

Overview of Financial Statements

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

**North Star Academy
Management's Discussion and Analysis
June 30, 2020**

Government-Wide Financial Statements

The government-wide financial statements report information on all activities of the School and the Building Corporation. They are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business. The government-wide financial statements include the statement of net position and the statement of activities.

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

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

The government-wide statement of activities distinguishes functions/programs of the School supported primarily by per pupil revenue. The governmental activities of the School include instruction and supporting services.

The government-wide financial statements can be found on pages 1-2 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other governmental units or charter schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of expendable resources, as well as on balances of expendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School's near-term financing requirements.

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

The School maintains one individual governmental fund, the General Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund

**North Star Academy
Management's Discussion and Analysis
June 30, 2020**

statement of revenues, expenditures and changes in fund balance for the general fund. The General Fund is considered a major fund.

The School adopts an annual appropriated budget for the General Fund. A budgetary comparison schedule has been provided to demonstrate compliance with the budget.

Proprietary fund. The Building Corporation is considered a component unit of the School and has one fund, the proprietary fund. Its activity is related to the assets purchased with tax-exempt financing and the rental of those assets to the School. It is represented in the financial statements with statements of net position, revenues, expenses and changes in net position and cash flows.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This information is provided in pages 10-35.

Government-Wide Financial Analysis

Governmental Activities

As noted previously, net position may serve over time as a useful indicator of the School's financial position. As of June 30, 2020, liabilities exceeded assets by \$10.6 million for the governmental activities at the close of the most recent fiscal year. The negative balance is due primarily to a net pension and OPEB liability of \$9.0 million and the related \$3.6 million of net deferred outflows, representing the School's proportionate share of the Public Employees' Retirement Association of Colorado School Division Trust Fund's net pension liability and the Health Care Trust Fund's net OPEB liability. Excluding the pension liability, OPEB liability, and related deferred inflows and outflows of resources, the School has a positive fund balance of \$2.0 million.

Government-Wide Net Position as of June 30, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Current assets	\$ 4,887,437	\$ 3,635,505
Capital assets	7,657,348	7,938,322
Total Assets	<u>12,544,785</u>	<u>11,573,827</u>
Deferred Outflows of Resources	<u>3,463,526</u>	<u>5,368,705</u>
Current liabilities	647,207	406,314
Long term debt	13,128,943	12,623,778
Net pension & OPEB liabilities	9,004,208	10,268,350
Total Liabilities	<u>22,780,358</u>	<u>23,298,442</u>

North Star Academy
Management's Discussion and Analysis
June 30, 2020

	5,132,458	6,752,650
Deferred Inflows of Resources		
Net position		
Net investment in capital assets	(2,615,949)	(2,724,170)
Restricted for debt service	1,176,925	1,272,439
Restricted for repair and replacement	101,520	102,214
Restricted for emergencies	208,000	200,243
Restricted for multi-year obligations	914,000	—
Unrestricted	(11,689,001)	(11,959,286)
Total Net Position	\$(11,904,505)	\$(13,108,560)

The largest portion of the School's assets (98%) is in cash and investments and the largest portion of the Building Corporation's assets (85%) is the school facility and related assets.

**North Star Academy
Management's Discussion and Analysis
June 30, 2020**

**Change in Net Position
For the Years Ended June 30, 2020 and 2019**

	<u>2020</u>	<u>2019</u>
General Revenue:		
Per pupil revenue	\$5,303,910	\$4,980,327
Mill levy	758,482	760,677
Contributions, donations and other	110,363	154,666
Total General Revenue	<u>6,172,755</u>	<u>5,895,670</u>
Program Revenue:		
Charges for services	341,396	497,755
Operating Grants and Contributions	200,185	34,495
Capital Grants and Contributions	206,796	191,638
Total Program Revenue	<u>748,377</u>	<u>723,888</u>
Total Revenue	<u>6,921,132</u>	<u>6,619,558</u>
Expenses:		
Instruction	3,397,784	3,571,728
Supporting services	1,324,700	1,423,154
Building Corporation	994,593	982,111
Total Expenses	<u>5,717,077</u>	<u>5,976,993</u>
Change in net position	1,204,055	642,565
Beginning Net Position	<u>(13,108,560)</u>	<u>(13,751,125)</u>
Ending Net Position	<u>\$(11,904,505)</u>	<u>\$(13,108,560)</u>

- The increase in per pupil revenue is primarily due to an increase in the funding on a per pupil basis in fiscal 2020 as compared to fiscal 2019. In addition in fiscal 2020, the state of Colorado provided funding on a per pupil basis for full day Kindergarten. Full day Kindergarten was previously partially tuition based which reduced charges for services in fiscal 2020.
- During fiscal 2020, the School received a donation of approximately \$86,000 from the North Star Academy Foundation, which compares to a donation of approximately \$112,000 in fiscal 2019.
- The school received an operating grant from the Coronavirus Relief Fund, which was utilized to fund increased remote learning costs of \$110,000 during fiscal 2020.
- The decrease in instruction and supporting services expenses is primarily due to a decrease in pension costs, partially offset by an increase in annual salary and benefits and an increase in the allocated costs from the Douglas County School District for special education services. Total pension costs for the School's proportionate share of the Public Employee Retirement Association of Colorado School Division Trust Fund, including deferred inflows and outflows of resources, was a gain of \$0.4 million for fiscal 2019 which increased to a gain \$1.1 million for fiscal June 30, 2020. Total annual salaries and

**North Star Academy
Management's Discussion and Analysis
June 30, 2020**

benefits cost per funded pupil was \$6,829 for fiscal 2020 and \$6,753 fiscal 2019. The increase in annual salaries and benefits was primarily due to an increase in salaries and increased compensation for remote learning.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, June 30, 2020, the School's General Fund reported an ending fund balance of \$3.0 million, an increase of \$1,026,000 over the prior year balance of \$1.9 million. The increase was due primarily due to receipt of funds from the Paycheck Protection Program loan program of \$0.9 million. As of June 30, 2020, the Board of Directors had placed a restriction on the usage of the funds, pending evaluation of the impacts of the Covid-19 pandemic.

Proprietary Fund. The activities of the Building Corporation consist entirely of holding title to the School's facilities and debt service related to those facilities. Rental payments from the school are transferred monthly to the Building Corporation to service the long-term debt. These rental payments are then held in restricted cash accounts to service the debt when interest and principal payments become due.

All of the Building Corporation's cash and investments are restricted. Of the \$1.4 million held as of June 30, 2020, \$1.3 million was restricted for future debt service and \$102,000 was restricted for future repairs and replacement cost of the School's facilities. The amount held for debt service includes a reserve of \$900,000 which is required to be held for the term of the debt. The Building Corporation's net position as of June 30, 2020 was negative \$1.3 million. This negative amount is expected to decrease over time as the Building Corporation's debt is paid.

General Fund Budgetary Highlights

The School approves a budget each year based on enrollment projections for the following school year. The School's actual net increase in fund balance of \$193,000 was higher than the budgeted increase of \$3,000. This was primarily due to conserving resources through managing expenditures in the fourth quarter when the school was mandated to move to remote learning. Higher revenues from Coronavirus Relief Funds were will offset by increased eligible expenditures including increases in compensation and benefits and technology costs.

Capital Assets and Debt Administration

Capital assets – The Building Corporation's investment in capital assets as of June 30, 2020 amounts to \$7.7 million, net of accumulated depreciation. These assets account for land, building and equipment and furniture for the facility. During 2020, capital additions of \$283,535 primarily consisted of improvements to the school parking lot and equipment.

**North Star Academy
Management's Discussion and Analysis
June 30, 2020**

Long-term debt - As of June 30, 2020, the NSA Building Corporation had outstanding debt of \$11.8 million.

Additional information on capital assets and long-term debt is provided in Note 5 to the financial statements.

Economic Factors and Next Year's Budget

The primary factor driving the budget for the School is student enrollment. Enrollment for the 2019-2020 school year was 697, including a pre-kindergarten program which opened during the year. The enrollment projected for the 2020-2021 school year is 684.

Requests for Information

This financial report is designed to provide a general overview of the School's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Chief Financial Officer or Business Directors, North Star Academy, 16700 Keystone Boulevard, Parker, CO 80134.

BASIC FINANCIAL STATEMENTS

NORTH STAR ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2020

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Foundation
ASSETS				
Cash and investments	\$ 3,462,652	\$ -	\$ 3,462,652	\$ 89,679
Restricted cash and investments	-	1,387,163	1,387,163	-
Receivables	8,771	-	8,771	-
Internal balances	28,000	(28,000)	-	-
Prepays	28,851	-	28,851	-
Capital assets, not being depreciated	-	489,207	489,207	-
Capital assets, net of accumulated depreciation	-	7,168,141	7,168,141	-
Total Assets	<u>3,528,274</u>	<u>9,016,511</u>	<u>12,544,785</u>	<u>89,679</u>
DEFERRED OUTFLOWS OF RESOURCES				
Deferred charges	-	1,941,647	1,941,647	-
Deferred pension outflows	1,432,574	-	1,432,574	-
Deferred OPEB outflows	89,305	-	89,305	-
Total Deferred Outflows of Resources	<u>1,521,879</u>	<u>1,941,647</u>	<u>3,463,526</u>	<u>-</u>
LIABILITIES				
Accounts payable and other accrued liabilities	25,483	-	25,483	-
Accrued salaries and benefits	375,065	-	375,065	-
Unearned revenue	165,940	-	165,940	-
Accrued interest payable	-	80,719	80,719	-
Long-term liabilities:				-
Due within one year	303,145	410,000	713,145	-
Due in more than one year	610,855	11,804,943	12,415,798	-
Net pension liability	8,582,257	-	8,582,257	-
Net OPEB liability	421,951	-	421,951	-
Total Liabilities	<u>10,484,696</u>	<u>12,295,662</u>	<u>22,780,358</u>	<u>-</u>
DEFERRED INFLOWS OF RESOURCES				
Deferred pension inflows	5,054,512	-	5,054,512	-
Deferred OPEB inflows	77,946	-	77,946	-
Total Deferred Inflows of Resources	<u>5,132,458</u>	<u>-</u>	<u>5,132,458</u>	<u>-</u>
NET POSITION				
Net investment in capital assets	-	(2,615,949)	(2,615,949)	-
Restricted for:				-
Multi-year obligations	914,000	-	914,000	-
Emergencies	208,000	-	208,000	-
Debt Service	-	1,176,925	1,176,925	-
Repair and replacement	-	101,520	101,520	-
Unrestricted	<u>(11,689,001)</u>	<u>-</u>	<u>(11,689,001)</u>	<u>89,679</u>
Total Net Position (deficit)	<u>\$ (10,567,001)</u>	<u>\$ (1,337,504)</u>	<u>\$ (11,904,505)</u>	<u>\$ 89,679</u>

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

**NORTH STAR ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

Functions/Programs	Program Revenue				Net (Expense) Revenue and Changes in Net Position			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
					Governmental Activities	Business-type Activities	Total	Foundation
Primary Government								
Governmental activities:								
Instruction	\$ 3,397,784	\$ 322,802	\$ 153,559	\$ 12,097	\$ (2,909,326)	\$ -	\$ (2,909,326)	\$ -
Supporting services	1,324,700	18,594	46,626	194,699	(1,064,781)	-	(1,064,781)	-
Total governmental activities	4,722,484	341,396	200,185	206,796	(3,974,107)	-	(3,974,107)	-
Business-type activities:								
Building Corporation	994,593	-	-	-	-	(994,593)	(994,593)	-
Total Primary Government	\$ 5,717,077	\$ 341,396	\$ 200,185	\$ 206,796	(3,974,107)	(994,593)	(4,968,700)	-
Component Unit								
Foundation	\$ 86,188	\$ -	\$ -	\$ -	-	-	-	(86,188)
General revenues:								
Per pupil revenue					5,303,910	-	5,303,910	-
District mill levy					758,482	-	758,482	-
Grants and contributions not restricted to specific programs					72,740	-	72,740	97,698
Unrestricted investment earnings					12,023	20,057	32,080	-
Miscellaneous					5,543	-	5,543	-
Transfers					(986,549)	986,549	-	-
Total general revenues and transfers					5,166,149	1,006,606	6,172,755	97,698
Change in net position					1,192,042	12,013	1,204,055	11,510
Net position - beginning (deficit)					(11,759,043)	(1,349,517)	(13,108,560)	78,169
Net position - ending (deficit)					\$ (10,567,001)	\$ (1,337,504)	\$ (11,904,505)	\$ 89,679

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

**NORTH STAR ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2020**

	<u>General Fund</u>
ASSETS	
Cash and investments	\$ 3,462,652
Receivables	8,771
Due from other funds	28,000
Prepays	<u>28,851</u>
Total Assets	<u>3,528,274</u>
LIABILITIES	
Accounts payable and other accrued liabilities	25,483
Accrued salaries and benefits	375,065
Unearned revenue	<u>165,940</u>
Total Liabilities	<u>566,488</u>
FUND BALANCE	
Non-spendable	28,851
Restricted for:	
Multi-year obligations	914,000
Emergencies	208,000
Unassigned	<u>1,810,935</u>
Total Fund Balance	<u>2,961,786</u>
Total Liabilities and Fund Balance	<u><u>\$ 3,528,274</u></u>

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

**NORTH STAR ACADEMY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020**

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Total Fund Balance of Governmental Funds		\$	2,961,786
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in government funds:			
Net pension liability		\$	(8,582,257)
Pension outflows			1,432,574
Pension inflows			(5,054,512)
Net OPEB liability			(421,951)
OPEB outflows			89,305
OPEB inflows			(77,946)
Loan payable			(914,000)
			<u>(13,528,787)</u>
Total Net Position of Governmental Activities		\$	<u>(10,567,001)</u>

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

NORTH STAR ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2020

	General Fund
REVENUES	
Local sources	\$ 1,236,809
State sources	5,638,034
Federal sources	108,679
Total revenues	6,983,522
EXPENDITURES	
Instruction	4,290,338
Supporting services	2,500,321
Total expenditures	6,790,659
Excess (deficiency) of revenues over expenditures	192,863
OTHER FINANCING SOURCES (USES)	
Transfers in (out)	(80,334)
Proceeds from long-term debt	914,000
Total other financing sources (uses)	833,666
Net change in fund balance	1,026,529
Fund balance, beginning	1,935,257
Fund balance, ending	\$ 2,961,786

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

**NORTH STAR ACADEMY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
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 Governmental Funds	\$	1,026,529
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The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. This amount is the net effect of these differences in the treatment of long-term debt.

Loan issuance		(914,000)
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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 the governmental funds.

Pension expenses	\$ 1,085,932		
OPEB expenses	<u>(6,419)</u>	<u>1,079,513</u>	

Change in Net Position of Governmental Activities	\$	<u><u>1,192,042</u></u>
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The accompanying notes are an integral part of these financial statements.

**NORTH STAR ACADEMY
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2020**

	<u>Building Corporation</u>
ASSETS	
Current Assets:	
Restricted cash and investments	\$ 1,387,163
Total current assets	<u>1,387,163</u>
Noncurrent Assets:	
Capital assets, not being depreciated	489,207
Capital assets, being depreciated, net	<u>7,168,141</u>
Total noncurrent assets	<u>7,657,348</u>
Total assets	<u>9,044,511</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred charges on refunding	<u>1,941,647</u>
LIABILITIES	
Current Liabilities:	
Due to other funds	28,000
Accrued interest payable	80,719
Notes payable, current portion	<u>410,000</u>
Total current liabilities	<u>518,719</u>
Noncurrent Liabilities:	
Loan payable	<u>11,804,943</u>
Total noncurrent liabilities	<u>11,804,943</u>
Total liabilities	<u>12,323,662</u>
NET POSITION	
Net investment in capital assets	(2,615,949)
Restricted for debt service	1,176,925
Restricted for repair and replacement	<u>101,520</u>
Total net position (deficit)	<u>\$ (1,337,504)</u>

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

NORTH STAR ACADEMY
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Building Corporation</u>
OPERATING REVENUES	
Rental income	<u>\$ 906,215</u>
Total operating revenues	<u>906,215</u>
OPERATING EXPENSES	
Depreciation expense	414,969
Interest expense	<u>579,624</u>
Total operating expenses	<u>994,593</u>
Operating income (loss)	(88,378)
NON-OPERATING REVENUES (EXPENSES)	
Interest income	<u>20,057</u>
Income (loss) before capital contributions and transfers	(68,321)
Transfers in (out)	<u>80,334</u>
Change in net position	12,013
Net position - beginning (deficit)	<u>(1,349,517)</u>
Net position - ending (deficit)	<u><u>\$ (1,337,504)</u></u>

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

**NORTH STAR ACADEMY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Building Corporation</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Lease payments received	\$ 906,215
Loan interest payments	(479,266)
Loan principal payments	<u>(408,835)</u>
Net cash provided (used) by operating activities	<u>18,114</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers from other funds	<u>(25,661)</u>
Net cash provided (used) by noncapital financing activities	<u>(25,661)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>20,057</u>
Net cash provided (used) by investing activities	<u>20,057</u>
Net increase (decrease) in cash and cash equivalents	12,510
Cash and cash equivalents, beginning	<u>1,374,653</u>
Cash and cash equivalents, ending	<u><u>\$ 1,387,163</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (88,378)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation expense	414,969
Amortization expense	100,358
<i>Increase (decrease) in:</i>	
Loan payable	<u>(408,835)</u>
Net cash provided (used) by operating activities	<u><u>\$ 18,114</u></u>

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

NOTES TO FINANCIAL STATEMENTS

NORTH STAR ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The North Star Academy (the School) was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within Douglas County School District (the District).

The financial statements of the School 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. The more significant accounting policies of the School are described below.

A. REPORTING ENTITY

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

The School includes the North Star Academy Building Corporation (the Building Corporation) within its reporting entity. The Building Corporation was formed to support and assist the School to perform its function or to carry out its purpose, specifically to assist in the financing and construction of the School's facilities. The Building Corporation is blended into the School's financial statements as an enterprise fund, and does not issue separate financial statements.

The School includes the North Star Academy Foundation (the Foundation) within its reporting entity. The Foundation is a non-profit entity formed exclusively to support the educational programs of the School through grant applications and other fundraising activities and to make the same available for use by the School. The Foundation is discretely presented in the School's financial statements. The Foundation does not issue separate financial statements.

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

B. BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from North Star Academy's Proprietary fund. Separate financial statements are provided for governmental funds and enterprise funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges for interfund services provided or used. Elimination of these charges would distort the direct costs and program revenues reported for the various functions.

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government. Governmental activities are normally supported by per pupil revenue and intergovernmental revenues. Business-type activities rely to a significant extent on fees and charges for support.

NORTH STAR ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS (CONTINUED)

The accounts of the School are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements.

The School reports the following major governmental funds:

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

The School reports the following major proprietary fund:

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Building Corporation's enterprise fund are rental charges for the school buildings. Operating expenses for the Foundation include purchased services and interest expense. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

NORTH STAR ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

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

The governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants recognize revenue when the qualifying expenditures have been incurred and all other grant requirements have been met, and the amount is received during the period or within the availability period of this revenue source (within 60 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE

Cash and cash equivalents

Cash and cash equivalents include cash on hand and in the bank and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, and other nonparticipating investments are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

Local government investment pools in Colorado must be organized under Colorado Revised Statutes, which allows certain types of governments within the state to pool their funds for investment purposes. Investments in such pools are valued at the pool's share price, the price at which the investment could be sold.

NORTH STAR ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE

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 items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital assets

Capital assets, which include land, buildings and improvements, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend asset lives, are not capitalized. Improvements are capitalized and are depreciated over the remaining useful lives of the related capital assets or remaining period of the lease, as applicable.

Capital assets of the School are depreciated using the straight-line method over the following estimated useful lives:

Buildings and improvements	15-30 years
Land improvements	10 years
Equipment	5-10 years

When depreciable property is acquired, depreciation is included in expense for the year of acquisition for the number of months during the year the asset was in service. When depreciable property is retired or otherwise disposed of, depreciation is included in expense for the number of months in service during the year of retirement and the related costs and accumulated depreciation are removed from the accounts with any gain or loss reflected in the statement of revenue, expenses and changes in fund net position.

NORTH STAR ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)

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 in the financial statements.

Unearned revenues

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

Pensions

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

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

Health Care Trust Fund

North Star Academy participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred outflows/inflows of resources

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

NORTH STAR ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)

Deferred outflows/inflows of resources (continued)

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

Long-term debt

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

In the fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

Net position flow assumption

The School may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted—net position and unrestricted—net position in the government-wide financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the School's policy to consider restricted—net position to have been depleted before unrestricted—net position is applied.

Fund balance classification

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

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action that was used when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

NORTH STAR ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fund balance classification (continued)

Assigned – This classification includes amounts that are constrained by the School’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to management through the budgetary process. This classification also includes the remaining positive fund balance for any governmental funds except for the General Fund.

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

The School would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

F. REVENUES AND EXPENDITURES/EXPENSES

Program revenues

Amounts reported as *program revenues* include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as programs revenues. Likewise, general revenues include all per pupil revenue.

Compensated absences

It is the School’s policy to permit employees to accumulate sick/vacation time. Accrued sick/vacation time is insignificant; therefore, a liability for these benefits has not been reflected in these financial statements.

G. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGET INFORMATION

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds. All annual appropriations lapse at fiscal year-end. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding year.

NORTH STAR ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Budgets are required by Colorado State Statute for all funds. Management submits to the Board of Directors a proposed budget for all funds for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. Public hearings are conducted by the Board of Directors to obtain taxpayer comments. Prior to June 30, the budget is adopted by formal resolution.

Formal budgetary integration is employed as a management control device during the year for the Governmental funds. The appropriated budget is prepared by fund. The legal level of control is the fund level.

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.

Appropriations are based on total funds expected to be available in each budget year, including beginning fund balances and reserves as established by the Board of Directors. The variances between budget and actual may result from the non-expenditure of reserves, nonoccurrence of anticipated events, and normal operating variances.

The Board of Directors may authorize supplemental appropriations during the year. For budgetary management purposes, funds are appropriated for capital outlays.

NOTE 3 – DEPOSITS AND INVESTMENTS

A summary of deposits and investments as of June 30, 2020 is as follows:

Deposits	\$ 3,462,652
Investments	<u>1,359,163</u>
Total	<u>\$ 4,821,815</u>

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

Cash and investments	\$ 3,462,652
Restricted cash and investments	<u>1,359,163</u>
Total	<u>\$ 4,821,815</u>

Cash deposits with financial institutions

Custodial credit risk—deposits. Custodial credit risk is the risk that, in the event of a bank failure, the School's deposits might not be recovered. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

**NORTH STAR ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

The carrying amount of the School’s deposits at June 30, 2020 was \$3,462,652 and the bank balances were \$3,673,960. Of the bank balances, \$250,000 was covered by federal deposit insurance. Amounts in excess of federal deposit insurance limits are collateralized under the provisions of the PDPA.

Investments

The School is authorized by Colorado statutes to invest in the following:

- ◆ Obligations of the United States and certain U.S. government agencies’ securities;
- ◆ Certain international agencies’ securities;
- ◆ General obligation and revenue bonds of U.S. local government entities;
- ◆ Bankers’ acceptances of certain banks;
- ◆ Certain commercial paper;
- ◆ Local government investment pools;
- ◆ Written repurchase agreements collateralized by certain authorized securities;
- ◆ Certain money market fund;
- ◆ Guaranteed investment contracts.

The investments for fiscal year ending June 30, 2020:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
ColoTrust	Less than 60 days	<u>\$ 1,359,163</u>

The Building Corporation has invested in the Colorado Government Liquid Asset Trust (ColoTrust). ColoTrust is a AAA rated investment vehicle established for local government entities in Colorado pursuant to Part 7 of Article 75 of Title 24 of the Colorado Revised Statutes, to pool surplus funds for investment purposes. This investment vehicle operates similarly to money market funds and each share is equal in value to \$1.00.

The designated custodial bank provides safekeeping and depository services to ColoTrust in connection with the direct investment and withdrawal function of ColoTrust. Substantially all securities owned by ColoTrust are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian’s internal records identify the investments owned by ColoTrust. Investments of ColoTrust consist of U.S. Treasury bills, notes and note strips, and repurchase agreements collateralized by U.S. Treasury Notes.

Interest Rate Risk: State law limits investment maturities to five years or less as a means of managing exposure to fair value loss resulting from increasing interest rates. The school does not have a formal investment policy that would further limit investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Credit Risk: Credit risk involves the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments to those described above. ColoTrust are rated AAA by Standard and Poor’s and maintain a constant net asset value of \$1 per share.

Restricted Cash and Investments

At June 30, 2020, the Corporation reported restricted cash of \$1,387,163 for future debt service and repair and replacement of capital assets, as required by its loan agreement.

NORTH STAR ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<i>Business-type Activities</i>				
Capital assets, not being depreciated:				
Land	\$ 475,900	\$ -	\$ -	\$ 475,900
Construction in progress	<u>61,245</u>	<u>101,602</u>	<u>(149,540)</u>	<u>13,307</u>
Total capital assets, not being depreciated	<u>537,145</u>	<u>101,602</u>	<u>(149,540)</u>	<u>489,207</u>
Capital assets, being depreciated:				
Buildings and Improvements	10,004,425	-	-	10,004,425
Land Improvements	491,229	149,540	-	640,769
Furniture and Equipment	<u>231,271</u>	<u>32,393</u>	<u>-</u>	<u>263,664</u>
Total capital assets being depreciated	10,726,925	181,933	-	10,908,858
Less accumulated depreciation	<u>(3,325,748)</u>	<u>(414,969)</u>	<u>-</u>	<u>(3,740,717)</u>
Total capital assets being depreciated, net	<u>7,401,177</u>	<u>(233,036)</u>	<u>-</u>	<u>7,168,141</u>
Total business-type activities capital assets	<u>\$ 7,938,322</u>	<u>\$ (131,434)</u>	<u>\$ (149,540)</u>	<u>\$ 7,657,348</u>

NOTE 5 – LONG-TERM DEBT

2020 Paycheck Protection Loan

On May 26, 2020, the School obtained a loan under the SBA Paycheck Protection Program in the amount of \$914,000 to fund salaries, benefits, and certain operating expenses. Principal and interest are paid monthly, at an interest rate of 1%, with payments deferred for 6 months after initial loan disbursement. Final maturity is June 1, 2022. The School may apply for loan forgiveness following a covered period for use of the funds.

2015 Building Loan

On June 10, 2015, the Colorado Educational and Cultural Facilities Authority (CECFA) issued the Charter School Refunding Revenue Bonds, Series 2015 in the amount of \$8,830,000. Bond proceeds were used to refund a portion of the Series 2008 Bonds, originally loaned to the Corporation for the acquisition of, and improvements to, the School's facilities. Interest accrues on the bonds at rates ranging from 2.25% to 5% per annum and is payable semi-annually on May 1 and November 1. Principal payments are due on November 1, from 2016 through 2039.

2017 Building Loan

On February 16, 2017, CECFA issued the Charter School Refunding Revenue Bonds, Series 2017 in the amount of \$4,465,000. Bond proceeds were used to refund the remaining portion of the Series 2008 Bonds. Additionally, the Corporation received proceeds of \$500,000 to construct improvements to the facilities. Interest accrues on the bonds at rates ranging from 4% to 5% per annum and is payable semi-annually on May 1 and November 1. Principal payments are due on November 1, from 2017 through 2039.

**NORTH STAR ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 5 – LONG-TERM DEBT (CONTINUED)

The School is obligated under a lease agreement to make monthly lease payments to the Building Corporation for use of the building. The Building Corporation is required to make equal loan payments to the Trustee, for payment of the bonds.

Annual debt service requirements to maturity for the loans payable are as follows:

Fiscal Year Ending June 30	Governmental Activities		Business-Type Activities	
	Principal	Interest	Principal	Interest
2021	\$ 303,145	\$ 9,284	\$ 410,000	\$ 484,312
2022	610,855	3,314	425,000	470,662
2023	-	-	435,000	458,650
2024	-	-	445,000	445,600
2025	-	-	460,000	431,488
2026-2030	-	-	2,585,000	1,881,550
2031-2035	-	-	3,230,000	1,220,675
2036-2040	-	-	3,960,000	497,113
Total	<u>\$ 914,000</u>	<u>\$ 12,598</u>	<u>\$ 11,950,000</u>	<u>\$ 5,890,050</u>

The changes in long-term debt for the year ended June 30, 2020 were as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<i>Governmental Activities</i>					
PPP Loan	\$ -	\$ 914,000	\$ -	\$ 914,000	\$ 303,145
<i>Business-type Activities</i>					
2015 Building Loan	\$ 8,090,000	\$ -	\$ (265,000)	\$ 7,825,000	\$ 275,000
2017 Building Loan	4,255,000	-	(130,000)	4,125,000	135,000
Loan Premiums	278,778	-	(13,835)	264,943	-
Total	<u>\$ 12,623,778</u>	<u>\$ -</u>	<u>\$ (408,835)</u>	<u>\$ 12,214,943</u>	<u>\$ 410,000</u>

NOTE 6 – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

NORTH STAR ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

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

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

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

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

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

**NORTH STAR ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

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

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the North Star Academy is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from North Star Academy were \$676,321 for the year ended June 30, 2020.

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

The net pension liability for the SCHDTF was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total pension liability to December 31, 2019. The North Star Academy proportion of the net pension liability was based on North Star Academy 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.

**NORTH STAR ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

At June 30, 2020, the North Star Academy reported a liability of \$8,582,257 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the North Star 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 North Star Academy were as follows:

North Star Academy proportionate share of the net pension liability	\$ 8,582,257
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with North Star Academy	\$ 1,088,550
Total	\$ 9,670,807

At December 31, 2019, the North Star Academy proportion was 0.0574456606 percent, which was an increase of 0.0022139968 percent from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the North Star Academy recognized pension expense of (\$1,085,932) and revenue (\$34,432) for support from the State as a nonemployer contributing entity. At June 30, 2020, the North Star Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 467,739	\$ -
Changes of assumptions or other inputs	245,010	3,892,830
Net difference between projected and actual earnings on pension plan investments	-	1,016,654
Changes in proportion and differences between contributions recognized and proportionate share of contributions	376,749	145,028
Contributions subsequent to the measurement date	343,076	N/A
Total	\$ 1,432,574	\$ 5,054,512

**NORTH STAR ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

\$343,076 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2021	\$ (2,255,424)
2022	(1,455,188)
2023	91,434
2024	(345,836)
Thereafter	-

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

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

¹ For 2019, the annual increase was 0.00 percent.

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

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

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

**NORTH STAR ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

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

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

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

NORTH STAR ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

**NORTH STAR ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 6 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Based on the above assumptions and methods, the projection test indicates the SCHDTF’s fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 11,381,910	\$ 8,582,257	\$ 6,231,704

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

NOTE 7 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

Health Care Trust Fund

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

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

NORTH STAR ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

**NOTE 7 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

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

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

PERA Benefit Structure

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

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.

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the North Star Academy is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from North Star Academy were \$35,596 for the year ended June 30, 2020.

**NORTH STAR ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

**NOTE 7 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

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

At June 30, 2020, the North Star Academy reported a liability of \$421,951 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2019. The North Star Academy proportion of the net OPEB liability was based on North Star Academy contributions to the HCTF for the calendar year 2019 relative to the total contributions of participating employers to the HCTF.

At December 31, 2019, the North Star Academy proportion was 0.0375401758 percent, which was an increase of 0.0016390820 percent from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the North Star Academy recognized OPEB expense of \$6,419. At June 30, 2020, the North Star Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,400	\$ 70,903
Changes of assumptions or other inputs	3,501	-
Net difference between projected and actual earnings on OPEB plan investments	-	7,043
Changes in proportion and differences between contributions recognized and proportionate share of contributions	66,347	-
Contributions subsequent to the measurement date	18,057	N/A
Total	\$ 89,305	\$ 77,946

\$18,057 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2021	\$ 661
2022	662
2023	2,701
2024	24
2025	(10,136)
Thereafter	(610)

**NORTH STAR ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

**NOTE 7 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

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

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

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

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

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

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

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

**NORTH STAR ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

**NOTE 7 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

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

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

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

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

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

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

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

**NORTH STAR ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

**NOTE 7 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(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, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Post-retirement non-disabled mortality assumptions for the 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.

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.

**NORTH STAR ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

**NOTE 7 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

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

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

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

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	4.60%	5.60%	6.60%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$ 411,928	\$ 421,951	\$ 433,533

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2019, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 percent.

**NORTH STAR ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

**NOTE 7 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

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

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 477,100	\$ 421,951	\$ 374,786

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

NOTE 8 - RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The School carries commercial insurance for these risks of loss, including worker’s compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the last three fiscal years.

NOTE 9 – CONCENTRATION OF RISK

The School is funded directly by the District based on the District’s per pupil funding. For the fiscal year ended June 30, 2020, this funding accounted for approximately 76% of the School’s revenues.

**NORTH STAR ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Grants

The School has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursement to grantor agencies for expenditures disallowed under terms of the grant. However, in the opinion of the School, any such adjustments will not have a material adverse effect on the financial position of the School.

Covid-19 Pandemic

The COVID-19 pandemic and the mitigation efforts by state and local governments to attempt to control its spread, including social distancing, quarantines, and business shutdowns, have caused significant economic disruption and adversely impacted funding for education. In addition, in the fourth quarter of fiscal 2020, the School was mandated to move to remote learning, resulting in unexpected costs. Even if such measures are relaxed at any point, they may be put back into place or increased if the spread of the pandemic continues or increases in the future. As a result of COVID-19 and the current economic environment, per pupil revenue was reduced for fiscal 2021 and may experience continued pressure until economic conditions improve. A return to more ordinary course economic activity is dependent on the duration and severity of the COVID-19 pandemic, which are in turn dependent on a series of evolving factors, including the severity and transmission rate of the virus, the extent and effectiveness of containment efforts, and future policy decisions made by governments as they react to evolving conditions.

NOTE 11 – COMPLIANCE

The School has complied with the requirements of the Financial Policies and Procedures Handbook for the 2020 audit period as required by Colorado Statute CRS 22-44-204(3).

NOTE 12 - AMENDMENT TO COLORADO CONSTITUTION

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities and other specific requirements of state and local governments.

The amendment requires emergency reserves be established. These reserves must be at least 3% of fiscal year spending. The School is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary and benefit increases. At June 30, 2020 there is a \$208,000 reservation of fund balance in the General Fund for the amendment.

The Amendment is complex and subject to judicial interpretation. The School believes it is in compliance with the requirements of the amendment. However, the School has made certain interpretations of the amendment's language in order to determine its compliance.

REQUIRED SUPPLEMENTARY INFORMATION

NORTH STAR ACADEMY
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2020

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
School's proportion of the net pension liability (asset)	0.0574456606%	0.0552316638%	0.0589704474%	0.0567877278%	0.0533946749%	0.0539774123%	0.0524865433%
School's proportionate share of the net pension liability (asset)	\$ 8,582,257	\$ 9,779,901	\$ 19,068,947	\$ 16,907,903	\$ 8,166,339	\$ 7,315,752	\$ 6,694,644
State's proportionate share of the net pension liability (asset) associated with the School	1,088,550	1,337,266	-	-	-	-	-
Total	<u>\$ 9,670,807</u>	<u>\$ 11,117,167</u>	<u>\$ 19,068,947</u>	<u>\$ 16,907,903</u>	<u>\$ 8,166,339</u>	<u>\$ 7,315,752</u>	<u>\$ 6,694,644</u>
School's covered payroll	\$ 3,375,869	\$ 3,036,381	\$ 2,720,237	\$ 2,548,735	\$ 2,326,928	\$ 2,261,266	\$ 2,115,900
School's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	254.22%	322.09%	701.00%	663.38%	350.95%	323.52%	316.40%
Plan fiduciary net position as a percentage of the total pension liability	64.5%	57.0%	44.0%	43.1%	59.2%	62.8%	64.1%

* The amounts presented for each year were determined as of 12/31.

* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

NORTH STAR ACADEMY
SCHEDULE OF THE EMPLOYER'S PAYROLL CONTRIBUTIONS - PENSION
JUNE 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 676,321	\$ 632,649	\$ 528,746	\$ 485,331	\$ 426,423	\$ 385,246	\$ 352,656
Contributions in relation to the contractually required contribution	<u>(676,321)</u>	<u>(632,649)</u>	<u>(528,746)</u>	<u>(485,331)</u>	<u>(426,423)</u>	<u>(385,246)</u>	<u>(352,656)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered payroll	\$ 3,489,789	\$ 3,307,844	\$ 2,801,005	\$ 2,641,000	\$ 2,404,717	\$ 2,282,712	\$ 2,206,390
Contributions as a percentage of covered payroll	19.38%	19.13%	18.88%	18.38%	17.73%	16.88%	15.98%

* The amounts presented for each fiscal year were determined as of 6/30.

* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

**NORTH STAR ACADEMY
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
JUNE 30, 2020**

	<u>2019</u>	<u>2018</u>	<u>2017</u>
School's proportion of the net OPEB liability (asset)	0.0375401758%	0.0359010938%	0.0335067619%
School's proportionate share of the net OPEB liability (asset)	\$ 421,951	\$ 488,449	\$ 435,454
School's covered payroll	\$ 3,375,869	\$ 3,036,381	\$ 2,720,237
School's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	12.50%	16.09%	16.01%
Plan fiduciary net position as a percentage of the total OPEB liability	24.5%	17.0%	17.5%

* The amounts presented for each year were determined as of 12/31.

* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

NORTH STAR ACADEMY
SCHEDULE OF THE EMPLOYER'S PAYROLL CONTRIBUTIONS - OPEB
JUNE 30, 2020

	2020	2019	2018
Contractually required contribution	\$ 35,596	\$ 33,740	\$ 28,570
Contributions in relation to the contractually required contribution	(35,596)	(33,740)	(28,570)
Contribution deficiency (excess)	\$ -	\$ -	\$ -
School's covered payroll	\$ 3,489,789	\$ 3,307,844	\$ 2,801,005
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%

- * The amounts presented for each fiscal year were determined as of 6/30.
- * Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

NORTH STAR ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Local sources:				
Taxes	\$ 760,095	\$ 779,397	\$ 758,482	\$ (20,915)
Tuition	286,755	131,250	106,930	(24,320)
Fees	100,500	102,840	91,859	(10,981)
Interest income	24,000	20,000	12,023	(7,977)
Pupil Activities	100,000	120,000	189,233	69,233
Donations and grants	50,000	120,000	72,740	(47,260)
Other local revenue	-	25,660	5,542	(20,118)
	<u>1,321,350</u>	<u>1,299,147</u>	<u>1,236,809</u>	<u>(62,338)</u>
State sources:				
Per pupil revenue	5,186,680	5,330,711	5,303,910	(26,801)
Operating grants	48,140	44,327	127,328	83,001
Capital grants	172,490	186,133	206,796	20,663
	<u>5,407,310</u>	<u>5,561,171</u>	<u>5,638,034</u>	<u>76,863</u>
Federal sources:				
Operating grants	-	-	108,679	108,679
Total revenues	<u>6,728,660</u>	<u>6,860,318</u>	<u>6,983,522</u>	<u>123,204</u>
EXPENDITURES				
Salaries	3,405,871	3,407,592	3,505,913	(98,321)
Benefits	1,002,409	1,027,305	1,131,780	(104,475)
Purchased services	1,730,412	1,776,279	1,859,278	(82,999)
Supplies	289,398	286,116	276,362	9,754
Property	130,094	190,094	-	190,094
Other	57,500	63,250	17,326	45,924
Appropriated reserves	1,000,000	1,000,000	-	1,000,000
Total expenditures	<u>7,615,684</u>	<u>7,750,636</u>	<u>6,790,659</u>	<u>959,977</u>
Excess (deficiency) of revenues over expenditures	<u>(887,024)</u>	<u>(890,318)</u>	<u>192,863</u>	<u>1,083,181</u>
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	(107,500)	(107,500)	(80,334)	27,166
Proceeds from long-term debt	-	-	914,000	914,000
Total other financing sources (uses)	<u>(107,500)</u>	<u>(107,500)</u>	<u>833,666</u>	<u>941,166</u>
Net change in fund balances	(994,524)	(997,818)	1,026,529	2,024,347
Fund balances - beginning	1,935,257	1,935,257	1,935,257	-
Fund balance - ending	<u>\$ 940,733</u>	<u>\$ 937,439</u>	<u>\$ 2,961,786</u>	<u>\$ 2,024,347</u>

See the accompanying Independent Auditors' Report.