

TWIN PEAKS CHARTER ACADEMY

BASIC FINANCIAL STATEMENTS

June 30, 2020

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FINANCIAL SECTION

Board of Directors
Twin Peaks Charter Academy
Longmont, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Twin Peaks Charter Academy, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Twin Peaks Charter Academy, as of June 30, 2020, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedules of the Academy's proportionate share, and the schedules of the Academy's contributions on pages 49-53 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

PB Solutions LLC

November 5, 2020

Twin Peaks Charter Academy Management's Discussion and Analysis

As management of Twin Peaks Charter Academy (TPCA or the "School"), we offer readers of Twin Peaks Charter Academy's financial statements our narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2020.

Financial Highlights

As of June 30, 2020, net position increased by \$2,407,985 to \$(11,862,090). This negative balance is the result of the implementation of regulations under the Governmental Accounting Standards Board Statement (GASB) Numbers 68 and 75. Further information about GASB 68 and 75 is provided in Notes 7 and 8 of the financial statements.

The operations of the School are funded primarily by tax revenue received under the Colorado School Finance Act in Per Pupil Revenue. Such revenue for the year was \$6,045,174. At the close of the fiscal year, Twin Peaks Charter Academy's governmental funds reported an ending fund balance of \$5,424,329, a decrease of \$(32,615) from prior year.

Overview of Financial Statements

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

Government-Wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business.

The statement of net position presents information on all the School's assets, 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 of the School is improving or deteriorating.

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

The government-wide statement of activities distinguishes functions/programs of the School supported primarily by Per Pupil Revenue or other revenues passed through from the authorizer (St. Vrain Valley School District). The governmental activities of the School include instruction and

supporting services. The government-wide financial statements can be found on pages 1 and 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 schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

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

The School adopts annually appropriated budgets for the General Fund. A budgetary comparison schedule for the General Fund has been provided herein.

The balance sheet and the statement of revenues, expenditures, and changes in fund balances for the governmental funds can be found on pages 3 and 5 of this report. The reconciliation of the fund financial statements to the government-wide financial statements can be found on pages 4 and 6 of this report.

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 7-48.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the School's financial position. In the case of Twin Peaks Charter Academy, liabilities exceeded assets resulting in a net position of \$(11,862,090) in FY 2019-2020. Again, this is directly related to the Pension Plan and the Defined Benefit Other Post Employment Benefit (OPEB) liabilities reporting requirements under GASB 68 and 75. Of the School's total net position, \$238,299 is restricted to comply with Article X,

Section 20 of the Colorado Constitution, known as the TABOR Amendment. Accordingly, these funds are not available to satisfy the School's general operating expenses.

**Twin Peaks Charter Academy's Net Position
Governmental Activities**

	June 30, 2020	June 30, 2019
ASSETS		
Cash and Investments	\$ 3,278,246	\$ 3,482,767
Restricted Cash and Investments	2,505,823	2,513,296
Accounts Receivable	-	20,308
Due from District	1,600	-
Prepaid Expenses	41,906	-
Capital Assets, Not Depreciated	2,514,605	2,542,130
Capital Assets, Net of Accum Depreciation	19,021,364	19,721,436
Total Assets	27,363,544	28,279,937
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Refunding	2,627,357	2,736,834
Related to Pensions	1,253,278	3,564,168
Related to OPEB	25,419	24,449
Total Deferred Outflows of Resources	3,906,054	6,325,451
LIABILITIES		
Accounts Payable	21,592	69,370
Due to the District	54,135	136,523
Accrued Salaries & Benefits	326,744	353,534
Unearned Revenues	775	-
Accrued Interest Payable	191,835	200,351
Noncurrent Liabilities		
Net Pension Liability	8,909,234	11,900,735
Net OPEB Liability	438,059	594,369
Due in One Year	525,000	505,000
Due in More than One Year	24,002,848	24,540,273
Total Liabilities	34,470,222	38,300,155
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	8,502,762	10,545,334
Related to OPEB	158,704	29,974
Total Deferred Inflows of Resources	8,661,466	10,575,308
NET POSITION		
Net Investment in Capital Assets	(486,056)	(268,411)
Restricted for Emergencies	238,299	240,000
Restricted for Working Capital	-	830,722
Unrestricted	(11,614,333)	(15,072,386)
Total Net Position	\$ (11,862,090)	\$ (14,270,075)

The largest portion of the School's assets is in capital assets, at 79% of total assets in 2020.

**Twin Peaks Charter Academy's Change in Net Position
Governmental Activities**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
ASSETS		
Cash and Investments	\$ 3,278,246	\$ 3,482,767
Restricted Cash and Investments	2,505,823	2,513,296
Accounts Receivable	-	20,308
Due from District	1,600	-
Prepaid Expenses	41,906	-
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Restricted for Working Capital	-	830,722
Unrestricted	(11,614,333)	(15,072,386)
Total Net Position	\$ (11,862,090)	\$ (14,270,075)

The largest portion of the School's revenues came from Per Pupil Revenue – 73% and 77% in 2019 and 2020, respectively.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the School's General Fund reported an ending fund balance of \$2,918,506, a decrease of \$(25,142) from prior year. As of the end of the current fiscal year, the School's Building Corporation reported an ending fund balance of \$2,505,823, a decrease of \$(7,473) from prior year. This fund records the activity of the TPCA Building Corporation (the Building Corporation). The Building Corporation was formed to assist in the financing and construction of the School's facilities.

General Fund Budgetary Highlights

The School approves a General Fund budget in May based on enrollment projections for the School year. In October, after enrollment stabilizes, adjustments are made to the budget. At year-end, the School had some variances between its final budgeted and actual activities. Overall, the School recognized \$190,066 more revenue than expected and spent \$(704,834) less than planned, when compared to the final budget. One budget amendment was made during FY 2019-2020.

Capital Assets & Long-Term Debt

The School has invested in capital assets in form of building improvements in progress, the School's building, previously completed building improvements, and equipment in support of the School's educational program. Depreciation expenses for capital assets are booked under Supporting Services of the School's operations.

The School has long-term debt in the form of 2011 and 2014 Charter School Revenue Bonds, issued through the Colorado Educational and Facilities Authority (CECFA). Proceeds of the bonds were used to complete building improvements, refund outstanding 2008 bonds, purchase additional land, and complete grounds improvements. The School is required to make equal lease payments to the Building Corporation for the use of the building. The Building Corporation is required to make equal lease payments to the Trustee, for payment of the bonds.

Economic Factors and Next Year's Budget

The primary factors driving the budget for Twin Peaks Charter Academy is student enrollment and Per Pupil Revenue. Enrollment for the 2019-2020 school year was 729.00 funded students. This

information was analyzed as part of the 2020-2021 budget which is projecting a 730.00 funded student count. Per Pupil Revenue is expected to decline significantly in 2020-2021 as the result of the COVID-19 pandemic. The longer-term economic impacts of the pandemic in relation to the state budget and K-12 education are unknown.

Requests for Information

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

Twin Peaks Charter Academy
340 S Sunset St
Longmont, CO 80501

BASIC FINANCIAL STATEMENTS

TWIN PEAKS CHARTER ACADEMY

STATEMENT OF NET POSITION
As of June 30, 2020

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Cash and Investments	\$ 3,278,246
Restricted Cash and Investments	2,505,823
Due From District	1,600
Prepaid Expenses	41,906
Capital Assets, Not Depreciated	2,514,605
Capital Assets, Depreciated, Net of Accumulated Depreciation	<u>19,021,364</u>
TOTAL ASSETS	<u>27,363,544</u>
DEFERRED OUTFLOWS OF RESOURCES	
Related to Pensions	1,253,278
Related to OPEB	25,419
Deferred Charges	<u>2,627,357</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>3,906,054</u>
LIABILITIES	
Accounts Payable	21,592
Due to District	54,135
Accrued Salaries and Benefits	326,744
Unearned Revenues	775
Accrued Interest Payable	191,835
Noncurrent Liabilities	
Due in One Year	525,000
Due in More than One Year	24,002,848
Net Pension Liability	8,909,234
Net OPEB Liability	<u>438,059</u>
TOTAL LIABILITIES	<u>34,470,222</u>
DEFERRED INFLOWS OF RESOURCES	
Related to Pensions	8,502,762
Related to OPEB	<u>158,704</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>8,661,466</u>
NET POSITION	
Net Investment in Capital Assets	(486,056)
Restricted for Emergencies	238,299
Unrestricted	<u>(11,614,333)</u>
TOTAL NET POSITION	<u>\$ (11,862,090)</u>

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

TWIN PEAKS CHARTER ACADEMY

STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE)	
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUE AND CHANGES IN NET POSITION
PRIMARY GOVERNMENT					
Governmental Activities				GOVERNMENTAL ACTIVITIES	
Instructional	\$ 1,972,510	\$ -	\$ 38,477	\$ -	\$ (1,934,033)
Supporting Services	2,261,838	149,554	102,075	203,282	(1,806,927)
Interest and Other Fiscal Charges	1,246,092	-	-	-	(1,246,092)
Total Governmental Activities	\$ 5,480,440	\$ 149,554	\$ 140,552	\$ 203,282	(4,987,052)
GENERAL REVENUES					
					6,045,174
					1,255,760
					56,992
					37,111
					7,395,037
CHANGE IN NET POSITION					2,407,985
NET POSITION, Beginning, Restated					(14,270,075)
NET POSITION, Ending					\$ (11,862,090)

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

TWIN PEAKS CHARTER ACADEMY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	GENERAL FUND	BUILDING CORPORATION	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and Investments	\$ 3,278,246	\$ -	\$ 3,278,246
Restricted Cash and Investments	-	2,505,823	2,505,823
Due From District	1,600	-	1,600
Prepaid Expenses	41,906	-	41,906
TOTAL ASSETS	<u>\$ 3,321,752</u>	<u>\$ 2,505,823</u>	<u>\$ 5,827,575</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 21,592	\$ -	\$ 21,592
Due To District	54,135	-	54,135
Accrued Salaries	326,744	-	326,744
Unearned Revenue	775	-	775
TOTAL LIABILITIES	<u>403,246</u>	<u>-</u>	<u>403,246</u>
FUND BALANCES			
Nonspendable	41,906	-	41,906
Restricted for Emergencies	238,299	-	238,299
Restricted for Working Capital	794,329	-	794,329
Restricted for Debt Service	-	2,505,823	2,505,823
Unassigned	1,843,972	-	1,843,972
TOTAL FUND BALANCES	<u>2,918,506</u>	<u>2,505,823</u>	<u>5,424,329</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 3,321,752</u>	<u>\$ 2,505,823</u>	<u>\$ 5,827,575</u>

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

TWIN PEAKS CHARTER ACADEMY

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
Year Ended June 30, 2020

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

Total fund balances of governmental funds \$ 5,424,329

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.

Capital Assets, not depreciated	2,514,605	
Capital Assets, depreciated	24,885,330	
Accumulated Depreciation	<u>(5,863,966)</u>	21,535,969

Long-term liabilities and related assets are not due and payable in the current period and, therefore, are not reported in the funds.

Bonds Payable	(24,527,848)	
Deferred Charges	2,627,357	
Accrued Interest Payable	(191,835)	
Net Pension Liability	(8,909,234)	
Net OPEB Liability	<u>(438,059)</u>	(31,439,619)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources - Change in Proportionate Share	158,245	
Deferred outflows of resources - Subsequent Contributions	355,129	
Deferred outflows of resources - Expected vs Actual Experience	485,559	
Deferred outflows of resources - Projected vs Actual Investments Earnings	-	
Deferred outflows of resources - Change in Assumptions	254,345	
Deferred inflows of resources - Projected vs Actual Investments Earnings	(1,055,387)	
Deferred inflows of resources - Change in Assumptions	(4,041,144)	
Deferred inflows of resources - Change in Proportionate Share	<u>(3,406,231)</u>	(7,249,484)

Deferred outflows of resources - Change in Proportionate Share OPEB	1,640	
Deferred outflows of resources - Subsequent Contributions OPEB	18,691	
Deferred outflows of resources - Expected vs Actual Experience OPEB	1,454	
Deferred outflows of resources - Change in Assumptions OPEB	3,634	
Deferred inflows of resources - Projected vs actual investment earnings OPEB	(7,312)	
Deferred inflows of resources - Expected vs Actual Experience OPEB	(73,610)	
Deferred inflows of resources - Change in Proportionate Share OPEB	<u>(77,782)</u>	(133,285)

Net position of governmental activities \$ (11,862,090)

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

TWIN PEAKS CHARTER ACADEMY

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2020

	GENERAL FUND	BUILDING CORPORATION	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Local Sources	\$ 7,535,932	\$ 1,694,811	\$ 9,230,743
State Sources	363,091	-	363,091
TOTAL REVENUES	7,899,023	1,694,811	9,593,834
EXPENDITURES			
Current			
Instruction	3,986,552	-	3,986,552
Supporting Services	3,977,341	-	3,977,341
Debt Service			
Principal	-	505,000	505,000
Interest	-	1,157,556	1,157,556
TOTAL EXPENDITURES	7,963,893	1,662,556	9,626,449
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(64,870)	32,255	(32,615)
OTHER FINANCING SOURCES (USES)			
Transfers In	39,728	-	39,728
Transfers Out	-	(39,728)	(39,728)
TOTAL OTHER FINANCING SOURCES (USES)	39,728	(39,728)	-
NET CHANGE IN FUND BALANCES	(25,142)	(7,473)	(32,615)
FUND BALANCES, Beginning, Restated	2,943,648	2,513,296	5,456,944
FUND BALANCES, Ending	<u>\$ 2,918,506</u>	<u>\$ 2,505,823</u>	<u>\$ 5,424,329</u>

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

TWIN PEAKS CHARTER ACADEMY

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

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

Net change in fund balances - total governmental funds			\$ (32,615)
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities.			
	Capital Outlay	18,600	
	Depreciation	<u>(746,197)</u>	(727,597)
Some expenses reported in the statement of activities do not require current financial resources and are not reported in the funds.			
	Bond Principal Payments	505,000	
	Changes in Accrued Interest Payable	8,516	
	Amortization of Deferred Charges and Bond Premium	<u>(97,052)</u>	416,464
Deferred Charges related to pensions and OPEB are not recognized in the governmental funds. However, for the government-wide statements those amounts are capitalized and amortized.			
	Deferred charges related to Pension Plan	2,723,183	
	Deferred charges related to OPEB	<u>28,550</u>	<u>2,751,733</u>
Change in net position of governmental activities			<u>\$ 2,407,985</u>

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

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Twin Peaks Charter Academy (the “Academy”) was formed in 1997 pursuant to the Colorado Charter Schools Act to form and operate a charter school. The Academy provides students with a rigorous education and the foundations of virtue and character, while building cultural literacy through a content-rich curriculum in an encouraging environment. The Academy is governed by a seven-member Board of Directors.

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

Reporting Entity

The definition of the reporting entity is based primarily on financial accountability. The financial reporting entity consists of the Academy and organizations for which the Academy is financially accountable. It is also financially accountable for legally separate organizations if the Academy’s officials appoint a voting majority for the organization’s governing body and either it is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on the Academy. The Academy may also be financially accountable for organizations that are fiscally dependent upon it.

Based on the application of this criteria, the Academy includes the following organization within its reporting entity:

TPCA Building Corporation

The TPCA Building Corporation (the “Building Corporation”) was formed to support and assist the Academy to perform its function and to carry out its purpose, specifically to assist in the financing and construction of the Academy’s facilities. The Building Corporation is blended into the Academy’s financial statements as a special revenue fund. Separate financial statements are not available for the Building Corporation.

The Academy is a component unit of the St. Vrain Valley School District (the “District”).

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements

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

The statement of net position reports all financial, capital and debt resources of the Academy. The difference between the assets plus deferred outflows of resources and liabilities and deferred inflows of resources of the Academy is reported as net position.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Academy considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

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

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.

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

In the fund financial statements, the Academy reports the following major governmental funds:

The *General Fund* is the Academy's primary operating fund. It accounts for all financial resources of the Academy, except those required to be accounted for in another fund.

The *Building Corporation Fund* accounts for the activities of the TPCA Building Corporation.

Assets, Liabilities, and Fund Balance/Net Position

Deposits and Investments – For purposes of the statement of cash flows, the Academy considers cash and cash equivalents to be all demand deposits as well as short-term investments with a maturity date of three months or less. Investments are stated at fair value.

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Prepaid Expenses – Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses. An expenditure is reported in the year in which the services are consumed.

Capital Assets – Capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Academy as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

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

Buildings and Improvements	40-50 years
Leasehold Improvements	15-20 years
Equipment	10 years

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

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 the school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, as of June 30, 2020, were \$325,144. The accrued compensation is reported as a liability in the General Fund.

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Long-Term Debt – In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

Compensated Absences – The Academy’s policy allows employees to earn personal leave of absence during the year. Upon termination, no unused personal leave of absence days are paid to the employee. Therefore, no liability is recorded in the Academy’s government-wide statement of net position.

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Investment in Capital Assets is intended to reflect the portion of net position which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.

Restricted Net Position are liquid assets, which have third party limitations on their use.

Unrestricted Net Position represents assets that do not have any third-party limitation on their use. While Academy management may have categorized and segmented portion for various purposes, the Academy Board has the unrestricted right to revisit or alter these managerial decisions.

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

- Nonspendable – This classification includes amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. The Academy considers prepaid expenses as nonspendable.

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Academy has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies. The Academy also reports working capital reserves and the fund balance in the Building Corporation Fund as restricted as required by bond covenants.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Academy did not have any committed resources as of June 30, 2020.
- Assigned – This classification includes amounts the government intends to use for specific purposes that do not meet the criteria to be classified as restricted or committed. The Academy did not have any assigned resources as of June 30, 2020.
- 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 Academy 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 fund balance.

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risk Management

The Academy is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, injuries to employees, and natural disasters. The Academy carries commercial insurance for all risks of loss for property and liability and workman's compensation. The Academy is fully self-insured for unemployment compensation.

Income Taxes

The Academy is a tax-exempt entity under section 501 (c) 3 of the US Internal Revenue Code. The Academy's tax filings are subject to audit by various taxing authorities. The Academy believes it has no significant uncertain tax provisions for the year ended June 30, 2020.

Subsequent Events

The Academy has evaluated events subsequent to the year ended June 30, 2020 through November 5, 2020, the date these financial statements were issued, and has incorporated any required recognition into these financial statements.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

A budget is adopted for the General Fund on a basis consistent with generally accepted accounting principles.

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

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 3: CASH AND INVESTMENTS

Cash and Investments at June 30, 2020 consist of the following:

Petty Cash	\$ 400
Deposits	1,368,620
Investments	<u>4,415,049</u>
Total	<u>\$ 5,784,069</u>

The above amounts are classified in the statement of net position as follows:

Cash and Investments - Unrestricted	\$ 3,278,246
Cash and Investments - Restricted	<u>2,505,823</u>
	<u>\$ 5,784,069</u>

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At June 30, 2020 State regulatory commissioners have indicated that all financial institutions holding deposits for the Academy are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held.

Credit Risk

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.

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 3: **CASH AND INVESTMENTS** (Continued)

Deposits (Continued)

At June 30, 2020, the Academy had deposits with financial institutions with a carrying amount of \$1,368,620. The bank balances with the financial institutions were \$1,394,947. Of these balances, \$250,000 was covered by federal depository insurance and \$1,144,947 was covered by collateral held by authorized escrow agents in the financial institutions name (PDPA).

Custodial Risk

The Academy has no policy regarding custodial credit risk for deposits.

Investments

Interest Rate Risk

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

Credit Risk

Colorado statutes specify in which instruments the units of local government may invest which includes:

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

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 3: CASH AND INVESTMENTS (Continued)

Investments (Continued)

As of June 30, 2020, the Academy reports the following investments:

	<u>Fair Value</u>	<u>Investment Maturity (Years)</u>	
		<u>Less Than One Year</u>	<u>One To Five Years</u>
Money Market Mutual Fund	\$ 2,505,823	\$ 2,505,823	\$ -
ColoradoTrust	<u>1,909,226</u>	<u>1,909,226</u>	<u>-</u>
Total	<u>\$4,415,049</u>	<u>\$4,415,049</u>	<u>\$ -</u>

Local Government Investment Pools

The Academy had invested \$1,909,226 in the Colorado Government Liquid Asset Trust (ColoTrust) which has a credit rating of AAAM by Standard and Poor's. ColoTrust is an investment vehicle established for local government entities in Colorado to pool surplus funds and is regulated by the State Securities Commissioner. It operates similarly to a money market fund and each share is equal in value to \$1.00. Investments consist of U.S. Treasury and U.S. Agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities.

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

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 3: **CASH AND INVESTMENTS** (Continued)

Investments (Continued)

Fair Value

The Academy categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant observable inputs.

The Academy follows State of Colorado's statute which limits investments in money market funds to those with the highest rating issued by NRSRO's and with a constant share price, or to money market funds that invest only in specific securities.

The Academy invested \$2,505,823 in a Money Market Mutual Fund. This Fund invests primarily in commercial paper, repurchase agreements and time deposits and is rated AAm by S&P and Aaa-mf by Moody's. These investments are valued using Level 1 inputs.

Restricted Cash

At June 30, 2020, cash in the amount of \$2,505,823 is restricted in the Building Corporation Fund for debt payment requirements.

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 4: CAPITAL ASSETS

Capital Asset activity for the year ended June 30, 2020 is summarized below:

	Balance 6/30/2019	Additions	Deletions	Balance 6/30/2020
Governmental Activities				
Capital Assets, Not Depreciated				
Land	\$ 2,514,605	\$ -	\$ -	\$ 2,514,605
Construction in Progress	27,525	-	27,525	-
Total Capital Assets, Not Depreciated	2,542,130	-	27,525	2,514,605
Capital Asset, Being Depreciated				
Buildings	19,822,346	27,525	-	19,849,871
Leasehold Improvements	4,262,151	-	-	4,262,151
Equipment	754,708	18,600	-	773,308
Total Capital Assets, Being Depreciated	24,839,205	46,125	-	24,885,330
Accumulated Depreciation				
Buildings	4,017,778	465,398	-	4,483,176
Leasehold Improvements	712,529	213,108	-	925,637
Equipment	387,462	67,691	-	455,153
Total Depreciation	5,117,769	746,197	-	5,863,966
Total Capital Assets, Being Depreciated, Net	19,721,436	(700,072)	-	19,021,364
Net Capital Assets	<u>\$ 22,263,566</u>	<u>\$ (700,072)</u>	<u>\$ 27,525</u>	<u>\$ 21,535,969</u>

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

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 5: LONG-TERM DEBT

The following is a summary of the Academy's long-term debt transactions for the year ended June 30, 2020:

	Balance 6/30/2019	Additions	Payments	Balance 6/30/2020	Due In One Year
Series 2011 Revenue Bonds	\$ 4,390,000	\$ -	\$ 65,000	\$ 4,325,000	\$ 70,000
Series 2014 Revenue Bonds	20,340,000	-	440,000	19,900,000	455,000
2014 Bond Premium	315,273	-	12,425	302,848	-
Net Pension Liability	11,900,735	-	2,991,501	8,909,234	-
Net OPEB Liability	594,369	-	156,310	438,059	-
Total	<u>\$ 37,540,377</u>	<u>\$ -</u>	<u>\$ 3,665,236</u>	<u>\$ 33,875,141</u>	<u>\$ 525,000</u>

2011 Charter School Revenue Bonds

In April 2011, the Colorado Educational and Facilities Authority (CECFA) issued \$4,775,000 in Charter School Revenue Bonds, Series 2011A and Series 2011B. Proceeds from the bonds were used construct improvements to the Academy's educational facility. Interest accrues at rates ranging from 2.00% to 5.00% per year. The bonds mature in March 2043.

The Academy is obligated to make monthly lease payments to the Building Corporation for the use of the building. The Building Corporation is required to make equal lease payments to the Trustee for payment of the bonds.

2014 Charter School Revenue Bonds

In August 2014, the Colorado Educational and Facilities Authority (CECFA) issued \$21,990,000 in Charter School Refunding and Improvement Revenue Bonds, Series 2014. Proceeds from the bonds were used to advance refund the outstanding Series 2008 bond, pay and cancel two promissory notes and a line of credit, purchase land and provide funding for capital improvements.

Interest accrues at rates ranging from 2.00% to 5.00% per year. The bonds mature in November 2025.

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 5: LONG-TERM DEBT (Continued)

The Academy is obligated to make monthly lease payments to the Building Corporation for the use of the building. The Building Corporation is required to make equal lease payments to the Trustee for payment of the bonds.

The bonds have been secured by a pledge of certain rights to real estate property located in Longmont Colorado (“pledged property”) and a pledge of the Academy’s funds and revenues.

In the event of default, the bond trustee may take remedial steps including terminating the lease term and give the Academy notice to vacate the property within 45 days of such notice.

Covenants

Under the terms of the bond agreements, the Academy is required to maintain a working capital reserve in the amount of 10% of its operating expenditures. In addition, the Academy is required to maintain cumulative unrestricted cash reserves to meet all accrued and unrestricted salary obligations.

At June 30, 2020, the Academy reports \$794,329 as a restriction of fund balance in the General Fund to comply with these bond covenants.

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 525,000	\$ 1,141,257	\$ 1,666,257
2022	550,000	1,117,618	1,667,618
2023	575,000	1,092,806	1,667,806
2024	605,000	1,066,630	1,671,630
2025	630,000	1,039,094	1,669,094
2026-2030	3,635,000	4,683,795	8,318,795
2031-2035	4,710,000	3,616,490	8,326,490
2036-2040	5,925,000	2,405,919	8,330,919
2041-2045	7,070,000	887,619	7,957,619
Total	<u>\$ 24,225,000</u>	<u>\$ 17,051,228</u>	<u>\$ 41,276,228</u>

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 6: INTERFUND TRANSFERS

During the year ended June 30, 2020 the Building Corporation Fund transferred \$39,728 to the General Fund to return excess debt service funds.

NOTE 7: DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

Pensions. The Academy participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/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.

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

General Information about the Pension Plan

Plan description. Eligible employees of the 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.

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.
- The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) benefit structure is the greater of the:
 - Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.
 - \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

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

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

As of December 31, 2019, 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 lesser of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25 percent based on the parameters specified in C.R.S. § 24-51-413.

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

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

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

Contributions provisions as of June 30, 2020: Eligible employees of the 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.

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the Academy is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from Academy were \$697,294 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 Academy's proportion of the net pension liability was based on the Academy's contributions to the SCHDTF for the calendar year 2019 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2020 the Academy reported a liability of \$8,909,234 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 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 the Academy were as follows:

Academy's proportionate share of the net pension liability	\$ 8,909,234
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the Academy	\$ 1,130,023
Total	\$10,039,257

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

At December 31, 2019, the Academy's proportion was 0.059634 percent, which was a decrease of 0.0075747 percent from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020 the Academy recognized pension expense of (\$2,713,718) and revenue of \$35,744 for support from the State as a nonemployer contributing entity. At June 30, 2020 the 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	\$ 485,559	N/A
Changes of assumptions or other inputs	\$ 254,345	\$4,041,144
Net difference between projected and actual earnings on pension plan investments	N/A	\$1,055,387
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$ 158,245	\$3,406,231
Contributions subsequent to the measurement date	\$ 355,129	N/A
Total	\$1,253,278	\$8,502,762

\$355,129 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:

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

Year ended June 30,	
2021	(\$4,051,295)
2022	(\$2,964,366)
2023	(\$ 229,941)
2024	(\$ 359,011)
2025	-
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.

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: **DEFINED BENEFIT PENSION PLAN** (Continued)

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

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.

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.

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

Several factors 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.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

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.

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: **DEFINED BENEFIT PENSION PLAN** (Continued)

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

- The 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.

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

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$11,815,552	\$8,909,234	\$6,469,127

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 8: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN

Summary of Significant Accounting Policies

OPEB. The 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.

General Information about the OPEB Plan

Plan description. Eligible employees of the 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,

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 8: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN

General Information about the OPEB Plan (Continued)

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.

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.

NOTE 8: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN

General Information about the OPEB Plan (Continued)

PERA Benefit Structure

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

DPS Benefit Structure

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

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

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 8: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN

General Information about the OPEB Plan (Continued)

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the Academy is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the Academy were \$36,700 for the year ended June 30, 2020.

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

At June 30, 2020 the Academy reported a liability of \$438,059 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 Academy's proportion of the net OPEB liability was based on the Academy's 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 Academy proportion was 0.0389733 percent, which is a decrease of 0.00471 from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the Academy recognized OPEB expense of (\$28,550). At June 30, 2020, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 8: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,454	\$ 73,610
Changes of assumptions or other inputs	\$ 3,634	N/A
Net difference between projected and actual earnings on OPEB plan investments	N/A	\$ 7,312
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$ 1,640	\$ 77,782
Contributions subsequent to the measurement date	\$ 18,691	N/A
Total	\$ 25,419	\$158,704

\$18,691 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	(\$31,632)
2022	(\$31,631)
2023	(\$29,514)
2024	(\$32,777)
2025	(\$24,941)
Thereafter	(\$ 1,481)

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 8: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN

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

Actuarial assumptions. The total OPEB liability in the December 31, 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 decreasing to 4.50 percent in 2029	5.60 percent in 2019, gradually
Medicare Part A premiums increasing to 4.50 percent in 2029	3.50 percent in 2019, gradually
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

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 8: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN

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

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.

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.

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 8: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN

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

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.

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%

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.

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 8: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN

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

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

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 State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

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

Post-retirement non-disabled mortality assumptions for the Academy 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.

NOTE 8: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN

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

- 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.

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 8: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN

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

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 8: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN

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

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	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	\$427,653	\$438,059	\$450,084

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.

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 8: DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (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 Academy’s proportionate share of the net OPEB liability to changes in the discount rate. The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$495,314	\$438,059	\$389,094

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.

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 9: COMMITMENTS AND CONTINGENCIES

Claims and Judgments

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

Employee Health Benefits

The Academy, in conjunction with Windsor Charter Academy and Flagstaff Academy, has established a self-insurance pool for employee health benefits. Under the plan, the Academy self-insures employee health claims up to \$45,000. The Academy purchased a stop loss insurance policy to cover individual health claims in excess of \$45,000 and aggregate total yearly claims in excess of \$378,893.

Changes in the Academy’s claims liability amount for the year ended June 30, 2020 is as follows:

	Beginning of the Year Liability	Claims	Claims Paid	End of Year Liability
2020	\$ 218	\$ 276,085	\$ 259,873	\$ 16,430

Tabor Amendment

In November 1992, Colorado voters passed an amendment to the State Constitution, Article X, Section 20 (the “Tabor Amendment”), which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government.

The Tabor Amendment is complex and subject to judicial interpretations. The Academy believes it has complied with the Amendment.

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 9: COMMITMENTS AND CONTINGENCIES (Continued)

Tabor Amendment (Continued)

The Academy has established a reserve, representing 3% of qualifying expenditures, as required by the Amendment. At June 30, 2020, the emergency reserve of \$238,299 was reported as a restriction of net position and fund balance in the Governmental Activities and General Fund, respectively

NOTE 10: DEFICIT NET POSITION

The net position of the governmental activities is in a deficit position in the amount of \$11,862,090 due to the Academy including its Net Pension Liability and Net OPEB liability per the requirements of GASB Statement Nos. 68 and 75.

NOTE 11: RESTATEMENT OF BEGINNING BALANCES

The beginning fund balances of the governmental funds were increased by \$2,513,296 to include the activities of the Building Corporation, which was previously reported as an Internal Service Fund.

NOTE 12: SUBSEQUENT EVENT

COVID19 Pandemic

The United States of America and State of Colorado have declared an emergency as a result of the coronavirus (COVID19) pandemic. These economic uncertainties may have a significant impact on the financial position, results of operations, and cashflows of the School. The duration of these uncertainties and the ultimate financial effects cannot be estimated at this time.

TWIN PEAKS CHARTER ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 12: **SUBSEQUENT EVENT** (Continued)

Coronavirus Relief Fund (CRF)

In March, 2020 the Coronavirus Aid, Relief, and Economic Security (CARES) Act was enacted, providing economic relief to families, business, and education. The CARES Act established the \$150 billion Coronavirus Relief Fund to support states with expenses due to the public health emergency. In May, 2020, the Colorado State Governor directed the transfer of \$510 million from the State's CARES Act funding to the Colorado Department of Education to be awarded to school districts, the Charter School Institute, the Colorado School for the deaf and Blind, and facility schools on a per pupil basis.

The Academy's chartering district, St. Vrain Valley School District, received \$15,754,273 in CRF funding of which \$366,920 is due to the Academy.

REQUIRED SUPPLEMENTARY INFORMATION

TWIN PEAKS CHARTER ACADEMY

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2020

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Per Pupil Revenue	\$ 5,944,420	\$ 6,045,181	\$ 6,045,174	\$ (7)
Mill Levy Override	1,084,444	1,106,972	1,255,760	148,788
Tuition and Fees	139,200	155,800	149,554	(6,246)
Contributions	-	25,000	16,487	(8,513)
Interest	34,000	43,000	31,846	(11,154)
Other	20,000	43,725	37,111	(6,614)
State Sources				
Capital Construction	221,790	221,790	203,282	(18,508)
PERA On Behalf Contribution	-	-	85,588	85,588
Grants and Donations	187,900	65,889	74,221	8,332
TOTAL REVENUES	7,631,754	7,707,357	7,899,023	191,666
EXPENDITURES				
Instruction				
Salaries	2,803,756	2,956,697	2,688,507	268,190
Employee Benefits	1,001,476	1,015,488	805,835	209,653
Purchased Services	255,600	199,700	124,469	75,231
Supplies and Materials	311,001	281,750	254,680	27,070
Property	10,350	160,676	113,061	47,615
Other	-	38,000	-	38,000
Total Instruction	4,382,183	4,652,311	3,986,552	665,759
Supporting Services				
Salaries	987,000	1,016,018	1,031,938	(15,920)
Employee Benefits	344,667	355,259	398,702	(43,443)
Purchased Services	2,383,859	2,422,939	2,400,814	22,125
Supplies and Materials	200,425	178,000	120,550	57,450
Property	55,000	15,600	-	15,600
Other	10,600	27,000	25,337	1,663
Total Supporting Services	3,981,551	4,014,816	3,977,341	37,475
TOTAL EXPENDITURES	8,363,734	8,667,127	7,963,893	703,234
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(731,980)	(959,770)	(64,870)	894,900
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	39,728	39,728
NET CHANGE IN FUND BALANCE	(731,980)	(959,770)	(25,142)	934,628
FUND BALANCE, Beginning	2,943,648	2,943,648	2,943,648	-
FUND BALANCE, Ending	\$ 2,211,668	\$ 1,983,878	\$ 2,918,506	\$ 934,628

See the accompanying independent auditors' report.

TWIN PEAKS CHARTER ACADEMY

SCHEDULE OF THE ACADEMY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PERA SCHOOL DIVISION TRUST FUND PLAN

Years Ended December 31,

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Proportion of the Net Pension Liability (Asset)	0.05936%	0.06720%	0.08200%	0.08150%	0.07820%	0.07800%	0.07570%
Proportionate Share of the Net Pension Liability (Asset)	\$ 8,909,234	\$ 11,900,735	\$ 26,500,531	\$ 24,262,002	\$ 11,961,891	\$ 10,567,910	\$ 9,657,461
State of Colorado Proportionate Share of the Net Pension Liability (Asset)	<u>1,130,023</u>	<u>1,627,260</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Proportionate Share of the Net Pension Liability (Asset)	<u>10,039,257</u>	<u>13,527,995</u>	<u>26,500,531</u>	<u>24,262,002</u>	<u>11,961,891</u>	<u>10,567,910</u>	<u>9,657,461</u>
Covered payroll	\$ 3,504,316	\$ 3,693,432	\$ 3,768,870	\$ 3,657,288	\$ 3,408,437	\$ 3,121,348	\$ 2,975,531
Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	286.5%	366.3%	703.1%	663.4%	350.9%	338.6%	324.6%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	64.52%	57.01%	43.96%	43.10%	59.20%	62.80%	64.10%

NOTE: Information for the prior three years was not available for this report

See the accompanying independent auditors' report.

TWIN PEAKS CHARTER ACADEMY

SCHEDULE OF THE ACADEMY'S CONTRIBUTIONS
PERA SCHOOL DIVISION TRUST FUND PLAN

Years Ended June 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually Required Contributions	\$ 697,294	\$ 681,455	\$ 745,272	\$ 731,841	\$ 660,971	\$ 595,814	\$ 481,063
Contributions in Relation to the Contractually Required Contributions	<u>697,294</u>	<u>681,455</u>	<u>745,272</u>	<u>731,841</u>	<u>660,971</u>	<u>595,814</u>	<u>481,063</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$3,598,014	\$3,562,234	\$3,743,172	\$3,771,923	\$3,477,602	\$3,322,513	\$ 2,975,531
Contributions as a Percentage of Covered Payroll	19.38%	19.13%	19.91%	19.40%	19.01%	17.93%	16.17%

NOTE: Information for the prior three years was not available for this report.

See the accompanying independent auditors' report.

TWIN PEAKS CHARTER ACADEMY

SCHEDULE OF THE ACADEMY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
PERA HEALTH CARE TRUST FUND PLAN

Years Ended December 31,

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Proportion of the Net OPEB Liability (Asset)	0.38973%	0.04369%	0.04657%	0.04632%
Proportionate Share of the Net OPEB Liability (Asset)	\$ 438,059	\$ 594,369	\$ 605,179	\$ 600,527
Covered payroll	\$ 3,504,316	\$ 3,693,432	\$ 3,768,870	\$ 3,657,288
Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	12.5%	16.1%	16.1%	16.4%
Plan Fiduciary Net position as a Percentage of the Total OPEB Liability	24.49%	17.03%	17.53%	16.72%

NOTE: Information for the prior six years was not available for this report.

See the accompanying independent auditors' report.

TWIN PEAKS CHARTER ACADEMY

SCHEDULE OF THE ACADEMY'S CONTRIBUTIONS
PERA HEALTH CARE TRUST FUND PLAN

Years Ended June 30,

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required Contributions	\$ 36,700	\$ 36,335	\$ 38,180	\$ 38,561
Contributions in Relation to the Contractually Required Contributions	<u>36,700</u>	<u>36,335</u>	<u>38,180</u>	<u>38,561</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 3,598,014	\$ 3,562,234	\$ 3,743,172	\$ 3,771,923
Contributions as a Percentage of Covered Payroll	1.02%	1.02%	1.02%	1.02%

NOTE: Information for the prior six years was not available for this report.

See the accompanying independent auditors' report.