

BROMLEY EAST CHARTER SCHOOL

BASIC FINANCIAL STATEMENTS

June 30, 2021

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JOHN CUTLER & ASSOCIATES

Board of Directors
Bromley East Charter School
Brighton, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Bromley East Charter School, component unit of Brighton School District 27J, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the basic financial statements of the School, as listed in the table of contents.

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.

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, schedule of the school's proportionate share, and schedule of the school'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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The individual fund financial statements, listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund financial statements and the schedule of expenditures of federal awards are fairly stated in all material respects in relation to the financial statements as a whole.

John Luttrell & Associates, LLC

October 12, 2021

Bromley East Charter School
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2021

As management of the Bromley East Charter School (BECS), we offer readers of the Bromley East Charter School financial statements this narrative overview and analysis of the financial activities of the Bromley East Charter School for the fiscal year ended June 30, 2021.

Financial Highlights

BECS has completed its twentieth year of operations. The liabilities and deferred inflows of the Bromley East Charter School exceeded its assets and deferred outflows at the close of the most recent fiscal year by \$13,978,742 (negative net position). The net position improved over the prior fiscal year by \$3,030,305. The overall (BECS/CEC) negative net position of \$10,099,806 is due to the GASB 68 pension standard reflecting the School's proportionate share of the plan's unfunded pension liability and GASB 75, other post-employment benefits liability (OPEB). The School's net pension liability is \$16,354,957.

At the close of the fiscal year Bromley East Charter School's governmental funds reported a combined ending fund balance of \$2,296,790 reflecting an increase of \$213,856 or 10.27%.

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to the Bromley East Charter School's basic financial statements. The Bromley East Charter 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 Bromley East Charter School's finances, in a manner similar to a private-sector business.

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

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

Bromley East Charter School
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2021

The government-wide statement of activities distinguishes functions/programs of the Bromley East Charter School supported primarily by per pupil revenue (PPR) passed through from the District (Brighton School District 27J). The governmental activities of the Bromley East Charter School include instruction and supporting expenses. The government-wide financial statements can be found on pages 1-2 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Bromley East Charter School, like other governmental units or charter schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Bromley East Charter School can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

Governmental Funds - Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on the balance 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 balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

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

Proprietary Funds - Services for which an entity charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial statements. The School's enterprise fund (one type of proprietary fund) is the same as its business-type activities but provides more detail and additional information such as cash flow analysis. The School reports one proprietary fund the Building Corporation/Community Education Center (CEC).

Bromley East Charter School adopts an annual appropriations budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget. A budgetary comparison statement is presented for the General Fund on page 49.

Bromley East Charter School
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2021

Fiduciary Funds - Fiduciary funds are used to account for resources held for the benefit of parties outside the School. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the School's own programs. Total assets and liabilities of the student activity agency fund were \$170,526 for the period ended June 30, 2021.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This information is provided in pages 10-48.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial condition. In the case of the Bromley East Charter School, liabilities and deferred inflows exceeded assets and deferred outflows by \$13,978,742 (negative net position) for all governmental and business type activities at the close of the most recent fiscal year. The negative balance is due primarily to the adoption of GASB Statement No. 68, resulting in a net pension liability of \$16,354,957 representing the School's proportionate share of the PERA - School Division net pension liability.

**Bromley East Charter School's Consolidated Net Position
For the Years Ended June 30, 2021 and 2020**

	Governmental and Business Type Activities <u>June 30, 2021</u>	Governmental and Business Type Activities <u>June 30, 2020</u>
Cash and investments	\$2,754,825	\$3,889,410
Receivables and other current assets	1,206,501	183,679
Restricted investments	2,696,212	3,107,151
Capital assets, Net	17,693,135	17,605,289
Total Assets	24,350,673	24,785,529
Deferred Outflows-Cost of Refunding/Pensions/OPEB	6,071,814	3,554,983
Current liabilities	2,084,467	1,990,155
Accrued interest	46,834	48,456
Noncurrent liabilities – Pension/OPEB/Debt	31,943,668	30,489,548
Total Liabilities	34,074,969	32,528,159
Deferred Inflows	6,447,324	8,661,564

Bromley East Charter School
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2021

Net position		
Invested in capital assets,	1,728,914	1,205,903
Net of related debt		
Restricted for		
Debt Service and Capital Projects	2,229,447	3,058,695
Special Education	337,000	337,000
Emergencies Tabor	307,000	315,000
Unrestricted	(14,702,167)	(17,765,809)
Total Net Position	<u>\$ (10,099,806)</u>	<u>\$ (12,849,211)</u>

The majority of the consolidated assets (72.7%) are in net capital assets. 22.4% percent of total assets represent all cash and investments. The combined entities net position is negative. This is primarily due to the implementation of GASB 68. The School is now required to disclose its proportionate share of PERA's unfunded pension liability. Overall, the School and CEC (consolidated) showed an improvement in the negative net position of \$2,749,405 or 21.4% and ended the year with a negative net position of \$10,099,806.

**Bromley East Charter School's Consolidated Change in Net Position
For the Years Ended June 30, 2021 and 2020**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Program Revenue:		
Charges for Services	\$ 8,570	\$ 8,700
Grants and Contributions	1,454,085	478,664
Capital Grants and Contributions	365,192	329,322
Total Program Revenue	<u>1,827,847</u>	<u>816,686</u>
General Revenue:		
Per Pupil Operating Revenue	9,447,756	9,704,100
Mill Levy Revenue	48,525	47,796
Special Item PERA	-	122,584
Investment Earnings	1,254	99,558
Other/Contributed Capital/Transfers	107,745	25,116
Total General Revenue	<u>9,605,280</u>	<u>9,999,154</u>
 Total Revenue	 <u>11,433,127</u>	 <u>10,815,840</u>

Bromley East Charter School
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2021

Expenses:

Current:

Instruction	4,735,681	4,825,886
Supporting Services	3,880,790	4,298,467
Interest and Fiscal Charges/CEC Net	67,251	24,637
Total Expenses	8,683,722	9,148,990

Increase (Decrease) in Net Position	2,749,405	1,666,850
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Beginning Net Position, July 1	\$ (12,849,211)	\$ (14,516,061)
Ending Net Position, June 30	\$ (10,099,806)	\$ (12,849,211)

Financial Analysis of the Government's Funds

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

Governmental Funds - The focus of the Bromley East 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 Bromley East School's financing requirements. In particular, unassigned fund balance may serve as a useful measure of the School's net resources available for spending as measured at the end of the fiscal year.

As of the end of the current fiscal year, June 30, 2021, the School's governmental fund reported an ending fund balance of \$2,082,934, an increase of \$163,513.

General Fund Budgetary Highlights

The School Board approves a budget in May or June. A key driver in the budget process is an enrollment projection for the coming school year. In October after enrollment stabilizes, adjustments are made to the budget. The following is a historical recap of the last ten year:

Pre-K	Half-Day K	Full-Day K	1ST	2ND	3RD	4TH	5TH	6TH	7TH	8TH	TOTAL	FTE	FTE Change
-	-	124.0	103.0	106.0	106.0	81.0	83.0	110.0	82.0	70.0	865.0	812.9	39.1
19	33	65.0	118.0	107.0	96.0	103.0	92.0	92.0	110.0	88.0	923.0	862.8	49.9
-	45	69.0	103.0	114.0	101.0	95.0	107.0	101.0	84.0	108.0	927.0	879.1	16.3
-	19	80.0	108.0	101.0	109.0	100.0	112.0	109.0	102.0	92.0	932.0	890.4	11.3
-	17	76.0	99.0	111.0	101.0	120.0	113.0	108.0	108.0	100.0	953.0	913.9	23.5
-	15	83.0	103.0	105.0	106.0	101.0	129.0	112.0	108.0	108.0	970.0	928.8	38.4
-	30	85.0	124.0	127.0	135.0	137.0	136.0	162.0	140.0	118.0	1194.0	1145.7	216.9
-	31	98.0	128.0	129.0	130.0	138.0	143.0	157.0	160.0	138.0	1252.0	1197.8	52.1
-	29	86.0	126.0	130.0	134.0	130.0	133.0	160.0	155.0	158.0	1241.0	1192.7	-5.1
-	-	117.0	119.0	125.0	127.0	129.0	133.0	140.0	150.0	141.0	1181.0	1181.0	-11.7
-	-	118.0	125.0	124.0	131.0	135.0	134.0	147.0	143.0	150.0	1207.0	1207.0	26.0

Bromley East Charter School
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2021

The School currently projects 1,176 students for FY22. The FY22 budget was based on 1,200 students. The long-term fund balance growth goal is to meet the debt service coverage ratio of 1.1 times or increase Fund Balance approximately \$115,286. The General Fund had total appropriations of \$11,648,103 with actual expenditures of \$11,432,920 resulting in a positive variance. The General Fund surplus of \$213,856 represented a 10.27% increase in Fund Balance to \$2,296,790.

Capital Asset and Debt Administration

Capital Assets - Consolidated capital assets were \$22,983,779 at June 30, 2021. Total depreciation for FY21 was \$467,192, with accumulated depreciation entity wide of \$5,290,644 resulting in net capital assets of \$17,693,135. Total FY21 asset additions were \$561,975.

Long-Term Lease Agreement & Debt Financing

Bromley East Charter School entered into a lease agreement with the Community Education Center (CEC), Inc in 1999. The bonds under which the lease was based were refinanced in June 2005 and refunded in September 2015. Under the terms of the new financing of \$19,155,000, CEC will pay interest at 3.4% with a balloon payment of \$14,045,300 in September 2025. Bromley will remit monthly lease payments ranging from \$70,620 to \$96,302, commencing September 1, 2015, and continuing through September 1, 2025 until the refinancing of the existing debt. The total annual lease expense will be approximately \$1,153,000, which includes the CECFA fee.

The School has agreed to maintain a debt service coverage ratio (DSCR) of 1.1X (times), 75 days of cash on hand and finally a 5% unrestricted operating reserve. The actual DSCR for FY21 was positive or 1.19X. Days of operating cash on hand were 88 and the unrestricted operating reserve had 2.33X coverage (\$1,330K/\$572K).

The District bond election in the fall of 2015 resulted in Bromley East receiving \$4,350,000 in bond proceeds for the expansion. This support represented approximately 36% of the overall project cost.

Economic Factors and Next Year's Budget

In November of 2000 voters in Colorado approved a provision to the Colorado constitution providing that K-12 funding would increase at pupil growth, plus inflation, plus 1% for 10 years and thereafter, growth plus inflation. This provision expired in FY11 and continues without the 1% increase. The FY22 budget currently projects Bromley East Charter School General Fund equity will increase by at least the required DSCR. The FY22 budget was based on an enrollment of approximately 1,200 students. Overall funding has increased for FY 21-22 with PPR (Per Pupil Revenue) increasing 10.3% to \$8,636 in anticipation of a rebound in tax collections. It is anticipated that beyond FY22 K-12 funding will likely parallel inflation.

Bromley East Charter School
Management's Discussion and Analysis
As of and for the Year Ended June 30, 2021

Requests for Information

This financial report is designed to provide a general overview of the Bromley East Charter School's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Bromley East Charter School, Attn: Bart A. Skidmore, CPA, 356 Longspur Drive, Brighton, CO 80601.

BASIC FINANCIAL STATEMENTS

BROMLEY EAST CHARTER SCHOOL

STATEMENT OF NET POSITION

June 30, 2021

	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTALS	
			2021	2020
ASSETS				
Cash and Investments	\$ 2,754,825	\$ -	\$ 2,754,825	\$ 3,889,410
Restricted Investments	-	2,696,212	2,696,212	3,107,151
Accounts Receivable	883,642	-	883,642	73,981
Interest Receivable	-	-	-	591
Prepaid Items	321,859	-	321,859	107,582
Deposits	1,000	-	1,000	1,525
Capital Assets, Not Depreciated	-	617,379	617,379	150,787
Capital Assets, Depreciated				
Net of Accumulated Depreciation	79,425	16,996,331	17,075,756	17,454,502
TOTAL ASSETS	4,040,751	20,309,922	24,350,673	24,785,529
DEFERRED OUTFLOWS OF RESOURCES				
Related to Pensions	5,417,973	-	5,417,973	2,760,454
Related to OPEB	87,212	-	87,212	91,905
Cost of Refunding	-	566,629	566,629	702,624
TOTAL DEFERRED OUTFLOWS OF RESOURCES	5,505,185	566,629	6,071,814	3,554,983
LIABILITIES				
Accounts Payable	500,122	419,931	920,053	212,368
Accrued Salaries and Benefits	466,339	-	466,339	440,247
Unearned Revenues	2,375	-	2,375	609,211
Claims Payable	695,700	-	695,700	728,329
Accrued Interest	-	46,834	46,834	48,456
Noncurrent Liabilities				
Net Pension Liability	14,872,370	-	14,872,370	12,760,233
Net OPEB Liability	540,448	-	540,448	627,305
Due Within One Year	-	590,580	590,580	568,030
Due in More Than One Year	-	15,940,270	15,940,270	16,533,980
TOTAL LIABILITIES	17,077,354	16,997,615	34,074,969	32,528,159
DEFERRED INFLOWS OF RESOURCES				
Related to Pensions	6,273,284	-	6,273,284	8,545,683
Related to OPEB	174,040	-	174,040	115,881
TOTAL DEFERRED INFLOWS OF RESOURCES	6,447,324	-	6,447,324	8,661,564
NET POSITION				
Net Investment in Capital Assets	79,425	1,649,489	1,728,914	1,205,903
Restricted for Emergencies	307,000	-	307,000	315,000
Restricted for Special Education	337,000	-	337,000	337,000
Restricted for Debt Service	-	590,580	590,580	568,030
Restricted for Capital Projects	-	1,638,867	1,638,867	2,490,665
Unrestricted	(14,702,167)	-	(14,702,167)	(17,765,809)
TOTAL NET POSITION	\$ (13,978,742)	\$ 3,878,936	\$ (10,099,806)	\$ (12,849,211)

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

BROMLEY EAST CHARTER SCHOOL

STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Instruction	\$ 4,735,681	\$ -	\$ 1,819,277	\$ -
Supporting Services	3,880,790	8,570	-	-
Total Governmental Activities	8,616,471	8,570	1,819,277	-
Business-Type Activities				
Community Education Center	1,220,130	1,152,879	-	-
Total Primary Government	\$ 9,836,601	\$ 1,161,449	\$ 1,819,277	\$ -

GENERAL REVENUES

Per Pupil Revenue
 Mill Levy Override
 Special Item - PERA
 Investment Income
 Other Revenues
 Contributed Capital

TOTAL GENERAL REVENUES

CHANGE IN NET POSITION

NET POSITION, Beginning

NET POSITION, Ending

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

NET (EXPENSE) REVENUE
AND CHANGE IN
NET POSITION

Governmental Activities	Business- Type Activities	TOTALS	
		2021	2020
\$ (2,916,404)	\$ -	\$ (2,916,404)	\$ (4,432,435)
(3,872,220)	-	(3,872,220)	(3,984,650)
(6,788,624)	-	(6,788,624)	(8,417,085)
-	(67,251)	(67,251)	(24,637)
(6,788,624)	(67,251)	(6,855,875)	(8,441,722)
9,447,756	-	9,447,756	9,704,100
48,525	-	48,525	47,796
-	-	-	122,584
-	4,684	4,684	99,558
97,648	-	97,648	122,519
225,000	(218,333)	6,667	12,015
9,818,929	(213,649)	9,605,280	10,108,572
3,030,305	(280,900)	2,749,405	1,666,850
(17,009,047)	4,159,836	(12,849,211)	(14,516,061)
<u>\$ (13,978,742)</u>	<u>\$ 3,878,936</u>	<u>\$ (10,099,806)</u>	<u>\$ (12,849,211)</u>

BROMLEY EAST CHARTER SCHOOL

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021

	TOTAL GOVERNMENTAL FUNDS	
	2021	2020
ASSETS		
Cash and Investments	\$ 2,754,825	\$ 3,889,410
Accounts Receivable	883,642	73,981
Prepaid Expenses	321,859	107,582
Interest Receivable	-	591
Deposits	1,000	1,525
TOTAL ASSETS	<u>\$ 3,961,326</u>	<u>\$ 4,073,089</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	\$ 500,122	\$ 212,368
Accrued Salaries and Benefits	466,339	440,247
Claims Payable	695,700	728,329
Unearned Revenue	2,375	609,211
TOTAL LIABILITIES	<u>1,664,536</u>	<u>1,990,155</u>
FUND BALANCES		
Nonspendable	322,859	109,107
Restricted for Emergencies	307,000	315,000
Restricted for SPED Legal	337,000	337,000
Unassigned	<u>1,329,931</u>	<u>1,321,827</u>
TOTAL FUND BALANCES	2,296,790	2,082,934
TOTAL LIABILITIES AND FUND BALANCES		
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets are used in governmental activities are not financial resources and, therefore, are not reported in the funds.	79,425	104,762
Long-term liabilities and related assets are not due and payable in the current period and, therefore, are not reported in the funds. This liability includes net pension liability of (\$14,872,370), Net OPEB liability of (\$540,448), deferred outflows related to pensions and OPEB of \$5,505,185, and deferred inflows related to pensions and OPEB of (\$6,447,324).	<u>(16,354,957)</u>	<u>(19,196,743)</u>
Net position of governmental activities	<u>\$ (13,978,742)</u>	<u>\$ (17,009,047)</u>

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

BROMLEY EAST CHARTER SCHOOL

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

	TOTAL GOVERNMENTAL FUNDS	
	2021	2020
REVENUES		
Local Sources	\$ 9,611,302	\$ 9,874,943
State Sources	621,440	738,486
Federal Sources	1,189,034	195,798
	<u>11,421,776</u>	<u>10,809,227</u>
TOTAL REVENUES		
EXPENDITURES		
Current		
Instruction	6,764,839	5,937,030
Supporting Services	4,668,081	4,708,684
	<u>11,432,920</u>	<u>10,645,714</u>
TOTAL EXPENDITURES		
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(11,144)</u>	<u>163,513</u>
OTHER FINANCING SOURCES (USES)		
Transfers In (Out)	<u>225,000</u>	<u>-</u>
TOTAL OTHER FINANCING SOURCES (USES)	<u>225,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	213,856	163,513
FUND BALANCES, Beginning	<u>2,082,934</u>	<u>1,919,421</u>
FUND BALANCES, Ending	<u>\$ 2,296,790</u>	<u>\$ 2,082,934</u>

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

BROMLEY EAST CHARTER SCHOOL

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

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

Net change in fund balances - total governmental funds	\$ 213,856
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This amount is loss on disposal of assets (\$6,667), and depreciation (\$18,760), in the current period.	(25,337)
Deferred Charges related to pensions are not recognized in the governmental funds. However, for the government-wide funds those amounts are capitalized and amortized.	<u>2,841,786</u>
Change in net position of governmental activities	<u>\$ 3,030,305</u>

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

BROMLEY EAST CHARTER SCHOOL

COMMUNITY EDUCATION CENTER
STATEMENT OF NET POSITION
PROPRIETARY FUND TYPE

June 30, 2021

	Business-type Activities - Internal Service Fund	
	<u>2021</u>	<u>2020</u>
ASSETS		
Current Assets		
Restricted Investments	\$ 2,696,212	\$ 3,107,151
Accounts Receivable	-	-
Total Current Assets	<u>2,696,212</u>	<u>3,107,151</u>
Long-term Assets		
Capital Assets, Not Depreciated	617,379	144,120
Capital Assets, Net of Accumulated Depreciation	<u>16,996,331</u>	<u>17,356,407</u>
Total Long-term Assets	<u>17,613,710</u>	<u>17,500,527</u>
TOTAL ASSETS	<u>20,309,922</u>	<u>20,607,678</u>
DEFERRED OUTFLOWS OF RESOURCES		
Cost of Refunding	<u>566,629</u>	<u>702,624</u>
LIABILITIES		
Current Liabilities		
Interest Payable	46,834	48,456
Accounts Payable	419,931	-
Loan Payable - Current Portion	<u>590,580</u>	<u>568,030</u>
Total Current Liabilities	<u>1,057,345</u>	<u>616,486</u>
Long-Term Liabilities		
Loan Payable	<u>15,940,270</u>	<u>16,533,980</u>
TOTAL LIABILITIES	<u>16,997,615</u>	<u>17,150,466</u>
NET POSITION		
Net Investment in Capital Assets	1,649,489	1,101,141
Restricted for Debt Service	590,580	568,030
Restricted for Capital Projects	<u>1,638,867</u>	<u>2,490,665</u>
TOTAL NET POSITION	<u>\$ 3,878,936</u>	<u>\$ 4,159,836</u>

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

BROMLEY EAST CHARTER SCHOOL

COMMUNITY EDUCATION CENTER
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND TYPE

Year Ended June 30, 2021

	Business-type Activities - Internal Service Fund	
	2021	2020
OPERATING REVENUES		
Rent	\$ 1,152,879	\$ 1,152,879
Investment Income	4,684	49,307
TOTAL OPERATING REVENUES	1,157,563	1,202,186
OPERATING EXPENSES		
Purchased Services	33,854	10,666
Property	36,477	-
Depreciation	448,522	446,258
Amortization	135,991	135,991
TOTAL OPERATING EXPENSES	654,844	592,915
OPERATING INCOME (LOSS)	502,719	609,271
NON-OPERATING EXPENSES		
Interest Expense	565,286	584,601
TOTAL NON-OPERATING REVENUES (EXPENSES)	565,286	584,601
OTHER FINANCING SOURCES (USES)		
Capital Contributions	6,667	12,015
Transfers In (Out)	(225,000)	-
TOTAL OTHER FINANCING SOURCES (USES)	(218,333)	12,015
NET INCOME	(280,900)	36,685
NET POSITION, Beginning	4,159,836	4,123,151
NET POSITION, Ending	\$ 3,878,936	\$ 4,159,836

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

BROMLEY EAST CHARTER SCHOOL

COMMUNITY EDUCATION CENTER

STATEMENT OF CASH FLOWS

PROPRIETARY FUND TYPE

Year Ended June 30, 2021

Increase (Decrease) in Cash

	Business-type Activities - Internal Service Fund	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Operations	\$ 1,152,879	\$ 1,152,879
Cash Paid to Suppliers	349,604	(9,472)
Investment Income	4,684	49,307
Net Cash Provided by Operating Activities	<u>1,507,167</u>	<u>1,192,714</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Transfer to Other Funds	<u>(225,000)</u>	<u>-</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES		
Purchase of Capital Assets	(561,705)	(119,611)
Capital Contributions	6,667	-
Interest Expense	(566,908)	(586,166)
Principal Payments on Loan	(571,160)	(552,380)
Net Cash (Used) by Financing Activities	<u>(1,693,106)</u>	<u>(1,258,157)</u>
NET INCREASE (DECREASE) IN CASH	(410,939)	(65,443)
CASH, Beginning	<u>3,107,151</u>	<u>3,172,594</u>
CASH, Ending	<u>\$ 2,696,212</u>	<u>\$ 3,107,151</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Income (Loss)	<u>\$ 502,719</u>	<u>\$ 609,271</u>
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities		
Depreciation Expense	448,522	446,258
Amortization Expense	135,991	135,991
Changes in Assets and Liabilities		
Accounts Receivable	-	1,194
Accounts Payable	419,935	-
Total Adjustments	<u>1,004,448</u>	<u>583,443</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 1,507,167</u>	<u>\$ 1,192,714</u>

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

BROMLEY EAST CHARTER SCHOOL

AGENCY FUND
STATEMENT OF FIDUCIARY NET POSITION
June 30, 2021

	<u>2021</u>	<u>2020</u>
ASSETS		
Cash and Investments	<u>\$ 170,526</u>	<u>135,789</u>
LIABILITIES		
Due to Student Groups	<u>\$ 170,526</u>	<u>\$ 135,789</u>

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

BROMLEY EAST CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Bromley East Charter School (the “School”) was formed pursuant to the Colorado Charter Schools Act to establish and operate a charter school within the Brighton School District 27J.

The accounting policies of the School conform to generally accepted accounting principles as applicable to governmental units. Following is a summary of the more significant policies.

Reporting Entity

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

Based upon the application of these criteria, the following organization is included in the School’s reporting entity.

Community Education Center, Inc.

The Community Education Center, Inc. (“CEC”) is considered to be financially accountable to the School. The purpose of the CEC is to provide a mechanism to issue and pay debt on behalf of the School. The CEC is considered to be part of the School for financial reporting purposes because its resources are entirely for the direct benefit of the School and is blended into the School’s financial statements as an internal service fund. Separate financial statements are not available.

The School is a component unit of the Brighton School District 27J (the “District”).

Government-Wide and Fund Financial Statements

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

BROMLEY EAST CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

Internally dedicated resources are reported as general revenues rather than as program revenues.

BROMLEY EAST CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses on meeting this definition are reported as nonoperating revenues and expenses.

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

The School reports the following major governmental and proprietary funds:

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

Community Education Center – This fund is used to account for the financial activities of CEC, including facilities acquisition and construction, and the related debt service.

Additionally, the School reports the following fund type:

The *Agency Fund* is used to account for resources used to support the school's student and fundraising activities. The School holds all resources in a purely custodial capacity.

Assets, Liabilities and Fund Balance/Net Position

Investments – Investments are recorded at fair value.

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

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

BROMLEY EAST CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net position in the government-wide financial statements. Depreciation has been provided over the following estimated useful lives of the capital assets using the straight-line method: buildings, 50 years; leasehold improvements, 15 years, and vehicles and equipment, 5-7 years.

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

In addition to liabilities, the statement of financial position and balance sheets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows 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. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are recognized in the current period. 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.

Unearned Revenues – Unearned revenues include grant funds that have been collected but the corresponding expenditures have not been incurred.

Net Position – The government-wide 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 is 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 is liquid assets, which have third party limitations on their use. Unrestricted net position represents assets that do not have any third party limitations on their use.

BROMLEY EAST CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

- Nonspendable – This classification includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. All amounts reported as nonspendable at June 30, 2021, by the School are nonspendable in form as prepaid expenses and deposits.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The School has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies. Other funds classified as restricted are the Special Education Legal Reserves which are required by the contract between the School and the District.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The School did not have any committed resources as of June 30, 2021.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

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

BROMLEY EAST CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Compensated Absences

The School's policy allows employees to accumulate paid time off. Any unused days are paid out to the employees at the end of each year. Therefore, no liability for paid time off is reported in the financial statements.

Risk Management

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

The School, in conjunction with Eagle Ridge High School and Belle Creek Charter School, has established a self-insurance pool for employee health benefits. The School's premiums are determined at the beginning of each fiscal year and are deposited into a claims account throughout the year. The claims account is reported as cash with an offsetting liability in the General Fund. The Pool's fiscal year ends each July 31, and includes individual stop loss insurance of \$75,000 and aggregate stop loss insurance of \$924,813.

Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the School's financial position and operations. However, complete comparative data in accordance with generally accepted accounting principles has not been presented since its inclusion would make the financial statements unduly complex and difficult to read.

Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

BROMLEY EAST CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

A budget is adopted for the General Fund on a basis consistent with generally accepted accounting principles. A budget was not adopted for the Center.

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

NOTE 3: CASH AND INVESTMENTS

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

Cash on Hand	\$ 500
Deposits	653,449
Investments	<u>4,967,614</u>
Total	<u>\$ 5,621,563</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, 2021, State regulatory commissioners have indicated that all financial institutions holding deposits for the School are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held.

The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The School has no policy regarding custodial credit risk for deposits.

BROMLEY EAST CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 3: CASH AND INVESTMENTS (Continued)

Deposits (Continued)

At June 30, 2021, the School had deposits with financial institutions with a carrying amount of \$653,449. The bank balances with the financial institutions were \$687,921. Of these balances, \$486,761 was covered by federal depository insurance and \$201,160 was covered by collateral held by authorized escrow agents in the financial institution's name (PDDPA).

Investments

Interest Rate Risk

The School has a formal investment policy that manages interest rate risk. The board must approve all investments whose maturities exceed five years.

Credit Risk

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

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

As of June 30, 2021, the School held the following investments:

<u>Type of Investment</u>	<u>Fair Value</u>	<u>Maturities (in Years)</u>	
		<u>0 – 1 Years</u>	<u>1 – 5 Years</u>
Money Market Funds	\$ 592,022	\$ 592,022	\$ -
Mutual Funds	250,040	250,040	-
Certificates of Deposit	420,439	226,391	194,048
Local Government Investment Pools	<u>3,705,113</u>	<u>3,705,113</u>	<u>-</u>
Total	<u>\$ 4,967,614</u>	<u>\$ 4,773,566</u>	<u>\$ 194,048</u>

BROMLEY EAST CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 3: *CASH AND INVESTMENTS* (Continued)

Investments (Continued)

Local Government Investment Pools

The School had invested \$226,538 in the Colorado Surplus Asset Fund Trust (CSAFE) an investment vehicle established for local government entities in Colorado pursuant to Title 24, Article 75, Part 7 of the Colorado Revised Statutes, to pool surplus funds for investment purposes. The State Securities Commissioner administers and enforces the requirements of creating and operating the Pools. CSAFE reports its underlying investments at amortized cost and is considered a qualifying external investment pool under GASB Statement 79. CSAFE operates similar to money market funds where each share is equal in value to \$1.00. The fair value of the position in the pools is the same as the value of the pooled shares.

CSAFE is rated AAAM by Standard and Poor's. The designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities are owned by the pools and 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 pools. Investments of the pools comply with state statutes, consisting of U.S. Treasury bills, notes and note strips, repurchase agreements, U.S. Instrumentalities, Commercial Paper, Bank Deposits and Money Market Funds. CSAFE does not have any limitations or restrictions on participant withdrawals.

The School had invested \$591,101 in the Colorado Surplus Asset Fund Trust CORE Fund ("Colorado Core") an investment vehicle established for local government entities in Colorado pursuant to Title 24, Article 75, Part 7 of the Colorado Revised Statutes, to pool surplus funds for investment purposes. The State Securities Commissioner administers and enforces the requirements of creating and operating the Pools. Colorado Core is an ultra-short duration enhanced cash fund seeking to maintain a constant share price of \$2.00 with an emphasis placed on limiting the risk of negative fair market valuations while maintaining high credit quality and adequate liquidity. The fund operates under GASB Statements 31 and 72 methodology for calculating fair market values and maintains a weighted average maturity of 180 days or less and a weighted average life of 365 days or less.

Colorado Core is rated AAAsf/S1 by Fitch Ratings. The designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Colorado Core investments primary included, highly rated commercial paper, Colorado depositories in which the deposits are collateralized at 102% of market value under the provisions of the Public Depository Protection Act, and other Colorado LGIP funds inclusive of other funds offered by the Trust as allowed for by C.R.S 24-75-601.1(1)(i). Redemption requests must be made at least one day in advance and are limited to three per month

BROMLEY EAST CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 3: *CASH AND INVESTMENTS* (Continued)

Investments (Continued)

The School had invested \$2,887,474 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.

Fair Value

The School 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.

Money Market Funds, Mutual Funds and Certificates of Deposit

The School held investments in Money Market Funds, Mutual Funds and Certificates of Deposit in the amount of \$592,022, \$250,040 and \$420,439, respectively, with maturity dates of less than one and two years. These investments are valued with Level 1 inputs.

Restricted

Cash and Investments

Cash and investments in the amount of \$2,696,212 are restricted for debt service.

BROMLEY EAST CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 4: CAPITAL ASSETS

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

	Balance <u>June 30, 2020</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2021</u>
Governmental Activities				
Capital assets, Not Depreciated				
Construction in Progress	\$ 6,667	\$ -	\$ 6,667	\$ -
Capital Assets, Being Depreciated				
Building Improvements	\$ 258,128	\$ -	\$ -	\$ 258,128
Vehicles and Equipment	298,549	-	-	298,549
Total Capital Assets, Being Depreciated	<u>556,677</u>	<u>-</u>	<u>-</u>	<u>556,677</u>
Accumulated Depreciation				
Building Improvements	169,056	17,209	-	186,265
Vehicles and Equipment	289,526	1,461	-	290,987
Total Accumulated Depreciation	<u>458,582</u>	<u>18,670</u>	<u>-</u>	<u>477,252</u>
Total Capital Assets, Being Depreciated	<u>98,095</u>	<u>(18,670)</u>	<u>-</u>	<u>79,425</u>
Governmental Capital Assets, Net	<u>\$ 104,762</u>	<u>\$ (18,670)</u>	<u>\$ (6,667)</u>	<u>\$ 79,425</u>
Business-Type Activities				
Capital assets, Not Depreciated				
Land	\$ 144,120	\$ -	\$ -	\$ 144,120
Construction in Process	-	473,259	-	473,259
Total Capital Assets, Not Depreciated	<u>144,120</u>	<u>473,259</u>	<u>-</u>	<u>617,379</u>
Capital Assets, Being Depreciated				
Buildings	\$ 21,721,277	\$ 88,446	\$ -	\$ 21,809,723
Accumulated Depreciation	4,364,870	448,522	-	4,813,392
Total Capital Assets, Being Depreciated	<u>17,356,407</u>	<u>(360,076)</u>	<u>-</u>	<u>16,996,331</u>
Business-Type Capital Assets, Net	<u>\$ 17,500,527</u>	<u>\$ 113,183</u>	<u>\$ -</u>	<u>\$ 17,613,710</u>

BROMLEY EAST CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 4: CAPITAL ASSETS (Continued)

Depreciation on the governmental activities has been charged to the supporting services program of the School.

NOTE 5: ACCRUED SALARIES AND BENEFITS

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from August to July but are earned during a school year of nine months. The salaries and benefits earned, but unpaid, as of June 30, 2021, were \$466,339 in the General Fund.

NOTE 6: LONG-TERM DEBT

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

	Balance			Balance	Due In
	<u>June 30, 2020</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2021</u>	<u>One Year</u>

Business-Type Activities

2015 Building Loan	<u>\$ 17,102,010</u>	<u>\$ -</u>	<u>\$ 571,160</u>	<u>\$ 16,530,850</u>	<u>\$ 590,580</u>
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Building Loan

In September 2015, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$19,155,000 Charter School Revenue Bonds (Series 2015). Proceeds from the bonds were used to refund the CECFA Charter School Revenue Bonds, Series 2005. Proceeds from the bonds were loaned to CEC to construct the School's education facilities and to provide additional cash of \$9,350,00 for facilities' expansion. The School is obligated to make monthly lease payments to CEC for use of the building. CEC is required to make equal lease payments to the Trustee, for payment of the bonds. Interest accrued at 3.4% per annum and is paid monthly. Principal payments are due annually beginning September 1, 2016, with a balloon payment of \$14,045,300 due on September 1, 2025.

BROMLEY EAST CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 6: LONG-TERM DEBT

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 590,580	\$ 546,989	\$ 1,137,569
2023	610,660	526,397	1,137,057
2024	631,420	505,105	1,136,525
2025	652,890	483,090	1,135,980
2026	<u>14,045,300</u>	<u>119,385</u>	<u>14,167,815</u>
Total	<u>\$ 16,530,850</u>	<u>\$ 2,180,967</u>	<u>\$ 18,711,817</u>

NOTE 7: DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

Pensions. The School participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees’ Retirement Association of Colorado (“PERA”). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position (FNP) and additions to/deductions from the FNP of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting.

For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

BROMLEY EAST CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan

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

Benefits provided as of December 31, 2020. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

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

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

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

BROMLEY EAST CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

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

As of December 31, 2020, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S., once certain criteria are met. Pursuant to SB 18-200, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, and all eligible benefit recipients of the DPS benefit structure will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S. § 24-51-413.

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

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

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

Contributions provisions as of June 30, 2021: Eligible employees of the School and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413.

BROMLEY EAST CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

Eligible employees are required to contribute 10.00 percent of their PERA-includable salary during the period of July 1, 2020 through June 30, 2021. Employer contribution requirements are summarized in the table below:

	July 1, 2020 Through June 30, 2021
Employer contribution rate	10.90%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%
Amount apportioned to the SCHDTF	9.88%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.50%
Total employer contribution rate to the SCHDTF	19.88%

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

As specified in C.R.S. § 24-51-414, the State is required to contribute \$225 million (actual dollars) each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. House Bill (HB) 20-1379 suspended the \$225 million (actual dollars) direct distribution payable on July 1, 2020 for the State's 2020-21 fiscal year.

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the School were \$1,074,954 for the year ended June 30, 2021.

BROMLEY EAST CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

At June 30, 2021, the School reported a liability of \$14,872,370 for its proportionate share of the net pension liability. The amount recognized by the School as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the School were as follows:

School’s proportionate share of the net pension liability	\$14,872,370
The State’s proportionate share of the net pension liability as a nonemployer contributing entity associated with the School	-
Total	\$14,872,370

At December 31, 2020, the School’s proportion was .0983 percent, which was an increase of .0130 percent from its proportion measured as of December 31, 2019.

BROMLEY EAST CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

For the year ended June 30, 2021, the School recognized pension income of \$1,742,819 and revenue of \$0 for support from the State as a nonemployer contributing entity. At June 30, 2021, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$817,163	N/A
Changes of assumptions or other inputs	\$1,430,676	\$2,499,919
Net difference between projected and actual earnings on pension plan investments	N/A	\$3,273,747
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$2,631,097	\$499,618
Contributions subsequent to the measurement date	\$539,037	N/A
Total	\$5,417,973	\$6,273,284

\$539,037 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	(\$1,692,286)
2023	\$1,051,719
2024	(\$237,326)
2025	(\$516,455)

BROMLEY EAST CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

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

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

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

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

BROMLEY EAST CHARTER SCHOOL
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2021

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

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

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

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

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

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

BROMLEY EAST CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)]

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

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

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

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

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

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

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

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

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

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

BROMLEY EAST CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

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

Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class.

These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and then adding expected inflation.

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

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

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

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

BROMLEY EAST CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00 percent.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded. HB 20-1379 suspended the \$225 million (actual dollars) direct distribution payable on July 1, 2020, for the State's 2020-21 fiscal year.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

BROMLEY EAST CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$20,287,130	\$14,872,370	\$10,360,090

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

BROMLEY EAST CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

Summary of Significant Accounting Policies

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

General Information about the OPEB Plan

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

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

BROMLEY EAST CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

General Information about the OPEB Plan (Continued)

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

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

PERA Benefit Structure

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

BROMLEY EAST CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

General Information about the OPEB Plan (Continued)

DPS Benefit Structure

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

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the School were \$53,648 for the year ended June 30, 2021.

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

At June 30, 2021, the School reported a liability of \$540,448 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2020. The School's proportion of the net OPEB liability was based on the School's contributions to the HCTF for the calendar year 2020 relative to the total contributions of participating employers to the HCTF.

At December 31, 2020, the School's proportion was .0057 percent, which was an increase of .00010 percent from its proportion measured as of December 31, 2019.

BROMLEY EAST CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

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

For the year ended June 30, 2021, the School recognized OPEB expense of \$31,148.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$1,434	\$118,816
Changes of assumptions or other inputs	\$4,038	\$33,140
Net difference between projected and actual earnings on OPEB plan investments	N/A	\$22,084
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$54,083	N/A
Contributions subsequent to the measurement date	\$27,657	N/A
Total	\$87,212	\$174,040

\$27,657 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2022	(\$23,129)
2023	(\$20,039)
2024	(\$24,095)
2025	(\$34,239)
2026	(\$12,210)
Thereafter	(\$774)

BROMLEY EAST CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

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

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

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

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

BROMLEY EAST CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

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

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

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

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

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2019, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

BROMLEY EAST CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

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

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

Year	PERACare Medicare Plans	Medicare Part A
2020	8.10%	3.50%
2021	6.40%	3.75%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	4.00%
2025	5.30%	4.00%
2026	5.10%	4.00%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029+	4.50%	4.50%

Mortality assumptions used in the December 31, 2019 valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below were applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

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

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

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

BROMLEY EAST CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

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

- **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 School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

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

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

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

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

BROMLEY EAST CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

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

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

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

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

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

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

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

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

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

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

BROMLEY EAST CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

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

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

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

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

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

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

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

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

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

BROMLEY EAST CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

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

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

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

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

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

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2020 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

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

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

BROMLEY EAST CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

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

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

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

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

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

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

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

BROMLEY EAST CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

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

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	7.10%	8.10%	9.10%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$526,479	\$540,448	\$556,709

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2020, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00 percent.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

BROMLEY EAST CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

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

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

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

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$619,093	\$540,488	\$473,252

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

BROMLEY EAST CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 9: COMMITMENTS AND CONTINGENCIES

Claims and Judgments

The School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the School may be required to reimburse the grantor government. As of June 30, 2021, significant amounts of grant expenditures have not been audited, but the School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position.

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The School believes it has complied with the Amendment. As required by the Amendment, the School has established a reserve for emergencies. At June 30, 2021, the reserve of \$289,000 was recorded as a reservation of fund balance in the General Fund.

NOTE 10: DEFICIT NET POSITION

The Net Position of the government type activities is a deficit of \$13,978,742 due to the School including the Net Pension Liability per GASB No. 68.

NOTE 11: SUBSEQUENT EVENTS

Potential subsequent events were considered through October 12, 2021. It was determined that no events were required to be disclosed through this date.

REQUIRED SUPPLEMENTARY INFORMATION

BROMLEY EAST CHARTER SCHOOL

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2021

	2021			VARIANCE Positive (Negative)	2020 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Local Sources					
Per Pupil Revenue	\$ 9,169,971	\$ 9,417,302	\$ 9,447,756	\$ 30,454	\$ 9,704,100
Mill Levy Override	47,358	47,358	48,525	1,167	47,796
Tuition and Fees	7,000	5,000	8,570	3,570	8,700
Contributions and Donations	4,000	4,000	8,803	4,803	3,728
Investment Income	42,500	6,000	-	(6,000)	50,251
Other	46,000	34,500	97,648	63,148	60,368
State and Federal Sources					
State	563,119	619,294	621,440	2,146	738,486
Federal	803,258	1,189,649	1,189,034	(615)	195,798
TOTAL REVENUES	10,683,206	11,323,103	11,421,776	98,673	10,809,227
EXPENDITURES					
Instruction					
Salaries	4,081,470	4,267,119	4,139,645	127,474	3,841,732
Employee Benefits	1,417,082	1,395,478	1,406,591	(11,113)	1,479,101
Purchased Services	116,676	104,096	132,345	(28,249)	177,042
Supplies and Materials	200,400	378,178	336,442	41,736	190,761
Property	49,878	738,809	749,816	(11,007)	248,394
Total Instruction	5,865,506	6,883,680	6,764,839	118,841	5,937,030
Supporting Services					
Salaries	1,559,263	1,600,030	1,657,821	(57,791)	1,531,020
Employee Benefits	564,673	548,805	562,078	(13,273)	602,979
Purchased Services	2,161,235	2,208,212	2,171,872	36,340	2,266,424
Supplies and Materials	324,911	241,738	238,667	3,071	249,529
Property	-	-	-	-	18,682
Other	207,618	165,638	37,643	127,995	40,050
Total Supporting Services	4,817,700	4,764,423	4,668,081	96,342	4,708,684
TOTAL EXPENDITURES	10,683,206	11,648,103	11,432,920	215,183	10,645,714
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES					
	-	(325,000)	(11,144)	313,856	163,513
OTHER FINANCING USES					
Transfers In (Out)	-	325,000	225,000	(100,000)	-
NET CHANGE IN FUND BALANCE	-	-	213,856	213,856	163,513
FUND BALANCE, Beginning	2,145,953	2,082,934	2,082,934	-	1,919,421
FUND BALANCE, Ending	<u>\$ 2,145,953</u>	<u>\$ 2,082,934</u>	<u>\$ 2,296,790</u>	<u>\$ 213,856</u>	<u>\$ 2,082,934</u>

See the accompanying independent auditors' report.

BROMLEY EAST CHARTER SCHOOL

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
SCHOOL DISTRICT TRUST FUND

Years Ended December 31,

	2013	2014	2015	2016	2017	2018	2019	2020
School's proportion of the Net Pension Liability	0.073%	0.073%	0.075%	0.085%	0.094%	0.085%	0.085%	0.098%
School's proportionate share of the Net Pension Liability	\$ 9,330,233	\$ 9,903,243	\$ 11,536,855	\$ 25,362,332	\$ 30,320,200	\$ 15,067,584	\$ 12,760,233	\$ 14,872,370
State of Colorado Proportionate Share of the Net Pension Liability associated with the School	-	-	-	-	-	2,060,283	2,049,960	-
Total portion of the Net Pension Liability associated with the School	9,330,233	9,903,243	11,536,855	25,362,332	30,320,200	17,127,867	14,810,193	14,872,370
School's covered payroll	\$ 2,953,310	\$ 3,059,164	\$ 3,287,351	\$ 3,823,174	\$ 4,324,845	\$ 4,686,273	\$ 5,018,217	\$ 5,259,568
School's proportionate share of the Net Pension Liability as a percentage of its covered payroll	315.9%	323.7%	350.9%	663.4%	701.1%	321.5%	254.3%	282.8%
Plan fiduciary net position as a percentage percentage of the total pension liability	64.1%	62.8%	59.2%	43.1%	44.0%	57.0%	64.5%	67.0%

Notes:

This schedule is reported as of December 31, as that is the plan year end.

This schedule will report ten years of data when it is available.

See the accompanying independent auditors' report.

BROMLEY EAST CHARTER SCHOOL
 SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
 SCHOOL DIVISION TRUST FUND

Years Ended June 30,

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Statutorily required contributions	\$ 477,775	\$ 534,466	\$ 615,948	\$ 769,603	\$ 841,164	\$ 926,211	\$ 999,626	\$ 1,074,954
Contributions in relation to the Statutorily required contributions	<u>477,775</u>	<u>534,466</u>	<u>615,948</u>	<u>769,603</u>	<u>841,164</u>	<u>926,211</u>	<u>999,626</u>	<u>1,074,954</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered payroll	\$ 2,990,236	\$ 3,165,904	3,472,324	4,185,954	\$ 4,455,494	\$ 4,841,667	\$ 5,158,054	\$ 5,407,213
Contributions as a percentage of covered payroll	15.98%	16.88%	17.74%	18.39%	18.88%	19.13%	19.38%	19.88%

Notes:

This schedule will report ten years of data when it is available.

See the accompanying independent auditors' report.

BROMLEY EAST CHARTER SCHOOL

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

Years Ended December 31,

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
School's proportion of the Net Pension Liability	0.053%	0.055%	0.056%	0.057%
School's proportionate share of the Net Pension Liability	\$ 692,319	\$ 752,461	\$ 627,305	\$ 540,448
School's covered payroll	\$ 4,490,196	\$ 4,686,273	\$ 5,018,217	\$ 5,259,568
School's proportionate share of the Net Pension Liability as a percentage of its covered payroll	15.4%	16.1%	12.5%	10.3%
Plan fiduciary net position as a percentage of the total pension liability	17.53%	17.03%	24.49%	32.78%

Notes:

This schedule is reported as of December 31, as that is the plan year end.

This schedule will report ten years of data when it is available.

See the accompanying independent auditors' report.

BROMLEY EAST CHARTER SCHOOL

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
HEALTH CARE TRUST FUND

Years Ended June 30,

	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Statutorily required contributions	\$ 45,446	\$ 49,385	\$ 52,612	\$ 52,655
Contributions in relation to the Statutorily required contributions	<u>45,446</u>	<u>49,385</u>	<u>52,612</u>	<u>52,655</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered payroll	\$ 4,479,009	\$ 4,841,667	\$ 5,158,054	\$ 5,158,054
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%

Notes:

This schedule will report ten years of data when it is available.

See the accompanying independent auditors' report.

INDIVIDUAL FUND FINANCIAL STATEMENTS

BROMLEY EAST CHARTER SCHOOL

AGENCY FUND - STUDENT ACTIVITY FUND
 STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
 Year Ended June 30, 2021

	BALANCE JULY 1, 2020	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2021
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
ASSETS				
Cash	\$ 135,789	\$ 52,311	\$ 17,574	\$ 170,526
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
LIABILITIES				
Accounts Payable - Due to Student Groups	\$ 135,789	\$ 52,311	\$ 17,574	\$ 170,526
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

See the accompanying independent auditors' report.

BROMLEY EAST CHARTER SCHOOL

STUDENT ACTIVITY FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended June 30, 2021

	2021		VARIANCE Positive (Negative)	2020 ACTUAL
	ORIGINAL AND FINAL BUDGET	ACTUAL		
REVENUES				
Local Sources				
Student Groups	\$ 166,328	\$ 52,311	\$ (114,017)	\$ 147,002
TOTAL REVENUES	166,328	52,311	(114,017)	147,002
EXPENDITURES				
Student Groups	166,328	17,574	148,754	111,820
TOTAL EXPENDITURES	166,328	17,574	148,754	111,820
CHANGE IN NET POSITION	-	34,737	34,737	35,182
NET POSITION, Beginning	135,789	135,789	-	100,607
NET POSITION, Ending	\$ 135,789	\$ 170,526	\$ 34,737	\$ 135,789

See the accompanying independent auditors' report.