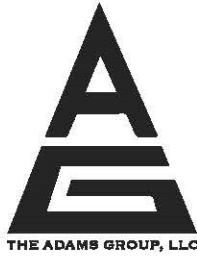


ACADEMY CHARTER SCHOOL
BASIC FINANCIAL STATEMENTS
For the Year Ended June 30, 2021

ACADEMY CHARTER SCHOOL
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For the Year Ended June 30, 2021

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CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Board of Directors
Academy Charter School
Castle Rock, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of the Academy Charter School, a component unit of Douglas County School District, No. Re. 1, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Academy Charter School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

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 and each major fund of the Academy Charter School, as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, required pension information, required OPEB information, and budgetary comparison schedules, as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it 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.

The Adams Group, LLC

October 4, 2021
Denver, Colorado

ACADEMY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

As management of Academy Charter School (ACS or the School), we offer readers of Academy Charter School's financial statements our narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2021.

Financial Highlights

The year ended June 30, 2021, is the twenty-seventh year of operations for ACS. As of June 30, 2021, net position increased by \$2,799,913 to \$(4,154,084). This deficit net position is the result of the implementation of Governmental Accounting Standards Board Statement (GASB) Nos. 68 and 75. Further information about GASB Statement Nos. 68 and 75 are provided in Notes 8 & 9 of the financial statements.

The operations of the School are funded primarily by per pupil funding received under the Colorado School Finance Act. Per pupil revenue for the year was \$5,192,736. At the close of the fiscal year, Academy Charter School's governmental funds reported a combined ending fund balance of \$5,578,111, an increase of \$267,361 from prior year. This increase is the result of the recognition of grant funds which were received in 2020 and expended in 2021.

Overview of the Financial Statements

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

Government-Wide Financial Statements

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

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

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

ACADEMY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

The government-wide statement of activities distinguishes functions/programs of the school supported primarily by per pupil revenue or other revenues passed through from the authorizer (Douglas County School District). The governmental activities of the School include instruction and supporting services.

Fund Financial Statements

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

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

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

The school adopts annually appropriated budgets for all governmental funds. A budgetary comparison schedule for each governmental fund has been provided herein.

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 14-45.

Government-Wide Financial Analysis

As previously noted, net position may serve over time as a useful indicator of the School's financial position. In the case of Academy Charter School, liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources resulting in a net position of \$(4,154,084) for the year ended June 30, 2021. Again, this is directly related to the pension and OPEB liabilities reporting requirement under GASB Statement Nos. 68 & 75. Of the School's total net position, \$192,074 is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. Accordingly, these funds are not available to satisfy the School's general operating expenses.

ACADEMY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

**Academy Charter School's Statement of Net Position
Governmental Activities**

	2021	2020
<u>Assets</u>		
Current and other assets	\$ 5,995,278	\$ 5,918,738
Capital assets	6,020,986	6,034,407
Total Assets	12,016,264	11,953,145
<u>Deferred Outflows of Resources</u>		
Loss on refunding	384,247	408,262
Related to pension	2,819,905	987,754
Related to OPEB	26,966	20,363
Total Deferred Outflows of Resources	3,231,118	1,416,379
<u>Liabilities</u>		
Current and other liabilities	685,210	871,415
Noncurrent liabilities	14,612,649	13,739,102
Total Liabilities	15,297,859	14,610,517
<u>Deferred Inflows of Resources</u>		
Related to pension	3,988,703	5,629,735
Related to OPEB	114,904	83,269
Total Deferred Inflows of Resources	4,103,607	5,713,004
<u>Net Position</u>		
Net investment in capital assets	1,241,409	1,016,483
Restricted:		
Emergencies	192,074	200,419
Debt service	592,479	596,744
Unrestricted	(6,180,046)	(8,767,643)
Total Net Position	\$ (4,154,084)	\$ (6,953,997)

The largest portion of the School's assets consists of capital assets, at 50% of total assets in 2021. In addition, the increase in the noncurrent liabilities from 2020 to 2021 is a result of an increase in the net pension liability as outlined in Note 8 to the financial statements.

ACADEMY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

**Academy Charter School's Statement of Activities
Governmental Activities**

	2021	2020
<u>Program revenue:</u>		
Charges for services	\$ 169,435	\$ 236,631
Operating grants and contributions	329,280	56,599
Capital grants and contributions	201,053	184,459
Total program revenue	699,768	477,689
 <u>General revenue:</u>		
Per pupil revenue	5,192,736	5,442,257
Mill levy revenue	785,432	770,699
Investment earnings	27,575	39,320
Other	66,152	7,263
Total general revenue	6,071,895	6,259,539
 Total revenue	6,771,663	6,737,228
 <u>Expenses:</u>		
Current:		
Instruction	2,092,579	3,037,461
Supporting services	1,668,098	1,681,974
Interest and fiscal charges	211,073	220,150
Total expenses	3,971,750	4,939,585
 Change in net position	2,799,913	1,797,643
 Net Position, Beginning	(6,953,997)	(8,751,640)
 Net Position, Ending	\$ (4,154,084)	\$ (6,953,997)

The largest portion of the School's revenues came from per pupil revenue – 77% in 2021.

Financial Analysis of the Government's Funds

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

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

ACADEMY CHARTER SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
June 30, 2021

As of the end of the current year, the School's General fund reported an ending fund balance of \$4,951,825, an increase of \$272,959 from the prior year. The increase is a result of federal grant funding passed through the Douglas County School District in 2020, which was recognized as revenue in the current year. Unassigned fund balance decreased \$528,943 due to an increase in assigned fund balance related to capital reserves.

As of the end of the current year, the School's Special Revenue fund reported an ending fund balance of \$626,286, a decrease of \$5,598 from the prior year.

General Fund Budgetary Highlights

The School approves a budget no later than June, based on enrollment projections for the following school year. Adjustments are made to the budget in October after enrollment stabilizes. The School approves an amended and/or supplemental budget during the year. Original General Fund Budget (including transfers) was \$6,341,545 and was adjusted to \$6,695,347. Actual expenditures, including transfers out, were below budgeted expenditures by \$227,889.

Capital Assets and Debt Administration

Capital Assets: Including the building and land of the School, capital assets net of accumulated depreciation was \$6,020,986. Depreciation expenses for capital assets are booked under the Supporting Services expense function within the Statement of Activities.

Long-term Debt: The School participates in a long-term lease agreement with the Castle Rock Lifelong Learning Center. As of June 30, 2021, the School had \$5,610,527 in outstanding debt (including the outstanding premium).

Economic Factors and Next Year's Budget

The primary factor driving the budget for Academy Charter School is student enrollment. Enrollment for the 2020-2021 school year was 664.50 funded students. This information was analyzed as part of the 2021 – 2022 budget which is projecting a 679 funded student count. The COVID pandemic continues through the 2021 – 2022 school year. It is unknown at this time the effect the pandemic will have on the School and the additional resources required.

Requests for Information

This financial report is designed to provide a general overview of Academy 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 the School:

Academy Charter School
1551 Prairie Hawk Drive
Castle Rock, CO 80109

BASIC FINANCIAL STATEMENTS

ACADEMY CHARTER SCHOOL
STATEMENT OF NET POSITION
June 30, 2021

	Governmental Activities
<u>Assets</u>	
Cash and investments	\$ 5,334,708
Restricted cash and investments	601,114
Accounts receivable	11,893
Prepaid items	47,563
Capital assets, not depreciated	1,427,700
Capital assets, net of depreciation	4,593,286
Total Assets	12,016,264
 <u>Deferred Outflows of Resources</u>	
Loss on refunding	384,247
Related to pension	2,819,905
Related to OPEB	26,966
Total Deferred Outflows of Resources	3,231,118
 <u>Liabilities</u>	
Accounts payable	104,728
Accrued salaries and benefits	295,649
Other liabilities	15,735
Accrued interest	8,635
Unearned revenue	1,055
Noncurrent liabilities:	
Due within one year	259,408
Due in more than one year	5,351,119
Pension liability	8,936,721
OPEB liability	324,809
Total Liabilities	15,297,859
 <u>Deferred Inflows of Resources</u>	
Related to pension	3,988,703
Related to OPEB	114,904
Total Deferred Outflows of Resources	4,103,607
 <u>Net Position</u>	
Net investment in capital assets	1,241,409
Restricted:	
Emergencies	192,074
Debt service	592,479
Unrestricted	(6,180,046)
Total Net Position	\$ (4,154,084)

See accompanying Notes to Financial Statements.

ACADEMY CHARTER SCHOOL
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
Governmental Activities:					
Instruction	\$ 2,092,579	\$ 81,055	\$ 329,280	\$ -	\$ (1,682,244)
Supporting services	1,668,098	88,380	-	201,053	(1,378,665)
Interest and fiscal charges	211,073	-	-	-	(211,073)
Total Governmental Activities	\$ 3,971,750	\$ 169,435	\$ 329,280	\$ 201,053	(3,271,982)
GENERAL REVENUES:					
					5,192,736
					785,432
					27,575
					66,152
Total General revenues					6,071,895
					2,799,913
					(6,953,997)
					\$ (4,154,084)

See accompanying Notes to Financial Statements.

ACADEMY CHARTER SCHOOL
BALANCE SHEET – GOVERNMENTAL FUNDS
June 30, 2021

	General Fund	Special Revenue Fund	Total Governmental Funds
<u>Assets</u>			
Cash and investments	\$ 5,309,536	\$ 25,172	\$ 5,334,708
Restricted cash and investments	-	601,114	601,114
Accounts receivable	11,893	-	11,893
Prepaid items	47,563	-	47,563
Total Assets	<u>\$ 5,368,992</u>	<u>\$ 626,286</u>	<u>\$ 5,995,278</u>
<u>Liabilities and fund balances</u>			
Liabilities:			
Accounts payable	\$ 104,728	\$ -	\$ 104,728
Other liabilities	15,735	-	15,735
Accrued salaries and benefits	295,649	-	295,649
Unearned revenue	1,055	-	1,055
Total Liabilities	<u>417,167</u>	<u>-</u>	<u>417,167</u>
Fund balances:			
Nonspendable			
Prepaid items	47,563	-	47,563
Restricted:			
Emergencies	192,074	-	192,074
Debt service	-	601,114	601,114
Committed:			
Scholarship	-	25,172	25,172
Assigned			
Capital Reserve	3,600,000	-	3,600,000
Unassigned	1,112,188	-	1,112,188
Total Fund Balances	<u>4,951,825</u>	<u>626,286</u>	<u>5,578,111</u>
Total Liabilities and Fund Balances	<u>\$ 5,368,992</u>	<u>\$ 626,286</u>	<u>\$ 5,995,278</u>

See accompanying Notes to Financial Statements.

ACADEMY CHARTER SCHOOL
RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET
TO THE STATEMENT OF NET POSITION
June 30, 2021

Total fund balance, governmental funds	\$	5,578,111
<p>Amounts reported for governmental activities in the statement of net position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore, are not reported in the governmental funds.</p>		6,020,986
<p>Long-term liabilities, including loans payable are not due and payable in the current period, and therefore, are not reported in governmental funds.</p>		
Bonds payable		(5,220,000)
Premium on bonds payable		(390,527)
Accrued interest payable		(8,635)
OPEB liability		(324,809)
Net pension liability		(8,936,721)
<p>Deferred outflows of resources used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.</p>		
Related to pension		2,819,905
Related to OPEB		26,966
Loss on refunding		384,247
<p>Deferred inflows of resources used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.</p>		
Related to pension		(3,988,703)
Related to OPEB		(114,904)
Total net position of governmental activities	\$	<u><u>(4,154,084)</u></u>

See accompanying Notes to Financial Statements.

ACADEMY CHARTER SCHOOL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES – GOVERNMENTAL FUNDS
For the Year Ended June 30, 2021

	General Fund	Special Revenue Fund	Total Governmental Funds
<u>Revenues</u>			
Local sources	\$ 6,163,035	\$ -	\$ 6,163,035
Federal and state sources	530,333	-	530,333
Investment earnings	27,464	111	27,575
Other	12,726	-	12,726
Total revenues	<u>6,733,558</u>	<u>111</u>	<u>6,733,669</u>
<u>Expenditures</u>			
Current			
Instruction	3,420,780	-	3,420,780
Supporting services	2,356,838	1,000	2,357,838
Capital outlay	245,840	-	245,840
Debt Service:			
Principal	-	230,000	230,000
Interest and other charges	-	211,850	211,850
Total expenditures	<u>6,023,458</u>	<u>442,850</u>	<u>6,466,308</u>
Excess (deficiency) of revenues over expenditures	710,100	(442,739)	267,361
<u>Other financing sources and (uses)</u>			
Transfers in	6,859	444,000	450,859
Transfers out	(444,000)	(6,859)	(450,859)
Total other financing sources and (uses)	<u>(437,141)</u>	<u>437,141</u>	<u>-</u>
Net change in fund balances	272,959	(5,598)	267,361
Fund Balances - Beginning	<u>4,678,866</u>	<u>631,884</u>	<u>5,310,750</u>
Fund Balances - Ending	<u>\$ 4,951,825</u>	<u>\$ 626,286</u>	<u>\$ 5,578,111</u>

See accompanying Notes to Financial Statements.

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

Net change in fund balances - total governmental funds: \$ 267,361

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

Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and are allocated over their estimated useful lives as annual depreciation expense in the statement of activities.

Capital outlay	245,840
Donated assets	37,994
Depreciation expense	(297,255)

The issuance of long-term debt provides current financial resources to funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds.

Neither transaction, however, has any effect on net position.

Principal payments	230,000
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Governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, were as these amounts are deferred and amortized in the statement of activities.

Amortization of premium	24,408
Amortization of loss on refunding	(24,015)

Interest payable on debt is not recorded on the fund statements because it is not a current use of cash. Interest is accrued on the government-wide statements since the liability is to be paid in the near term.

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Some items reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. The (increases) decreases in these activities consist of:

OPEB income	30,964
Pension income	2,284,232

Change in net position of governmental activities	\$ 2,799,913
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See accompanying Notes to Financial Statements.

ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Academy Charter School (the “School”) was formed in 1993 pursuant to the Colorado Charter Schools Act to form and operate a charter school within Douglas County School District, No. Re 1 (the District). The School receives the majority of its revenues from the District. A charter school is part of a local school district that is a political subdivision of the State of Colorado.

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

Reporting Entity

The School is a component unit of the District which grants the charter and provides the majority of the funding to the School. 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.

As required by accounting principles generally accepted in the United States of America, these basic financial statements present the financial activities of the School and its component unit. A component unit is a legally separate organization for which the School is financially accountable or that provides services to the School. The School follows the GASB accounting pronouncements, which provide guidance for determining the governmental activities, organizations, and functions that should be included within the financial reporting entity. GASB pronouncements set forth the financial accountability of a governmental organization’s governing body as the basic criterion for including a possible component governmental organization in a primary government’s legal entity. Financial accountability includes, but is not limited to, appointment of a voting majority of the organization’s governing body, ability to impose its will on the organization, a potential for the organization to provide specific financial benefits or burdens and fiscal dependency. Based upon the application of these criteria, the following organization is included in the School’s reporting entity.

Castle Rock Lifelong Learning Center (CRLLC)

CRLLC is a not-for-profit organization as defined by Section 501(c)(3) of the internal revenue code. The purpose of the CRLLC is to provide a mechanism to issue and pay debt on behalf of the School. The CRLLC is considered to be part of the School’s for financial reporting purposes because its resources are entirely for the direct benefit of the School and is blended into the School’s financial statements as a special revenue fund. As part of its ongoing responsibilities, the CRLLC provides the School with monthly financial statements. CRLLC does not prepare separate financial statements.

ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the 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.

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

Fund Financial Statements

The accounts of the School are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues, and expenditures. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The major funds presented in the accompanying basic financial statements are as follows:

Major Governmental 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.

Special Revenue Fund – This fund is used to account for the activity of CRLLC, funded primarily from transfers from the general fund.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The accounting and financial reporting treatment applied to a fund is determined by its measurement focus. 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.

ACADEMY 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)

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, operating statements present increases and decreases in net current assets and fund balance as a measure of available spendable resources. This means that only current liabilities are generally included on their balance sheets.

All governmental funds use the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period, or soon thereafter, to pay liabilities of the current period. Revenues are considered to be available if collected within 60 days after year-end.

Grants and entitlement revenues are recognized when compliance with the matching requirements are met. A receivable is established when the related expenditures exceed revenue receipts and a deferred inflow of resources account is established when receipts exceed the related expenditures.

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

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

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position

Cash & Investments – Investments are reported net asset value or amortized cost depending on the type of investment.

Receivables – Receivables consists primarily of amounts owed from state and local governments and other local entities. They are reported at their gross value, and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Prepaid Items – Certain payments to vendors reflect costs applicable to future years and are reported as prepaid items. Prepayments are recorded using the consumption method where services are allocated over appropriate service periods.

ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position (Continued)

Capital Assets - Capital assets, which include land, construction in progress, the School's building and building improvements, and 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 acquisition cost or estimated acquisition cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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. Capital assets of the School are depreciated over an estimated useful life ranging from 10 to 45 years.

Deferred Outflows of Resources – The School's governmental activities report a separate section for deferred outflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period. The School reports deferred outflows of resources related to GASB Statement Nos. 68 and 75 and a deferred loss on refunding. See Notes 6, 8 and 9 for additional information.

Long-Term Debt – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. 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/expenses.

Net Pension Liability – The School's governmental activities report a net pension liability as of June 30, 2021. The School is required to report their proportionate share of PERA's unfunded pension liability. See Note 8 for additional information.

Postemployment Benefits Other Than Pensions (OPEB) – For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Health Care Trust Fund (HCTF) administered by the Public Employees' Retirement Association of Colorado (PERA) and additions to/deductions from the HCTF's fiduciary net position have been determined on the same basis as they are reported by the HCTF. For this purpose, the HCTF recognizes benefit payments when due and payable in accordance with benefit terms. Investments are reported at fair value. See Note 9 for additional information.

ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position (Continued)

Deferred Inflows of Resources – The School’s governmental activities report a separate section for deferred inflows of resources. This separate financial statement element reflects a decrease in net position that applies to a future period. The School reports deferred inflows of resources related to GASB Statement Nos. 68 and 75. See Notes 8 and 9 for additional information.

Net Position – In the government-wide financial statements, net position is restricted when constraints placed on the net position are externally imposed. The School has a deficit net position of \$4,154,084. Negative net position is caused by the School’s participation in PERA. Management anticipates that the Net Position will become positive as the State of Colorado and PERA continue to work to fully fund the pension.

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 fund can be spent. The classifications used in the governmental fund financial statements are as follows:

Nonspendable - This classification includes amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. The School had \$47,563 in nonspendable resources as of June 30, 2021.

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. Restricted balance related to Emergency Reserves as of June 30, 2021, is \$192,074. The Special Revenue Fund has debt service restrictions totaling \$601,114 as of June 30, 2021, due to the Series 2016 Bonds.

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 (i.e. resolution) that was employed when the funds were initially committed.

ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources and Fund Balance/Net Position (Continued)

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 has \$25,172 committed as of June 30, 2021, for the School's Lifelong Learning Scholarship.

Assigned – This classification includes amounts that are subject to a purpose constraint that represents an intended use but does not meet the criteria to be classified as restricted or committed. Only the Board may assign fund balances for specific purposes. The purpose of this assignment must be narrower than the purpose of the general fund, and in funds other than the general fund, assigned fund balance represents the residual amount of fund balance. The School reported assigned fund balance of \$3,600,000 for capital reserve as of June 30, 2021.

Unassigned – This classification includes the residual fund balance for the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available, the School considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned or unassigned fund balances are available, the School considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed, unless the Board has provided otherwise in its commitment or assignment actions.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

A budget is adopted for the general fund and special revenue fund for fiscal year 2021, on a basis consistent with generally accepted accounting principles.

Management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1st. The budget is adopted by the Board of Directors prior to June 30th. The budget and supplemental appropriations are submitted to the District.

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.

ACADEMY CHARTER SCHOOL
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2021

NOTE 3 – CASH AND INVESTMENTS

Cash and investments as of June 30, 2021, consist of the following:

Cash deposits	\$	4,830,994
Restricted cash and investments		601,114
Investments		503,714
Total	\$	<u><u>5,935,822</u></u>

Cash Deposits

The School’s deposits are governed by Colorado Statute. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local governments deposit cash in eligible public depositories. Eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. The pool for all uninsured public deposits as a group is to be maintained by another institution or held in trust. The fair value of the collateral must be at least equal to 102% of the uninsured deposits.

Investments

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local governments may invest, which include:

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

Investments at June 30, 2021, consist of the following:

Local government investment pools	\$	82,627
Certificates of deposit		421,087
Money market funds		601,114
	\$	<u><u>1,104,828</u></u>

ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

Interest Rate Risk

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

Credit Risk

State law limits investments for school districts to U.S. Treasury issues, other federally backed notes and credits, and other agency offerings without limitation. Other investment instruments including bank obligations, general obligation bonds, and commercial paper are limited to at least one of the highest rating categories of at least one nationally recognized rating agency. State law further limits investments in money market funds that are organized according to the Federal Investment Company Act of 1940, as specified in rule 2a-7, as amended, as long as such rule does not increase remaining maturities beyond a maximum of three years. Investments in these funds require that the institutions have assets in excess of \$1 billion or the highest credit rating from one or more of a nationally recognized rating agency.

Concentration of Credit Risk

State statutes do not limit the amount the School may invest in one issuer, except for corporate securities.

Federated Treasury Obligations

At June 30, 2021, the School invested \$601,114 in the MSILF Treasury Fund #8354, a money market mutual fund which, complies with the Rule 2a-7 definition of a government money market fund. The Fund is rated AAAM by Standard & Poor's and is valued at amortized cost. Based on the valuation method, additional disclosures are not required under fair value hierarchy.

Local Government Investment Pools

The School had invested \$82,627 in the Colorado Government Liquid Asset Trust (ColoTrust) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS+. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rated commercial paper and any security allowed under CRS 24-75-601.

ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 3 – CASH AND INVESTMENTS (CONTINUED)

A designated custodial bank serves as custodian for the Trust’s portfolios pursuant to a custodian agreement. The custodian acts as safekeeping agent for the Trust’s investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian’s internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor’s. COLOTRUST records investments at fair value and the School records investments in COLOTRUST at net asset value. There are no unfunded commitments, the redemption frequency is daily, and there is no redemption period.

Restricted Cash and Investments

Investments in the amount of \$601,114 are restricted in the special revenue fund for debt service requirements, as a result of the Series 2016 bond issuance. This balance is made up of accounts set up for the payment of principal and interest in the amount of \$154,411. In addition, the School is required to maintain a bond reserve account of \$446,700. At June 30, 2021, this account had a balance of \$446,703.

NOTE 4 – CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021, is summarized below:

	Balances June 30, 2020	Additions	Deletions	Balances June 30, 2021
Governmental Activities:				
Capital Assets, Not Being Depreciated				
Land	\$ 1,354,756	\$ -	\$ -	\$ 1,354,756
Construction in progress	79,513	72,944	79,513	72,944
Total capital assets, not depreciated	1,434,269	72,944	79,513	1,427,700
Capital Assets, Being Depreciated				
Buildings and improvements	6,875,361	252,409	39,150	7,088,620
Land improvements	1,127,166	-	-	1,127,166
Equipment	149,876	37,994	123,459	64,411
Total capital assets, depreciated	8,152,403	290,403	162,609	8,280,197
Accumulated depreciation				
Buildings and improvements	(2,722,992)	(218,563)	(39,150)	(2,902,405)
Land improvements	(701,498)	(67,818)	-	(769,316)
Equipment	(127,775)	(10,874)	(123,459)	(15,190)
Total accumulated depreciation	(3,552,265)	(297,255)	(162,609)	(3,686,911)
Net capital assets, depreciated	4,600,138	587,658	325,218	4,593,286
Net capital assets	\$ 6,034,407	\$ 660,602	\$ 404,731	\$ 6,020,986

Depreciation of \$297,255 has been charged to the Supporting Services function of the School.

ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 5 – ACCRUED SALARIES AND BENEFITS

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from July - June but are earned during a school year of ten months. The salaries and benefits earned, but unpaid, as of June 30, 2021, were \$295,649 as reported 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:

	Balances <u>June 30, 2020</u>	<u>Additions</u>	<u>Deletions</u>	Balances <u>June 30, 2021</u>	Due In <u>One Year</u>
Bond payable - Series 2016	\$ 5,450,000	\$ -	\$ 230,000	\$ 5,220,000	\$ 235,000
Bond premium	414,935	-	24,408	390,527	24,408
Total	<u>\$ 5,864,935</u>	<u>\$ -</u>	<u>\$ 254,408</u>	<u>\$ 5,610,527</u>	<u>\$ 259,408</u>

2016 Bonds Payable

In May 2016, the Colorado Education and Facilities Authority (CECFA) issued \$6,125,000 Charter School Revenue Refunding Bonds, Series 2016A and \$85,000 Taxable Charter School Revenue Refunding Bonds, Series 2016B. Proceeds from the bonds were used to advance refund the CECFA's outstanding 2006 Bonds. The School is required to make lease payments to the CRLLC for the use of the building. The CRLLC is required to make equal lease payments to the Trustee, for payment of the bonds. The bonds are subject to redemption prior to maturity, at the option of the Authority, as a whole or in part in authorized denominations on December 15, 2026, and any date thereafter, upon direction by the Corporation and upon payment of par plus accrued interest through the date of redemption. Interest accrues at a rate ranging from 1.75% to 5.0% per year. Interest payments are due semi-annually on June 15 and December 15. Principal payments are due annually on December 15, through 2036.

See Note 3 for certain restricted cash reserves to be maintained relating to the School's bonds payable.

ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 6 – LONG-TERM DEBT (CONTINUED)

The balance outstanding on the bonds at June 30, 2021, was \$5,220,000. Future debt service requirements to maturity for the long-term debt transactions are as follows:

<u>Year ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 235,000	\$ 202,550	\$ 437,550
2023	245,000	192,950	437,950
2024	255,000	182,950	437,950
2025	265,000	172,550	437,550
2026	275,000	161,750	436,750
2027 - 2031	1,570,000	615,300	2,185,300
2032 - 2036	1,950,000	235,851	2,185,851
2037	425,000	6,988	431,988
	<u>\$ 5,220,000</u>	<u>\$ 1,770,889</u>	<u>\$ 6,990,889</u>

NOTE 7 – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of June 30, 2021, is as follows:

	<u>Transfer Out</u>	<u>Transfer In</u>	<u>Amount</u>
Interfund transfers:		Special	
	General Fund	Revenue Fund	\$ 444,000
		Special	
	Revenue Fund	General Fund	6,859
Total			<u>\$ 450,859</u>

Interfund transfer activity relates to the School’s general fund subsidizing debt service payments to the Special Revenue Fund for payment of the School’s bonds payable as discussed in Note 6.

NOTE 8 – DEFINED BENEFIT PENSION PLAN

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

ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to certain benefit provisions. Most of these changes were in effect for the year ended June 30, 2021. A full copy of the bill can be found online at www.leg.colorado.gov.

General Information about the Pension Plan

Plan Description: Eligible employees of the School are provided with pensions through the School Division Trust Fund (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 are 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 that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided: 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 (HAS) 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 annualized into a monthly benefit based on life expectancy and other actuarial factors.

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

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

ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 five 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, there are no annual increases (AI) for 2019 and 2020 for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007, will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S. § 24-51-413. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007, will receive the lessor of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25 percent based on the parameters specified 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: Eligible employees of the School and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, et seq and § 24-51-413. Eligible employees are required to contribute 9.5 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:

ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

	January 1, 2020 Through June 30, 2020	July 1, 2020 Through June 30, 2021
Employer Contribution Rate ¹	10.40 %	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)%	(1.02)%
Amount Apportioned to the SCHDTF	9.38 %	9.88 %
Amortization Equalization Disbursement (AED) as Specified in C.R.S. § 24-51-411	4.50 %	4.50 %
Supplemental Amortization Equalization Disbursement (SAED) as Specified in C.R.S. § 24-51-411	5.50 %	5.50 %
Total Employer Contribution Rate to the SCHDTF	<u>19.38 %</u>	<u>19.88 %</u>

¹Rates are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

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

House Bill (HB) 20-1379 was passed into law during the 2020 legislative session and signed by Governor Polis on June 29, 2020. This bill suspends the July 1, 2020, \$225 million direct distribution allocated to the State, School, Judicial, and DPS Divisions, as required under Senate Bill 18-200. Due to the aforementioned suspension of the July 1, 2020, direct distribution payment, the nonemployer contributing entity's proportion presented for the current year 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.

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 for the School were \$625,380 for the year ended June 30, 2021.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources

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 updated procedures were used to roll-forward the total pension liability to December 31, 2020.

ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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.

At June 30, 2021, the School reported a liability of \$8,936,721 for its proportionate share of the net pension liability. At December 31, 2020, the School’s proportion was 0.05911%, which was an increase of 0.00725% from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the School recognized pension income of \$2,279,448. 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	\$ 491,028	\$ -
Changes of Assumptions or other Inputs	859,685	1,502,187
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	1,967,176
Changes in Proportion and Differences between Contributions Recognized and Proportionate Share of Contributions	1,161,538	519,340
Contributions Subsequent to the Measurement Date	<u>307,654</u>	<u>-</u>
Total	<u>\$ 2,819,905</u>	<u>\$ 3,988,703</u>

\$307,654 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:

<u>Year Ended June 30,</u>	<u>Amount</u>
2022	\$ (1,536,997)
2023	532,561
2024	(161,683)
2025	<u>(310,333)</u>
Total	<u>\$ (1,476,452)</u>

ACADEMY CHARTER SCHOOL
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2021

NOTE 8 – DEFINED BENEFIT PENSION PLAN (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 Assumptions
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 January 1, 2007; and DPS Benefit Structure (Compounded Annually)	1.25%
PERA Benefit Structure hired after December 31, 2006 ¹	Financed by the Annual Increase Reserve (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.

ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 8 – DEFINED BENEFIT PENSION PLAN (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 Assumptions
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%
Future Post Retirement Benefit Increases:	
PERA Benefit Structure Hired Prior to January 1, 2007; and DPS Benefit Structure (Compounded Annually)	1.25%
PERA Benefit Structure hired after December 31, 2006 ¹	Financed by the Annual Increase Reserve (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.

Salary scale assumptions were revised to align with revised economic assumptions and to reflect actual experience more closely. Rates of termination/withdrawal, retirement, and disability were revised to reflect actual experience more closely. The pre-retirement mortality assumptions were based upon the PubT-2010 Employee Table with generational projection using scale MP-2019.

ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
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NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Several factors were 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 by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

The 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30-Year Expected Geometric Real Rate of Return</u>
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	<u>100.00 %</u>	

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 rate of return assumption of 7.25 percent.

Discount Rate: The discount rate used to measure the total pension liability was 7.25 percent. The basis for the projection of liabilities and the FNP used to determine the discount rate was an actuarial valuation performed as of December 31, 2019, and the financial status of the Trust Fund as of the prior measurement date (December 31, 2019). In addition, the following methods and assumptions were used in the projection of cash flows:

ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

- 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 provides an annual direct distribution of \$225 million, which commenced July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded. HB 20-1379 suspended the \$225 million 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.
- 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 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.

ACADEMY CHARTER SCHOOL
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2021

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Based on the above assumptions and methods, the Trust Fund'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%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage-point lower (6.25%) or one percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate Share of the Net Pension Liability	\$ 12,190,420	\$ 8,936,721	\$ 6,225,318

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

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS

General Information about the OPEB Plan

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

ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Benefits Provided. The HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit.

For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the HCTF and the Denver Public Schools Health Care Trust Fund (DPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

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

Eligibility to enroll in PERACare is voluntary and includes, among others, benefit recipients and their eligible dependents, as well as certain surviving spouses, divorced spouses, and guardians. 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.

ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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 Trust Fund or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

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 \$32,087 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 \$324,809 for its proportionate share of the net OPEB liability. The net OPEB liability 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 0.03418%, which was an increase of 0.00030% from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the School recognized OPEB income of \$31,119. At June 30, 2021, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Expected and Actual Experience	\$ 862	\$ 71,409
Changes of Assumptions or other Inputs	2,427	19,917
Net Difference between Projected and Actual		
Earnings on Pension Plan Investments	-	13,272
Changes in Proportion and Differences between		
Contributions Recognized and Proportionate Share		
of Contributions	7,892	10,306
Contributions Subsequent to the Measurement Date	15,785	-
Total	<u>\$ 26,966</u>	<u>\$ 114,904</u>

\$15,785 reported as deferred outflows of resources related to OPEB resulting from the School's contributions subsequent to the measurement date will be recognized as a reduction in 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:

<u>Year Ended June 30,</u>	<u>Amount</u>
2022	\$ (23,429)
2023	(21,572)
2024	(25,995)
2025	(24,192)
2026	(8,032)
Thereafter	(503)
Total	<u>\$ (103,723)</u>

ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Actuarial Assumptions: The total OPEB liability in the December 31, 2019, actuarial valuation was determined using the following 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 the 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% for 2020, gradually increasing to 4.50% in 2029

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 are assumed for 2020 for the PERA Benefit Structure:

Medicare Plan	Initial Costs for Members without Medicare Part A		
	Monthly Cost	Monthly Premium	Monthly Cost Adjusted to Age 65
Medicare Advantage/Self-Insured Rx	\$ 588	\$ 227	\$ 550
Kaiser Permanente Medicare Advantage HMO	621	232	586

The 2020 Medicare Part A premium is \$458 per month. All costs are subject to the health care cost trend rates, as discussed below.

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

ACADEMY CHARTER SCHOOL
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2021

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Year	PERACare Medicare Plans	Medicare Part A Premiums
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 State Division, School Division, Local Government Division, and Judicial Division Trust Funds as shown below were applied, as applicable, in the December 31, 2019 valuation for the Trust Fund. Affiliated employers of these Division Trust Funds in the Trust Fund.

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 55 percent factor applied to female rates.

Post-retirement non-disabled mortality assumptions for State and Local Government Divisions used in the December 31, 2019, valuation were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

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

Post-retirement non-disabled mortality assumptions for School and Judicial Divisions used in the December 31, 2019, valuation were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

- **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, 2011, 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, a 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.

	Trust Fund			
	State Division	School Division	Local Government Division	Judicial Division
	Entry age	Entry age	Entry age	Entry age
Actuarial cost method				
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.

ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

Rates of terminations/withdrawal, retirement, and disability were revised to reflect actual experience more closely. The pre-retirement mortality assumptions for the School Division were based upon the PubT-2010 Employee 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 beneficiary mortality assumptions were based upon the Pub-2010 Continent 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 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. 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.

ACADEMY CHARTER SCHOOL
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2021

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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.
- 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 for 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30-Year Expected Geometric Real Rate of Return</u>
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	<u>100.00 %</u>	

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

ACADEMY CHARTER SCHOOL
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2021

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

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.

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%
Proportionate Share of the Net OPEB Liability	<u>\$ 316,414</u>	<u>\$ 324,809</u>	<u>\$ 334,582</u>

Discount Rate: The discount rate used to measure the total OPEB liability was 7.25 percent. The basis for the projection of liabilities and the FNP used to determine the discount rate was an actuarial valuation performed as of December 31, 2019, and the financial status of the HCTF as of the prior measurement date (December 31, 2019). 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.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.

ACADEMY CHARTER SCHOOL
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2021

NOTE 9 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (CONTINUED)

- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the HCTF 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 OPEB 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 period.

Sensitivity of the School's proportionate share of the net OPEB liability to changes in the discount rate: The following presents the HCTF collective net OPEB liability calculated using the discount rate of 7.25 percent as of the measurement date, as well as 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):

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate Share of the Net OPEB Liability	\$ 372,074	\$ 324,809	\$ 284,424

OPEB Plan Fiduciary Net Position: Detailed information about the HCTF plan's fiduciary net position is available in the separately issued comprehensive annual financial report issued by PERA. That report can be obtained at www.copera.org/investments/pera-financial-reports.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Claims and Judgements

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, 2020, 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 of the School.

Tabor

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.

ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 10 - COMMITMENTS AND CONTINGENCIES (CONTINUED)

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 \$192,074 was recorded as restricted fund balance in the General Fund.

NOTE 11 - 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 this coverage in any of the past three fiscal years.

REQUIRED SUPPLEMENTARY INFORMATION

ACADEMY CHARTER SCHOOL
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended June 30, 2021

	Budget		Actual	Variance
	Original	Final		Positive (Negative)
<u>Revenues</u>				
Local sources				
Per pupil operating revenue	\$ 5,172,485	\$ 5,139,273	\$ 5,192,736	\$ 53,463
Mill levy override	785,726	784,643	785,432	789
Tuition and fees	118,750	64,334	81,055	16,721
Pupil activities	97,285	68,267	88,380	20,113
Gifts and contributions	38,400	35,000	15,432	(19,568)
Earnings on investments	12,500	27,141	27,464	323
Other revenue	6,500	4,500	12,726	8,226
Federal and state sources				
Grants and donations	185,670	498,997	530,333	31,336
Total revenues	<u>6,417,316</u>	<u>6,622,155</u>	<u>6,733,558</u>	<u>111,403</u>
<u>Expenditures</u>				
Current				
Salaries	3,229,999	3,382,472	3,397,708	(15,236)
Employee benefits	1,145,710	1,171,328	1,094,632	76,696
Purchased services	1,472,615	877,004	915,351	(38,347)
Supplies and materials	226,856	306,938	245,833	61,105
Property	160,250	403,488	360,125	43,363
Other	106,115	110,976	9,809	101,167
Total expenditures	<u>6,341,545</u>	<u>6,252,206</u>	<u>6,023,458</u>	<u>228,748</u>
<u>Other financing sources and (uses)</u>				
Transfers in	-	-	6,859	6,859
Transfers out	-	(443,141)	(444,000)	(859)
Total other financing sources and (uses)	<u>-</u>	<u>(443,141)</u>	<u>(437,141)</u>	<u>6,000</u>
Net change in fund balances	75,771	(73,192)	272,959	(111,345)
Fund Balances - Beginning	4,228,076	4,678,866	4,678,866	-
Fund Balances - Ending	<u>\$ 4,303,847</u>	<u>\$ 4,605,674</u>	<u>\$ 4,951,825</u>	<u>\$ (111,345)</u>

ACADEMY CHARTER SCHOOL
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - SPECIAL REVENUE FUND
For the Year Ended June 30, 2021

	Original and Final Budget	Actual	Variance Positive (Negative)
<u>Revenues</u>			
Local sources			
Investment income	\$ -	\$ 111	\$ 111
Other revenue	-	-	-
Total revenues	<u>-</u>	<u>111</u>	<u>111</u>
<u>Expenditures</u>			
Administrative and supporting services	1,000	1,000	-
Debt service			
Principal	230,000	230,000	-
Interest	211,850	211,850	-
Total expenditures	<u>442,850</u>	<u>442,850</u>	<u>-</u>
<u>Other financing sources and (uses)</u>			
Transfers in	-	444,000	444,000
Transfers out	<u>(6,859)</u>	<u>(6,859)</u>	<u>-</u>
Total other financing sources and (uses)	<u>(6,859)</u>	<u>437,141</u>	<u>444,000</u>
Net change in fund balances	(449,709)	(5,598)	444,111
Fund balances - beginning	631,884	631,884	-
Fund balances - ending	<u>\$ 182,175</u>	<u>\$ 626,286</u>	<u>\$ 444,111</u>

**ACADEMY CHARTER SCHOOL
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
LAST EIGHT FISCAL YEARS**

Fiscal Year	<u>2020</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Plan Measurement Date	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016	December 31, 2015	December 31, 2014	December 31, 2013
School's Proportion of the Net Pension Liability	0.05911%	0.05186%	0.05372%	0.06171%	0.05989%	0.04163%	0.06577%	0.0650%
School's Proportionate Share of the Net Pension Liability	\$ 8,936,721	\$ 7,747,770	\$ 9,512,825	\$ 19,955,901	\$ 17,830,927	\$ 6,367,656	\$ 8,914,681	\$ 8,314,028
State's Proportionate Share of the Net Pension Liability associated with the School **	-	982,702	1,300,747	-	-	-	-	-
Total	<u>\$ 8,936,721</u>	<u>\$ 8,730,472</u>	<u>\$ 10,813,572</u>	<u>\$ 19,955,901</u>	<u>\$ 17,830,927</u>	<u>\$ 6,367,656</u>	<u>\$ 8,914,681</u>	<u>\$ 8,314,028</u>
School's Covered Payroll	\$ 3,160,996	\$ 3,046,305	\$ 2,859,015	\$ 2,846,760	\$ 2,687,864	\$ 1,653,518	\$ 2,715,488	\$ 2,627,720
School's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	282.72%	254.33%	332.73%	701.00%	663.39%	385.10%	328.29%	316.40%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	66.99%	64.52%	57.01%	43.96%	43.10%	59.20%	62.80%	64.06%

* The amounts presented for each fiscal year were determined as of December 31 based on the measurement date of the Plan. Information earlier than 2014 was not available.

** A direct distribution provision to allocate funds from the State of Colorado budget to Colorado PERA on an annual basis began in July 2018 based on Senate Bill 18-200.

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

ACADEMY CHARTER SCHOOL
SCHEDULE OF PENSION CONTRIBUTIONS AND RELATED RATIOS
LAST SEVEN FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually Required Contribution	\$ 625,380	\$ 617,612	\$ 564,998	\$ 565,020	\$ 511,167	\$ 453,526	\$ 453,380
Contributions in Relation to the Contractually Required Contribution	<u>625,380</u>	<u>617,612</u>	<u>564,998</u>	<u>565,020</u>	<u>511,167</u>	<u>453,526</u>	<u>453,380</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered Payroll	\$ 3,145,752	\$ 3,186,838	\$ 2,953,465	\$ 2,992,690	\$ 2,781,106	\$ 2,557,961	\$ 2,759,465
Contributions as a Percentage of Covered Payroll	19.88%	19.38%	19.13%	18.88%	18.38%	17.73%	16.43%

ACADEMY CHARTER SCHOOL
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
LAST FIVE FISCAL YEARS

Fiscal Year	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Plan Measurement Date	December 31, 2020	December 31, 2019	December 31, 2018	December 31, 2017	December 31, 2016
School's Proportion (Percentage) of the Collective Net OPEB Liability	0.03418%	0.03388%	0.03492%	0.03507%	0.03404%
School's Proportionate Share of the Collective Net OPEB Liability	\$ 324,809	\$ 380,805	\$ 475,108	\$ 455,709	\$ 441,348
School's Covered Payroll	\$ 3,160,996	\$ 3,046,305	\$ 2,859,015	\$ 2,846,760	\$ 2,687,864
School's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll Covered Payroll	10.28%	12.50%	16.62%	16.01%	16.42%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	32.78%	24.49%	17.03%	17.53%	16.72%

* The amounts presented for each fiscal year were determined as of December 31 based on the measurement date of the Plan. Information earlier than 2017 was not available.

ACADEMY CHARTER SCHOOL
SCHEDULE OF OPEB CONTRIBUTIONS AND RELATED RATIOS
LAST FIVE FISCAL YEARS

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required Contribution	\$ 32,087	\$ 32,506	\$ 30,125	\$ 30,525	\$ 28,367
Contributions in Relation to the Contractually Required Contribution	<u>32,087</u>	<u>32,506</u>	<u>30,125</u>	<u>30,525</u>	<u>28,367</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered Payroll	\$ 3,145,752	\$ 3,186,838	\$ 2,953,465	\$ 2,992,690	\$ 2,781,106
Contributions as a Percentage of Covered Payroll	1.02%	1.02%	1.02%	1.02%	1.02%