DCS Montessori Charter School

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

Financial Statements

June 30, 2021

HINKLE & COMPANY PC

Strategic Business Advisors

DCS Montessori Charter School

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

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June 30, 2021

HINKLE & COMPANY PC
Strategic Business Advisors

Independent Auditors' Report

Board of Directors
DCS Montessori Charter School
Castle Pines, Colorado

We have audited the accompanying financial statements of the governmental activities, and each major fund of the DCS Montessori Charter School, a component unit of Douglas County School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the basic financial statements of the DCS Montessori Charter School, as listed in the table of contents.

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

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

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

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

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Opinions

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

Other Matters

Required Supplementary Information

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

Hinkle & Company, PC

Greenwood Village, Colorado
October 27, 2021.

DCS Montessori Charter School
(A component unit of the Douglas County School District RE 1, of Douglas County, Colorado)
Management's Discussion and Analysis (Unaudited)
As of and for the Year Ended June 30, 2021

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

Financial Highlights

DCS Montessori Charter School just completed its 24th year of operations. The combined liabilities and deferred inflows of the DCS Montessori Charter School and the Montessori Educational Foundation of Douglas County exceeded its combined assets and deferred outflows at the close of the most recent fiscal year by $7,067,256 (negative net position), reflecting an increase in the net position of $2,237,272 or 24%. This is which an improvement in the negative net position over the prior year. The negative net position is primarily due to the implementation of the Governmental Accounting Standards Board Statement (GASB) 68, a pension related accounting standard and GASB 75, other post-employment benefits (OPEB) statement. The School is now required to recognize its proportionate share of the unfunded pension obligation for the Public Employees' Retirement Association's School Division Trust Fund, which significantly improved over the prior year. The combined pension and OPEB impacts on net position are $8,647,379 compared with $10,755,276 in FY20.

The DCS Montessori Charter School General Fund ending balance increased by $110,215 to $1,433,410 or the equivalent of 99 days of operating expense. This increase represents 2.04% of annual General Fund revenue/transfers in and 8.3% of beginning fund balance. The increase exceeded the planned original budget change by $103,423.

Overview of Financial Statements

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

Government-wide Financial Statements

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

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

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

The government-wide statement of activities distinguishes functions/programs of the DCS Montessori Charter School supported primarily by State Per-Pupil Revenue (PPR) or property taxes passed through from the Douglas County School District RE-1. The governmental activities of the DCS Montessori Charter School include instruction and supporting services expense.

The government-wide financial statements can be found on pages 3 and 4 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The DCS Montessori Charter School, like other governmental units or charter schools, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The two funds of the School, General and Building, are both governmental funds. In past years, the Building Fund was reported as a proprietary fund but will now support GASB Statement 90 and be reported as a Special Revenue or governmental fund.

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, in addition to balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School's near-term financing requirements.

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

The School maintains two governmental funds, the General Fund and a Special Revenue Fund or Building Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and Building Fund.

The DCS Montessori Charter School Board approves an annual adopted and revised budget for the general fund. A budgetary comparison statement has been provided to demonstrate compliance with the budget and shown on page 40.

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 8-36.

Government-wide Financial Analysis
As noted earlier, net position may serve over time as a useful indicator of a government's financial condition. In the case of the DCS Montessori Charter School, liabilities and deferred inflows exceeded assets and deferred outflows by $7,067,256 at the close of the most recent fiscal year. The negative balance in net position is due primarily to the adoption of GASB Statements 68 and 75, resulting in a net pension liability of $10,387,559 and net OPEB liability of $367,717, representing the School's proportionate share of the plan's net pension and OPEB liabilities.

Consolidated Net Position at June 30, 2021 and 2020 respectively:

	Governmental Activities June 30, 2021	Governmental Activities June 30, 2020
Cash and Investments	$ 1,918,137	$ 1,926,869
Restricted Cash and Investments	1,123,795	1,134,018
Other Assets	21,414	24,436
Capital Assets	5,942,865	6,215,843
Total Assets	9,006,211	9,301,166
Deferred Outflows of Resources, Loss on Debt Refunding	2,091,465	1,140,392
Current Liabilities	305,905	462,371
Accrued Interest	163,557	159,088
Building Debt	7,263,022	7,563,210
Net Pension/OPEB Liability	7,266,489	6,865,224
Total Liabilities	14,998,973	15,049,893
Deferred Inflows of Resources	3,165,959	4,696,193
Net Position		
Net Inv. in Capital Assets	(1,013,761)	(1,013,116)
Restricted for Debt Service	1,116,506	828,135
Restricted for Repairs and Replacement	150,128	152,108
Restricted	162,948	173,789
Unrestricted	(7,483,077)	(9,445,444)
Total Net Position	(7,067,256)	(9,304,528)

All cash and investments represent 33.8% of the consolidated (School and Foundation) assets. Capital assets represent 65.9% of the consolidated assets. The consolidated liabilities include the net pension/OPEB liability (48.44% of total liabilities), debt (48.42%), accrued interest (1.1%), unearned revenue and accounts payable/accrued salaries and benefits (2%).

Governmental Activities Net Position
For the Year Ended June 30, 2021 and 2020 respectively:

	Governmental Activities June 30, 2021	Governmental Activities June 30, 2020
Program Revenue:		
Charges for Services	$ 1,726,503	$ 1,297,609
Operating Grants and Contributions	221,180	60,817
Total Program Revenue	1,947,683	1,358,426
General Revenue:		
Per Pupil Revenue	3,402,712	3,688,450
Mill Levy Revenue	514,165	524,901
Capital Construction	131,615	126,040
Interest Earnings	3,661	57,449
Grants-Contributions not Restricted	135,214	154,838
Miscellaneous	39,739	5,344
Total General Revenue	4,227,106	4,557,022
Total Revenue	6,174,789	5,915,448
Expenses:		
Current:		
Instruction	1,660,494	1,848,968
Supporting Services	1,900,224	2,080,367
Building Corporation	376,799	763,219
Total Expenses	3,937,517	4,692,554
Increase (Dec.) in Net Position	2,237,272	1,222,894
Beginning Net Position	(9,304,528)	(10,527,422)
Ending Net Position	$ (7,067,256)	$ (9,304,528)

Net position, which is a very good indicator of financial performance, improved during FY21 by $2,237,272 or 24%. The increase was primarily due to the decrease in the Net Pension and OPEB liability of 19.6%. Total Assets decreased $294,955 or 3.2% and attributed to depreciation expense of $303,378. Entity wide facility debt decreased $300,000 or 4%.

Financial Analysis of the School's Funds
As noted earlier, the DCS Montessori Charter 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 DCS Montessori Charter School's financing requirements. In particular, the unassigned fund balance may serve as a useful measure of the School's net resources available for spending at the end of, or during, the fiscal year. As of June 30, 2021, the School's general fund reported an ending fund balance of $1,433,410, an increase of 8.3% or $110,215. The increase can be attributed to additional Federal support directed at COVID impact mitigation.

Foundation - Building Fund The Foundation is now reported as a special revenue fund the Building Fund in line with GASB Statement 80 and 90. Overall the Fund Balance position of the Building Fund increased $24,274 from $1,299,757 to $1,324,031 or 1.9%. Expenditures of the Building Fund primarily consisted of principal and interest payments totaling $644,663.

General Fund Budgetary Highlights

The School approves a budget in June based on enrollment projections for the following school year. In October after enrollment stabilizes, adjustments are made to the budget. Total FY21 final expenditure appropriations for the general fund were $5,431,613 with actual expenditures of $5,303,431 resulting in a positive variance of $128,182.

Capital Asset and Debt Administration:

Capital Assets Total Government-Wide capital assets including land totaled $10,802,656. Total depreciation taken for the period ending June 30, 2021 was $303,378. Accumulated depreciation was $4,859,791 which resulted in net capital assets of $5,942,865. Asset additions included new doors with an approximate cost of $30,400.

Long-term Debt The School participates in a long-term lease agreement with the Montessori Educational Foundation of Douglas County. Annual rental payments are made to the Foundation ranging from $633,925 to $728,812. The prior debt issued for the School's facility (2002) was refunded in July of 2012 with two major purposes: 1) To lower the annual debt service and, 2) To produce funding for the new Middle School Program's expansion and capital construction needs. As part of the refunding, a Project Fund of $966,709 was created to support the construction of the new Middle School building. Additionally, to free-up funds for the Middle School Program's initial capital needs, the first three years of debt service was approximately $50,000 lower than the average annual debt service for future years.

The Foundation services the new debt with interest accruing at rates ranging from 2% to 5%. The debt matures in July 2037. $300,000 in debt was retired in FY21. Please refer to note 4 in the Notes to the Financial Statements for additional details.

Economic Factors and Next Year's Budget

Enrollment and Per Pupil Revenue remain the key components driving the budget preparation process each year. Funding increases the last three years have helped to chip away at the State's unfunded Budget Stabilization factor (currently $571.2 million). Enrollment has been relatively flat the last five years as the School is operating at capacity.

DC Montessori CDE Student Count Summary											
	Pre-K	Full-Day K	1st	2nd	3rd	4th	5th	6th	7th	8th	K-8 Count
FY17	112	60	61	54	53	47	58	39	33	34	551
FY18	103	62	57	62	55	52	43	50	31	29	544
FY19	104	67	58	54	59	52	53	40	36	26	549
FY20	104	66	67	57	49	56	46	42	34	35	556
FY21	93	67	55	57	55	47	51	37	34	32	528

The Per Pupil Revenue (PPR) for FY21 decreased on average 5.4% State wide due to the pandemic. Douglas County School District PPR declined from $8,217 to $7,763 or 5.5%. We are experiencing a rebound in Colorado's economy, K-12 funding for FY22 increased on average 10.71%. The State revenue collections include corporate and individual income taxes, excise taxes, and sales tax. All tax collections have rebounded and did not decline as much as anticipated in FY21. As we have seen this year (FY22), Federal support continues to support COVID mitigation and enhance the overall per pupil funding. Clearer direction on K-12 funding for FY23 will be available with the Governor's budget due to be released in November.

Requests for Information

This financial report is designed to provide a general overview of the DCS Montessori 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 DCS Montessori Charter School, Rachel Bonin, 311 Castle Pines Parkway, Castle Pines, CO 80108.

Basic Financial Statements

DCS Montessori Charter School

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

Statement of Net Position

June 30, 2021

	Governmental Activities
Assets	
Cash and Investments	$ 1,918,137
Restricted Cash and Investments	1,123,795
Accounts Receivable	12,141
Prepaid Expenses	9,273
Capital Assets*, Not Being Depreciated*	508,415
Capital Assets*, Net of Accumulated Depreciation*	5,434,450
Total Assets	9,006,211
Deferred Outflows of Resources	
Pensions*, Net of Accumulated Amortization*	1,762,811
OPEB, *Net of Accumulated Amortization*	22,258
Loss on Debt Refunding*, Net of Accumulated Amortization*	306,396
Total Deferred Outflows of Resources	2,091,465
Liabilities	
Accounts Payable	34,121
Accrued Salaries and Benefits	188,340
Unearned Revenues	83,444
Accrued Interest Payable	163,557
Noncurrent Liabilities	
Due Within One Year	305,000
Due in More Than One Year	6,958,022
Net Pension Liability	7,011,474
Net OPEB Liability	255,015
Total Liabilities	14,998,973
Deferred Inflows of Resources	
Pensions*, Net of Accumulated Amortization*	3,061,819
OPEB, *Net of Accumulated Amortization*	104,140
Total Deferred Inflows of Resources	3,165,959
Net Position	
Net Investment in Capital Assets	(1,013,761)
Restricted for:	
Debt Service	1,116,506
Repair and Replacement	150,128
Emergencies	162,948
Unrestricted	(7,483,077)
Total Net Position	$ (7,067,256)

See Notes to Financial Statements.

DCS Montessori Charter School

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

Statement of Activities

For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Change in Net Position
Primary Government				
Governmental Activities				
Instruction	$ 1,660,494	$ 1,011,292	$ 221,180	$ (428,022)
Supporting Services	1,900,224	715,211	-	(1,185,013)
Interest on Long-Term Debt	376,799	-	-	(376,799)
Total Governmental Activities	$ 3,937,517	$ 1,726,503	$ 221,180	(1,989,834)
	General Revenues			
	Per Pupil Revenue			3,402,712
	District Mill Levy			514,165
	Capital Construction			131,615
	Grants and Contributions not Restricted to Specific Programs			135,214
	Investment Income			3,661
	Other			39,739
	Total General Revenues			4,227,106
	Change in Net Position			2,237,272
	Net Position, *Beginning of year*			(9,304,528)
	Net Position, *End of year*			$ (7,067,256)

See Notes to Financial Statements.

DCS Montessori Charter School

(A Component Unit of Douglas County School District RE.1)
Balance Sheet
Governmental Fund
June 30, 2021

	General	Foundation	Total
Assets			
Cash and Investments	$ 1,720,732	$ 197,405	$ 1,918,137
Restricted Cash and Investments	-	1,123,795	1,123,795
Accounts Receivable	11,359	782	12,141
Prepaid Expenditures	7,224	2,049	9,273
Total Assets	$ 1,739,315	$ 1,324,031	$ 3,063,346
Liabilities and Fund Balance			
Liabilities			
Accounts Payable	$ 34,121	$ -	$ 34,121
Accrued Salaries and Benefits	188,340	-	188,340
Unearned Revenues	83,444	-	83,444
Total Liabilities	305,905	-	305,905
Fund Balance			
Nonspendable Prepaid Expenditures	7,224	2,049	9,273
Restricted for:			
Emergencies	162,948		162,948
Debt Service		973,667	973,667
Repair and Replacement		150,128	150,128
Assigned to:			
Legal Costs	5,000		5,000
Replacements	45,000		45,000
Special Education	60,000		60,000
Unrestricted, Unassigned	1,153,238	198,187	1,351,425
Total Fund Balance	1,433,410	1,324,031	2,757,441
Total Liabilities and Fund Balance	$ 1,739,315	$ 1,324,031	$ 3,063,346

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Total Fund Balance of the Governmental Fund	$ 2,757,441
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	5,942,865
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds.	
Loss on Debt Refunding, Net of Accumulated Amortization	306,396
Accrued interest payable	(163,557)
Long term debt	(7,263,022)
Net pension liability	(7,011,474)
Pension-related deferred outflows of resources	1,762,811
Pension-related deferred inflows of resources	(3,061,819)
Net OPEB liability	(255,015)
OPEB-related deferred outflows of resources	22,258
OPEB-related deferred inflows of resources	(104,140)
Total Net Position of Governmental Activities	$ (7,067,256)

See Notes to Financial Statements.

DCS Montessori Charter School

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

Statement of Revenues, Expenditures and Changes in Fund Balance

Governmental Fund

For the Year Ended June 30, 2021

	General	Foundation	Total
Revenues			
Local Sources			
Per Pupil Revenue	$ 3,402,712	$ -	$ 3,402,712
District Mill Levy	514,165	-	514,165
Student Fees and Activities	1,011,292	-	1,011,292
Contributions	15,505	119,709	135,214
Rental Income	67,763	647,448	715,211
Investment Income	2,743	918	3,661
Other	39,739	-	39,739
State Sources			
Capital Construction	131,615	-	131,615
Grants	67,370	-	67,370
Federal Sources			
Grants	153,810	-	153,810
Total Revenues	5,406,714	768,075	6,174,789
Expenditures			
Instruction	3,304,654	-	3,304,654
Supporting Services	1,998,777	92,206	2,090,983
Debt Service			
Principal	-	300,000	300,000
Interest	-	344,663	344,663
Total Expenditures	5,303,431	736,869	6,040,300
Excess of Revenues Over (Under) Expenditures	103,283	31,206	134,489
Other Financing Sources			
Transfers In (Out)	6,932	(6,932)	-
Net Change in Fund Balance	110,215	24,274	134,489
Fund Balance, *Beginning of Year*	1,323,195	1,299,757	2,622,952
Fund Balance, *End of year*	$ 1,433,410	$ 1,324,031	$ 2,757,441

See Notes to Financial Statements.

DCS Montessori Charter School

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

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance
of the Governmental Fund to the Statement of Activities
For the Year Ended June 30, 2021

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Net Change in Fund Balance of the Governmental Fund	$ 134,489
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Depreciation expense	(303,378)
Capital outlay	30,400
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities. Repayments of debt principal are expenditures in governmental funds, but they reduce long-term liabilities in the statement of net position and do not affect the statement of activities.	
Loan Payments and Premium Amortization	300,188
Loss on Refunding Amortization	(27,855)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This includes changes in the following.	
Accrued Interest Payable	(4,469)
Net pension liability	(468,012)
Pension-related deferred outflows of resources	977,092
Pension-related deferred inflows of resources	1,567,996
Net OPEB liability	66,746
OPEB-related deferred outflows of resources	1,836
OPEB-related deferred inflows of resources	(37,761)
Change in Net Position of Governmental Activities	$ 2,237,272

Note 1: Summary of Significant Accounting Policies

The DCS Montessori Charter School (the School) was organized in 1997 pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Douglas County School District (the District) in the State of Colorado.

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

Reporting Entity

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

The School includes the Montessori Educational Foundation of Douglas County (the Foundation) within its reporting entity. The Foundation is a non-profit organization established to provide educational activities that are not typically budgeted in the School's fiscal plan. The Foundation nurtures relationships between business, educational, governmental, and charitable organizations for the purpose of enhancing education for the School. The Foundation was also formed to obtain financing for School facilities which may not be available to the School directly. The Foundation is blended into the School's financial statements as a Special Revenue Fund. Separate financial statements are not issued.

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

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the School. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

Note 1: Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements *(Continued)*

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Available means collected within the current year or soon enough thereafter to pay liabilities of the current year, not to exceed 60 days. Intergovernmental revenues, grants, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the School. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

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

Note 1: Summary of Significant Accounting Policies (Continued)

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

The School reports the following major governmental fund:

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

Special Revenue Fund - This fund is used to account for the activities of the Foundation, including fundraising and the financing of educational facilities.

Assets, Liabilities and Net Position/Fund Balance

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

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

Inventory - Grocery scrip inventory is stated at average cost. Inventory is recorded as an asset when individual items are purchased and as an expense when consumed.

Prepaid Expenses - Certain payments to vendors reflect costs applicable to future years and are reported as prepaid expenses.

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

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

Land Improvements	15 years
Buildings and Improvements	40 years
Furniture and Equipment	5 - 7 years

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

Compensated Absences - Employees are allowed to accumulate unused personal/sick time. Employees may elect to be paid for the accumulated unused personal/sick time at the conclusion of the school year at the rate of $80 per day for salaried staff and $40 for every four hours for classified staff. Accumulated but unpaid personal/sick time is not paid upon termination of employment. Therefore, no liability is reported in the financial statements for these compensated absences.

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

Issuance costs, whether or not withheld from the debt proceeds, are reported as current expenses or expenditures.

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

Note 1: Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Net Position/Fund Balance *(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 as of June 30, 2021.

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

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

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

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 purchases commercial insurance for these risks of loss.

Implementation of New Accounting Pronouncements

For the year ended June 30, 2021, the School Implemented GASB Statement No. 80 - *Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*. This statement changes Building Corporations of the School from a Proprietary to a Special Revenue fund and will be a blended component unit of the School.

Note 1: Summary of Significant Accounting Policies (Continued)

Prior Period Adjustments

The Foundation is part of the School for financial reporting purposes because its resources are entirely for the direct benefit of the School and is blended into the School's financial statements as a Special Revenue Fund. Separate financial statements are not available.

The financial impact for the changes in fund effects on the financial statement opening balances of the Special Revenue Fund are summarized as follows:

Foundation Fund	As Originally Stated Balance 06/30/20	Capital Assets Adjustments	Loan Payable Adjustments	Interest Payable Adjustments	As Restated Balance 06/30/20
Balance Sheet					
Assets					
Cash and Investments	$ 158,569	$ -	$ -	$ -	$ 158,569
Restricted Cash and Investments	1,134,018	-	-	-	1,134,018
Accounts Receivable	5,313	-	-	-	5,313
Prepaid Expenses	1,857	-	-	-	1,857
Capital Assets	6,089,583	(6,089,583)	-	-	-
Loss on Debt Refunding	334,251	-	(334,251)	-	-
Liabilities					
Accrued Interest Payable	(159,088)	-	-	159,088	-
Loan Payable	(7,563,210)	-	7,563,210	-	-
Fund Balance	$ 1,293	$ (6,089,583)	$ 7,228,959	$ 159,088	$ 1,299,757

Subsequent Events

The School has evaluated subsequent events through October 27, 2021, the date the financial statements were available to be issued.

Note 2: Cash and Investments

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

Deposits	$ 227,805
Investments	2,814,127
Total	$ 3,041,932

Note 2: Cash and Investments (Continued)

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

Cash and Investments	$	1,918,137
Restricted Cash and Investments		1,123,795
Total	$	3,041,932

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

Investments

The School is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk.

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

At June 30, 2021, the School and the Foundation had the following investments:

		Investment Maturities (in Years)			
Investment Type	**S&P Rating**	**Less than 1**	**1 - 5**	**More Than 5**	**Total**
Uninvested Cash	NA	$ 444	$ -	$ -	$ 444
Brokered Certificate of Deposit	NA	-	167,176	-	167,176
U.S. Agency Securities	AA+	-	60,001	-	60,001
Local Government Investment Pc	AAAm	2,586,506	-	-	2,586,506
Total		$ 2,586,950	$ 227,177	$ -	$ 2,814,127

Note 2: Cash and Investments (Continued)

<u>Investments</u> *(Continued)*

Fair Value Measurements - The School reports its investments using the fair value measurements established by generally accepted accounting principles. As such, a fair value hierarchy categorizes the inputs used to measure the fair value of the investments into three levels. Level 1 inputs are quoted prices in active markets for identical investments; Level 2 inputs include quoted prices in active markets for similar investments, or other observable inputs; and Level 3 inputs are unobservable inputs. At June 30, 2021, the investments in U.S. Agency securities were measured utilizing quoted prices in active markets for similar investments (Level 2 inputs). The external investment pool was reported at the net asset value per share.

Interest Rate Risk - State statutes generally limit investments to an original maturity of five years from the date of purchase unless the governing board authorizes the investment for a period in excess of five years.

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

Concentration of Credit Risk - State statutes do not limit the amount the School may invest in a single issuer of investment securities, except for corporate securities. At June 30, 2021, the School's investment in the Federal National Mortgage Association represented 5% of total investments.

Local Government Investment Pool - At June 30, 2021, the School and the Foundation had $2,586,506 invested in the Colorado Surplus Asset Fund Trust (CSAFE), an investment vehicle established by State statutes for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating CSAFE. CSAFE operates in conformity with the Securities and Exchange Commission's Rule 2a-7, with each share valued at $1. CSAFE is rated AAAm by Standard and Poor's. Investments of CSAFE are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

<u>Restricted Cash and Investments</u>

Cash and investments of $1,123,795 have been restricted by the Foundation's loan agreement for future debt service and facility repair and replacement.

Note 3: Capital Assets

Changes in capital assets for the year ended June 30, 2021, are summarized below:

Governmental Activities	Balance 6/30/20	Additions	Deletions	Balance 6/30/21
Capital Assets, *Not Being Depreciated*				
Land	$ 508,415	$ -	$ -	$ 508,415
Capital Assets, *Being Depreciated*				
Land Improvements	355,877	-	-	355,877
Buildings and Improvements	9,373,625	30,400	-	9,404,025
Furniture and Equipment	534,339	-	-	534,339
Total Capital Assets, *Being Depreciated*	10,263,841	30,400	-	10,294,241
Less Accumulated Depreciation				
Land Improvements	(149,344)	(23,725)	-	(173,069)
Buildings and Improvements	(4,072,097)	(241,759)	-	(4,313,856)
Furniture and Equipment	(334,972)	(37,894)		(372,866)
Total Accumulated Depreciation	(4,556,413)	(303,378)	-	(4,859,791)
Total Capital Assets, *Being Depreciated, Net*	5,707,428	(272,978)	-	5,434,450
Governmental Activities Capital Assets, *Net*	$ 6,215,843	$ (272,978)	$ -	$ 5,942,865

Depreciation expense of the governmental activities was charged to the supporting services program.

Note 4: Long-Term Debt

Following is a summary of the long-term debt transactions for the year ended June 30, 2021.

Governmental Activities	Balance 6/30/20	Additions	Payments	Balance 6/30/21	Due Within One Year
2012 Revenue Refunding Bon	$ 7,560,000	$ -	$ (300,000)	$ 7,260,000	$ 305,000
Premium	3,210	-	(188)	3,022	-
Total	$ 7,563,210	$ -	$ (300,188)	$ 7,263,022	$ 305,000

In July 2012, the Colorado Educational and Cultural Facilities Authority issued $9,420,000 Charter School Refunding and Improvement Bonds. Proceeds were used to refund the outstanding Charter School Revenue Refunding Bonds, Series 2002, originally loaned to the Foundation to purchase and construct the School's education facilities, and to finance the construction of facilities to accommodate the middle school component of the School.

Note 4: Long-Term Debt (Continued)

The School is obligated under a lease agreement to make monthly lease payments to the Foundation for using the facilities. The Foundation is required to make equal loan payments to the Trustee, for payment of the bonds. The bonds accrue interest at rates ranging from 2% to 5%. Principal and interest payments are due semi-annually on January 15 and July 15, through July 15, 2037.

Future debt service requirements for the bonds are as follows:

Year Ended June 30,	Principal	Interest	Total
2022	305,000	334,913	639,913
2023	315,000	324,919	639,919
2024	330,000	312,800	642,800
2025	350,000	299,400	649,400
2026	355,000	285,300	640,300
2027-2031	2,050,000	1,175,800	3,225,800
2032-2036	2,630,000	607,125	3,237,125
2037-2038	925,000	46,750	971,750
Total	$ 7,260,000	$ 3,387,007	$ 10,647,007

Note 5: Defined Benefit Pension Plan

General Information

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

Benefits Provided - 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 under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is 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:

a) Highest average salary multiplied by 2.5% and then multiplied by years of service credit.

Note 5: Defined Benefit Pension Plan (Continued)

General Information *(Continued)*

b) 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.

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

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

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

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.
As of December 31, 2020, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S., once certain criteria are met. Pursuant to SB 18-200, eligible benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007, and all benefit recipients of the DPS benefit structure will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S. § 24-51-413. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the lessor of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25 percent based on the parameters specified in C.R.S. § 24-51-413.

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

Note 5: Defined Benefit Pension Plan (Continued)

General Information *(Continued)*

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

Contributions Provisions as of June 30, 2021 - Eligible employees, 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 10.00% of their PERA-includable salary during the period of July 01, 2020 through June 30, 2021. The School's contribution rate was 20.90% of covered salaries for July 01, 2020 through June 30, 2021. However, a portion of School's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 6). Contribution rates for the SCHDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-208(1)(f).

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the School were $506,158, for the year ended June 30, 2021.

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

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

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

Note 5: Defined Benefit Pension Plan (Continued)

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

At June 30, 2021, the School reported a net pension liability of $7,011,474, representing its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the School as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the School were as follows:

School Proportionate share of net pension liability	$	7,011,474
The State's proportionate share of net pension liability as a nonemployer contributing entity associated with the School		-
Proportionate share of the net pension liability	$	7,011,474

At December 31, 2020, the School's proportion was 0.0463783674%, which was an increase of 0.0025794494% from its proportion measured at December 31, 2019.

For the year ended June 30, 2021, the School recognized a pension benefit of $1,510,022. There was no support from the State as a nonemployer contributing entity.

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 385,245	$ -
Changes of assumptions and other inputs	674,482	1,178,570
Net difference between projected and actual earnings on plan investments		1,543,384
Changes in proportion	413,077	339,865
Contributions subsequent to the measurement date	290,007	-
Total	$ 1,762,811	$ 3,061,819

Note 5: Defined Benefit Pension Plan (Continued)

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

School contributions subsequent to the measurement date of $290,007 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	
2022	$ (1,373,800)
2023	265,616
2024	(237,355)
2025	(243,476)
Total	$ (1,589,015)

Actuarial Assumptions - The actuarial valuation as of December 31, 2019, determined the total pension liability using the following actuarial assumptions and other inputs.

Actuarial cost method	Entry age
Price inflation	2.4%
Real wage growth	1.1%
Wage inflation	3.5%
Salary increases, including wage inflation	3.5% - 9.7%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
Hired prior to 1/1/2007	1.25%
Hired after 12/31/2006	Financed by AIR

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

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

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

Note 5: Defined Benefit Pension Plan (Continued)

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

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

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 the PERA Board during the November 18, 2016, Board meeting.

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

Actuarial cost method	Entry age
Price inflation	2.3%
Real wage growth	0.7%
Wage inflation	3.0%
Salary increases, including wage inflation	3.4% - 11.0%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
Hired prior to 1/1/2007	1.25%
Hired after 12/31/2006	Financed by AIR

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

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

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

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

Note 5: Defined Benefit Pension Plan (Continued)

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

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

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

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

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

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

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

- Price inflation assumption decreased from 2.40 percent per year to 2.30 percent per year.
- Real rate of investment return assumption increased from 4.85 percent per year, net of investment expenses to 4.95 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50 percent per year to 3.00 percent per year.

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

Note 5: Defined Benefit Pension Plan (Continued)

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

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

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

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- 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.

Note 5: Defined Benefit Pension Plan (Continued)

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

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

Based on the above assumptions and methods, the SCHDTF's FNP was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount 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.

Note 5: Defined Benefit Pension Plan (Continued)

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	$ 9,564,224	$ 7,011,474	$ 4,884,191

Pension Plan Fiduciary Net Position - Detailed information about the SCHDTF's FNP is available in PERA's Annual Report which can be obtained at www.copera.org/investments/pera-financial-reports.

Note 6: Postemployment Healthcare Benefits

General Information

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

Note 6: Postemployment Healthcare Benefits (Continued)

General Information *(Continued)*

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

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

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

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 over 65 years of age 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.

Note 6: Postemployment Healthcare Benefits (Continued)

General Information *(Continued)*

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

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

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

Contributions - Pursuant to Title 24, Article 51, Section 208(1)(f) of the CRS, as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the School Judicial Division are required to contribute at a rate of 1.02% 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 was $25,970, for the year ended June 30, 2021.

Note 6: Postemployment Healthcare Benefits (Continued)

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 net OPEB liability of $255,015, for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured at 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 ended December 31, 2020, relative to the contributions of all participating employers to the HCTF. At December 31, 2020, the School's proportion was 0.0268373306%, which was a decrease of 0.0017891272% from its proportion measured at December 31, 2019.

For the year ended June 30, 2021, the School recognized OPEB expense of $2,843. At June 30, 2021, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 678	$ 56,065
Changes of assumptions and other inputs	1,906	15,637
Net difference between projected and actual earnings on plan investments	-	10,419
Changes in proportion	3,879	22,019
Contributions subsequent to the measurement date	15,795	-
Total	$ 22,258	$ 104,140

Note 6: Postemployment Healthcare Benefits (Continued)

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

School contributions subsequent to the measurement date of $15,795 will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ended June 30,		
2022	$	(21,807)
2023		(20,349)
2024		(23,828)
2025		(21,007)
2026		(10,026)
Thereafter		(660)
Total	$	(97,677)

Actuarial Assumptions - The actuarial valuation as of December 31, 2019, actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial Cost method	Entry age
Price inflation	2.4%
Real wage growth	1.1%
Wage inflation	3.5%
Salary increases, including wage inflation	3.5%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates:	
PERA Benefit Structure	
Service-based premium subsidy	0%
PERACare Medicare plans	
8.1% in 2020, gradually decreasing to 4.5% in 2029	
Medicare Part A premiums:	
3.5% in 2020, gradually increasing to 4.5% in 2029	
DPS Benefit Structure	
Service-based premium subsidy	0.0%
PERACare Medicare plans	N/A
Medicare Part A premiums:	N/A

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

Note 6: Postemployment Healthcare Benefits (Continued)

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

- Medicare Advantage/Self-Insured Rx - Monthly Cost of $558, Monthly Premium of $227, Monthly Costs Adjusted to Age 65 of $550.
- Kaiser Permanente Medicare Advantage HMO - Monthly Cost of $621, Monthly Premium of $232, Monthly Costs Adjusted to Age 65 of $586.

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

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

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

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

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

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

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

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

Note 6: Postemployment Healthcare Benefits (Continued)

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

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

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

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

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

Actuarial Cost method	Entry age
Price inflation	2.3%
Real wage growth	0.7%
Wage inflation	3.0%
Salary increases, including wage inflation	3.4% - 11.0%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%

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

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

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

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

Note 6: Postemployment Healthcare Benefits (Continued)

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

Post-retirement non-disabled mortality assumptions for the 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.

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.

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.

Note 6: Postemployment Healthcare Benefits (Continued)

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

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

The PERA Board first adopted the 7.25 percent long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized, as presented previously (see Note 5).

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.

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 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%.
- 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.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Note 6: Postemployment Healthcare Benefits (Continued)

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

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	$ 292,124	$ 255,015	$ 223,308

Sensitivity of the School's proportionate share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the net OPEB liability using the current healthcare cost trend rates, ranging from 2.5% to 9.1%, as well as if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates, as follows:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Proportionate share of the net OPEB liability	$ 248,424	$ 255,015	$ 262,688

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

Note 7: Commitments and Contingencies

Claims and Judgments

The School participates in a number of federal and state programs that are fully or partially funded by revenues received from other governmental entities. Expenditures financed by these revenues are subject to audit by the appropriate government. If expenditures are disallowed due to noncompliance with program regulations, the School may be required to reimburse the other government. At June 30, 2021, significant amounts of related expenditures have not been audited but management 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 Amendment

In November 1992, Colorado voters approved the TABOR Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The Amendment is subject to many interpretations, but the School believes it is in substantial compliance with the Amendment. In accordance with the Amendment, the School has established an emergency reserve representing 3% of qualifying expenditures. At June 30, 2021, the reserve was reported as restricted fund balance in the General Fund, in the amount of $162,948.

Current Economic Conditions

During the year ended June 30, 2021, the United States of America and State of Colorado have declared an emergency associated with the COVID-19 pandemic. Along with significant declines in financial markets, the public health emergency creates uncertain economic conditions. The School has adapted and made changes to operations due to potential impacts on the health and safety. Should these conditions persist, the School could be negatively impacted.

Required Supplementary Information

DCS Montessori Charter School

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

Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and Contributions
Public Employees' Retirement Association of Colorado
School Division Trust Fund
June 30, 2021

	12/31/20	12/31/19	12/31/18
Proportionate Share of the Net Pension Liability			
School's Proportion of the Net Pension Liability	0.0463783674%	0.0437989180%	0.0439947713%
School's Proportionate Share of the Net Pension Liability	$ 7,011,474	$ 6,543,463	$ 7,790,178
School's Covered-Employee Payroll	$ 2,481,772	$ 2,573,972	$ 2,418,629
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	283%	254%	322%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67%	65%	57%

	6/30/21	6/30/20	6/30/19
School Contributions			
Statutorily Required Contribution	$ 506,158	$ 428,637	$ 477,515
Contributions in Relation to the Statutorily Required Contribution	$ (506,158)	$ (428,637)	$ (477,515)
Contribution Deficiency (Excess)			
School's Covered-Employee Payroll	$ 2,546,058	$ 2,210,694	$ 2,496,155
Contributions as a Percentage of Covered-Employee Payroll	19.88%	19.39%	19.13%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

(Continued)

DCS Montessori Charter School

(A Component Unit of Douglas County School District RE.1)
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and Contributions
Public Employees' Retirement Association of Colorado
School Division Trust Fund
June 30, 2021
(Continued)

	12/31/17	12/31/16	12/31/15	12/31/14	12/31/13
Proportionate Share of the Net Pension Liability					
School's Proportion of the Net Pension Liability	0.0517343960%	0.0502880739%	0.0484434783%	0.0479266287%	0.0491429554%
School's Proportionate Share of the Net Pension Liability	$ 16,729,065	$ 14,972,704	$ 7,409,088	$ 6,495,668	$ 6,268,171
School's Covered-Employee Payroll	$ 2,386,445	$ 2,257,020	$ 2,111,440	$ 2,007,780	$ 1,981,110
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	701%	663%	351%	324%	316%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	44%	43%	59%	63%	64%

	6/30/18	6/30/17	6/30/16	6/30/15	6/30/14
School Contributions					
Statutorily Required Contribution	$ 454,551	$ 424,965	$ 391,331	$ 342,389	$ 314,517
Contributions in Relation to the Statutorily Required Contribution	(454,551)	(424,965)	(391,331)	(342,389)	(314,517)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
School's Covered-Employee Payroll	$ 2,407,270	$ 2,311,058	$ 2,205,458	$ 2,027,653	$ 1,966,852
Contributions as a Percentage of Covered-Employee Payroll	18.88%	18.39%	17.74%	16.89%	15.99%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

DCS Montessori Charter School
(A Component Unit of Douglas County School District RE.1)
Required Supplementary Information
Schedule of Proportionate Share of the Net OPEB Liability and Contributions
Public Employees' Retirement Association of Colorado
Health Care Trust Fund
June 30, 2021

	12/31/20	12/31/19	12/31/18	12/31/17
Proportionate Share of the Net OPEB Liability				
School's Proportion of the Net OPEB Liability	0.0268373306%	0.0286264578%	0.0285968481%	0.0293952688%
School's Proportionate Share of the Net OPEB Liability	$ 255,015	$ 321,761	$ 389,072	$ 382,021
School's Covered Payroll	$ 2,481,772	$ 2,573,972	$ 2,418,629	$ 2,486,130
School's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	10%	13%	16%	15%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	33%	24%	17%	18%

	6/30/21	6/30/20	6/30/19	6/30/18
School Contributions				
Statutorily Required Contribution	$ 25,970	$ 22,549	$ 25,461	$ 24,554
Contributions in Relation to the Statutorily Required Contribution	(25,970)	(22,549)	(25,461)	(24,554)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
School's Covered Payroll	$ 2,546,058	$ 2,210,694	$ 2,496,155	$ 2,535,360
Contributions as a Percentage of Covered Payroll	1.02%	1.02%	1.02%	0.97%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

DCS Montessori Charter School

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

Budgetary Comparison Schedule

General Fund

For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance *Positive (Negative)*
Revenues				
Local Sources				
Per Pupil Revenue	$ 3,439,520	$ 3,367,011	$ 3,402,712	$ 35,701
District Mill Levy	539,168	511,671	514,165	2,494
Student Fees and Activities	1,527,000	955,824	996,184	40,360
Contributions and Local Grants	65,000	77,000	15,505	(61,495)
Rental Income	55,000	60,000	67,763	7,763
Investment Income	37,500	19,000	2,743	(16,257)
Other	30,000	11,000	54,847	43,847
State Sources				
Capital Construction	100,000	135,763	131,615	(4,148)
Grants	-	-	67,370	67,370
Federal Sources				
Grants	-	152,500	153,810	1,310
Total Revenues	5,793,188	5,289,769	5,406,714	116,945
Expenditures				
Salaries	2,741,400	2,412,000	2,491,819	(79,819)
Employee Benefits	1,037,603	962,463	891,430	71,033
Purchased Services	1,428,775	1,408,100	1,375,039	33,061
Supplies	215,450	216,950	168,990	47,960
Property	35,500	58,000	35,803	22,197
Other	334,600	374,100	340,350	33,750
Total Expenditures	5,793,328	5,431,613	5,303,431	128,182
Excess of Revenues Over (Under) Expenditures	(140)	(141,844)	103,283	245,127
Other Financing Sources				
Transfers In	-	7,000	6,932	(68)
Net Change in Fund Balance	(140)	(134,844)	110,215	245,059
Fund Balance, *Beginning of year*	1,287,422	1,323,195	1,323,195	-
Fund Balance, *End of year*	$ 1,287,282	$ 1,188,351	$ 1,433,410	$ 245,059

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

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

Changes in Assumptions and Other Inputs

For the year ended June 30, 2021, the total pension liability was determined by an actuarial valuation as of December 31, 2019. The following revised economic and demographic assumptions were effective as of December 31, 2019.

- Investment rate of return assumption of 7.25% per year, compounded annually. This assumption did not change from the prior year.
- Price inflation assumption of 2.4% per year. This assumption did not change from the prior year.
- Real rate of investment return assumption of 4.85% per year, net of investment expenses. The rate reflected in the roll-forward calculation of the collective total pension liability to the measurement date was 7.25%. This assumption did not change from prior year.
- Wage inflation assumption of 3.5% per year. This assumption did not change from the prior year.
- Healthy and disabled mortality assumptions are based on the RP-2014 Mortality Tables.

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

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

The School adheres to the following procedures to establish the budgetary information reflected in the financial statements.

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