

**Platte River Academy**  
*(A Component of Douglas County School District RE.1)*

Financial Statements

**June 30, 2021**



**Platte River Academy**  
*(A Component Unit of Douglas County School District RE.1)*  
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June 30, 2021

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**HINKLE &  
COMPANY**  
Strategic <sup>PC</sup>  
Business Advisors

## Independent Auditors' Report

Governing Board  
Platte River Academy  
Highlands Ranch, Colorado

We have audited the accompanying financial statements of the governmental activities, and each major fund of Platte River Academy, a component unit of Douglas County School District RE.1, 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 Platte River Academy, 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.

### **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 Platte River Academy 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.

*Hick & Company, PC*

Greenwood Village, Colorado  
October 29, 2021



**PLATTE RIVER ACADEMY**  
Management's Discussion and Analysis  
Fiscal Year Ended June 30, 2021

As management of Platte River Academy (PRA), we offer readers of the Academy's basic financial statements this narrative and analysis of the financial activities of PRA for the year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information provided in the accompanying financial statements.

**Financial Highlights**

The year ended June 30, 2021 is the 23<sup>rd</sup> year of operations for PRA. The General Fund balance decreased to \$2,308,315 from \$2,420,899 at June 30, 2020.

The operations of PRA are funded primarily by tax revenue received under the State School Finance Act (the Act). Tax revenue for the year from Per Pupil Revenue was \$3,945,656 down from \$4,148,794 in the year ended June 30, 2020.

**Overview of Financial Statements**

This discussion and analysis is intended to serve as an introduction to PRA's basic financial statements. The basic 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 PRA's finances in a manner similar to a private-sector business.

The statement of net position presents information on all PRA's assets and liabilities, and deferred inflows and outflows, with the difference being reported as net position. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial position of PRA is improving or deteriorating. The statement of activities presents information showing how PRA's net position changed during the 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 the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future periods (for example, salaries and benefits earned but unpaid as of year end).

## 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. PRA keeps track of these monies to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of resources, as well as on balances of unrestricted resources available at the end of the fiscal year. Such information may be useful in evaluating PRA'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 PRA's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditure and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

PRA adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for this fund to demonstrate compliance with the budget.

**Proprietary Fund.** The Building Corporation enterprise fund shows income and expense and balance sheet information as it relates to the assets purchased with tax-exempt financing, and related debt.

## Notes to Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

## Government-wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of PRA's financial position. For the year ended June 30, 2021, PRA's combined liabilities and deferred inflows exceeded assets and deferred outflows by (\$7,572,496) as compared to (\$9,428,198) in the year ended June 30, 2020. This increase is primarily due to the impact of the adoption of GASB No. 68 which requires the reporting of PRA's proportionate share of the Colorado Public Employees Retirement Association's net pension liability and GASB No. 80 – Blending Requirements for Certain Component Units. Of the June 30, 2020 amount, \$152,408 is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment.

NET POSITION	Governmental Activities		Business-Type Activities	
	2019-20	2020-21	2019-20	2020-21
<b>Assets</b>				
Cash and Investments	\$ 3,009,202	\$ 2,600,452	\$ -	\$ -
Restricted Cash	-	518,999	516,784	-
Prepaid Expenses	-	5	-	-
Accounts Receivable	26,985	179,066	-	-
Land	-	553,332	553,332	-
Capital Assets	-	3,242,410	3,366,163	-
Total Assets	<u>\$ 3,036,187</u>	<u>\$ 7,094,264</u>	<u>\$ 4,436,279</u>	<u>-</u>
<b>Deferred Outflows of Resources</b>				
Pensions, Net of Accum				
Amortization	\$ 934,963	\$ 2,740,951	-	-
OPEB Net of Accum Amortization	29,090	35,654		
Loss on Debt Refunding, Net of				
Accumulated Amortization	<u>-</u>	<u>792,750</u>	<u>\$ 855,336</u>	<u>-</u>
Totals	\$ 964,053	\$ 3,569,355	\$ 855,336	-
<b>Liabilities</b>				
Current Liabilities	\$ 446,776	\$ 463,651	\$ -	\$ -
Accrued Interest Payable		78,833	\$ 80,633	
Accounts Payable	63,015	2,877	-	-
Due In One Year	3,800	167,599	135,000	-
Due In More Than One Yr	11,637	5,569,428	5,720,803	-
Net OPEB Liability	329,674	340,871	-	-
Net Pension Liability	<u>6,703,595</u>	<u>7,929,100</u>	<u>-</u>	<u>-</u>
Total Liabilities	\$ 7,558,497	\$ 14,552,359	\$ 5,936,436	-
<b>Deferred Inflows of Resources</b>				
Pensions	\$ 5,039,647	\$ 3,571,619	-	-
OPEB*	79,965	107,457	-	-
Deferred Revenue	<u>105,507</u>	<u>4,680</u>	-	-
Total Deferred Inflows	\$ 5,225,119	\$ 3,683,756		
<b>Net Position</b>				
Net investment in Cap Assets \$		\$ 1,679,268	\$ (1,080,973)	-
Restricted for Debt Service	-	518,999	436,151	-
Reserved for Emergencies	159,839	152,408	-	-
Unrestricted	<u>( 8,943,215)</u>	<u>( 9,923,171)</u>	<u>-</u>	<u>-</u>
Total Net Position	<u>\$ ( 8,783,376)</u>	<u>\$ ( 7,572,496)</u>	<u>\$ ( 644,822)</u>	<u>\$ -</u>

## CHANGE IN NET POSITION

	Governmental Activities		Business-Type Activities	
	2019-20	2020-21	2019-20	2020-21
<b>Revenues</b>				
Charges for Services	\$ 158,541	\$ 272,625	\$-	\$ -
Grants & Contributions	212,998	285,068	-	-
Per Pupil Revenues	4,148,794	3,945,656	-	-
Mill Levy Overrides	585,171	601,042	-	-
Capital Construction	141,098	153,853	-	-
Earnings on Investments	83,003	30,784	16,200	-
Gain on Forgivable Debt	-	616,233	-	-
Other	<u>10,448</u>	<u>11,303</u>	<u>-</u>	<u>-</u>
Total Revenue	\$ 5,340,053	\$ 5,916,564	\$ 16,200	\$ -
<b>Expenses</b>				
Instruction	\$ (2,155,225)	\$(2,827,255)	\$ -	\$ -
Supporting Services	(1,240,531)	(942,296)	-	-
Interest no allocated	-	(291,311)	-	-
Building Corporation	<u>-</u>	<u>-</u>	<u>(438,977)</u>	<u>-</u>
Total Expenses	\$ (3,395,756)	\$( 4,060,862)	\$ (438,977)	\$ -
Transfers	<u>(157,641)</u>	<u>-</u>	<u>157,641</u>	<u>-</u>
Decrease in Net Position	\$ 2,101,938	\$ 1,855,702	\$ (580,418)	\$ -
Net Position, Beginning	<u>(10,885,314)</u>	<u>( 9,428,198)</u>	<u>( 64,404)</u>	<u>-</u>
Total Net Position	<u><u>\$( 8,783,376)</u></u>	<u><u>\$( 7,572,496)</u></u>	<u><u>\$( 644,822)</u></u>	<u><u>\$ -</u></u>

### Analysis of Significant Changes

PRA net position is a negative (\$7,572,496). The negative balance is due primarily to the adoption of GASB Statement No. 68, and GASB No. 80 resulting in a net pension liability of \$7,929,100 and OPEB liability of \$340,871 representing PRA's proportionate share of Colorado Public Employees Retirement Association net pension liability.

### Financial Analysis of the Academy's Funds

#### Governmental Funds

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

The General Fund is the major operating fund of PRA. During the current fiscal year, the fund balance decreased \$112,574 from \$2,420,889 to \$2,308,315.

### **Proprietary Fund – Building Corporation**

The Building Corporation activities consisted of Depreciation Expense amounting to \$123,753 and Interest and Fees Expense totaling \$236,901.

### **General Fund Budgetary Highlights**

PRA's 2020-21 Final Budget budgeted for General Fund expenditures of \$6,045,218 for the year ended June 30, 2021. Actual expenditures were \$6,028,392.

### **Capital Assets and Long-Term Debt**

As of June 30, 2021, the Building Corporation owned the building used by PRA and was obligated to pay on a tax-exempt debt in the amount of \$5,737,027. The total due within one year is \$145,000. The debt accrues interest at rates ranging from 4% to 5%. Interest payments are due on September 1 and March 1 each year through 2044. There is no other long-term debt other than compensated absences payable. Additional information on capital assets and long-term debt is available in Notes 3 and 4 of the financial statements. Those funds are being held at UMB Bank until the school has approved any building improvement plan(s). School bathroom improvements are starting the summer of 2020 and these funds were moved out of UMB to PRA to cover these improvements.

### **Economic Factors and Next Year's Budget**

The primary factor driving the budget for PRA is student enrollment. The funded pupil enrollment for the 2020-21 school year was 508.5. The enrollment projected for the 2021-22 school year is expected to be approximately 506.5. PRA has been diligent in their budget to reflect the unstable economic status of the State. The Academy has also created a conservative 3-year budget that the Board of Directors has approved. PRA added an additional income source from the addition of a Pre-K program implemented in 2020-21. Current enrollment and waitlists indicate the Pre-K program will be at capacity in 2022-23.

### **Request for Information**

This financial report is designed to provide a general overview of PRA's finances for all those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Jackie Cote, Business Manager, Platte River Academy, 4085 Lark Sparrow Street, Highlands Ranch, CO, 80126.

## **Basic Financial Statements**

**Platte River Academy**  
 (A Component Unit of Douglas County School District RE.1)  
 Statement of Net Position  
 June 30, 2021

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash and Investments	\$ 2,600,452
Restricted Cash and Investments	518,999
Accounts Receivable	179,066
Prepaid expenses	5
Capital Assets, <i>Not Being Depreciated</i>	553,332
Capital Assets, <i>Net of Accumulated Depreciation</i>	<u>3,242,410</u>
 Total Assets	 <u>7,094,264</u>
<b>Deferred Outflows of Resources</b>	
Pensions, <i>Net of Accumulated Amortization</i>	2,740,951
OPEB, <i>Net of Accumulated Amortization</i>	35,654
Loss on Debt Refunding, <i>Net of Accumulated Amortization</i>	<u>792,750</u>
 Total Deferred Outflows of Resources	 <u>3,569,355</u>
<b>Liabilities</b>	
Accounts Payable	2,877
Accrued Salaries and Benefits	463,651
Accrued Interest Payable	78,833
Noncurrent Liabilities	
Due Within One Year	167,599
Due in More Than One Year	5,569,428
Net Pension Liability	7,929,100
Net OPEB Liability	<u>340,871</u>
 Total Liabilities	 <u>14,552,359</u>
<b>Deferred Inflows of Resources</b>	
Deferred Revenue	4,680
Pensions, <i>Net of Accumulated Amortization</i>	3,571,619
OPEB, <i>Net of Accumulated Amortization</i>	<u>107,457</u>
 Total Deferred Inflows of Resources	 <u>3,683,756</u>
<b>Net Position</b>	
Net Investment in Capital Assets	1,679,268
Restricted for:	
Debt Service	518,999
Emergencies	152,408
Unrestricted	<u>(9,923,171)</u>
 Total Net Position	 <u>\$ (7,572,496)</u>

See Notes to the Financial Statements.

**Platte River Academy**  
(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		Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	
<b>Primary Government</b>				
<i>Governmental Activities</i>				
Instruction	\$ 2,827,255	\$ 260,199	\$ 227,959	\$ (2,339,097)
Supporting Services	942,296	12,426	-	(929,870)
Interest not allocated to programs	291,311	-	-	(291,311)
<b>Total Governmental Activities</b>	<b>\$ 4,060,862</b>	<b>\$ 272,625</b>	<b>\$ 227,959</b>	<b>(3,560,278)</b>
<b>General Revenues</b>				
				3,945,656
				601,042
				153,853
				57,109
				30,784
				11,303
				616,233
				<u>5,415,980</u>
				1,855,702
				<u>(9,428,198)</u>
				<u>\$ (7,572,496)</u>

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

	General	Building	Total
<b>Assets</b>			
Cash and Investments	\$ 2,600,452	\$ -	\$ 2,600,452
Restricted Cash and Investments	-	518,999	518,999
Accounts Receivable	179,066	-	179,066
Prepaid	5	-	5
 Total Assets	 \$ 2,779,523	 \$ 518,999	 \$ 3,298,522
<b>Liabilities and Fund Balance</b>			
<i>Liabilities</i>			
Accounts Payable	\$ 2,877	\$ -	\$ 2,877
Accrued Salaries and Benefits	463,651	-	463,651
 Total Liabilities	 466,528	 -	 466,528
<b>Deferred Inflows of Resources</b>			
Deferred Revenue	4,680	-	4,680
<i>Fund Balance</i>			
Nonspendable			
Restricted for:			
Emergencies	152,408	-	152,408
Debt Service		518,999	518,999
Unrestricted, Unassigned	2,155,907	-	2,155,907
 Total Fund Balance	 2,308,315	 518,999	 2,827,314
 Total Liabilities, Deferred Inflows and Fund Balance	 \$ 2,779,523	 \$ 518,999	 \$ 3,298,522

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

Total Fund Balance of the Governmental Fund	\$ 2,827,314
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	3,795,742
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	792,750
Accrued interest payable	(78,833)
Long term debt, net of premium	(5,714,428)
Compensated absences	(22,599)
Net pension liability	(7,929,100)
Pension-related deferred outflows of resources	2,740,951
Pension-related deferred inflows of resources	(3,571,619)
Net OPEB liability	(340,871)
OPEB-related deferred outflows of resources	35,654
OPEB-related deferred inflows of resources	(107,457)
 Total Net Position of Governmental Activities	 \$ (7,572,496)

**Platte River Academy**  
*(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	Building	Total
<b>Revenues</b>			
Local Sources	\$ 4,917,773	\$ 379,179	\$ 5,296,952
State Sources	162,795	-	162,795
Federal Sources	219,017	-	219,017
	5,299,585	379,179	5,678,764
<b>Total Revenues</b>			
<b>Expenditures</b>			
Instruction	4,495,792	5,063	4,500,855
Supporting Services	1,532,600	-	1,532,600
Debt Service			
Debt Principal	-	135,000	135,000
Debt Interest	-	236,901	236,901
	6,028,392	376,964	6,405,356
<b>Total Expenditures</b>			
<b>Excess of Revenues Over (Under) Expenditures</b>	(728,807)	2,215	(726,592)
<b>Other Financing Sources</b>			
Proceeds from Forgivable Loan	616,233	-	616,233
<b>Net Change in Fund Balance</b>	(112,574)	2,215	(110,359)
<b>Fund Balance, Beginning of year</b>	2,420,889	516,784	2,937,673
<b>Fund Balance, End of year</b>	\$ 2,308,315	\$ 518,999	\$ 2,827,314

**Platte River Academy**  
*(A Component Unit of Douglas County School District RE.1)*  
**Reconciliation of the 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	\$	(110,359)
<p>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:</p>		
Depreciation expense		(123,753)
<p>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.</p>		
Loan Payments		135,000
<p>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:</p>		
Amortization of Loss on Refunding		(62,585)
Change in accrued interest		1,800
Change in compensated absences		(7,162)
Amortization of Bond Premium		6,375
Net pension liability		(1,225,505)
Pension-related deferred outflows of resources		1,805,988
Pension-related deferred inflows of resources		1,468,028
Net OPEB liability		(11,197)
OPEB-related deferred outflows of resources		6,564
OPEB-related deferred inflows of resources		(27,492)
		(27,492)
Change in Net Position of Governmental Activities	\$	1,855,702

**Platte River Academy**  
(A Component Unit of Douglas County School District RE.1)  
Notes to Financial Statements  
June 30, 2021

**Note 1: Summary of Significant Accounting Policies**

Platte River Academy (the Academy) was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within Douglas County School District RE.1 (the District). The Academy began operations in 1997.

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and reporting principles. The more significant of the Academy's accounting policies are described below.

**Reporting Entity**

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

The Academy includes the Platte River Academy Building Corporation (the Corporation) within its reporting entity. The Corporation was organized exclusively for the purpose of holding title to real and/or personal property for, and to make the same available for use by, the Academy, and to otherwise provide facilities, equipment and other physical plant and related support to the Academy. The Corporation is blended into the Academy's financial statements as a Special Revenue Fund and does not issue separate financial statements.

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

**Platte River Academy**  
(A Component Unit of Douglas County School District RE.1)  
Notes to Financial Statements  
June 30, 2021

**Note 1: Summary of Significant Accounting Policies** (Continued)

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

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment 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*. Internally dedicated resources are reported as general revenues rather than as program revenues.

Separate financial statements are provided for the governmental funds. 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*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collected within the current 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 Academy. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, including expenditures related to compensated absences, are recorded only when payment is due.

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

The Academy reports the following major governmental fund:

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

**Platte River Academy**  
(A Component Unit of Douglas County School District RE.1)  
Notes to Financial Statements  
June 30, 2021

**Note 1: Summary of Significant Accounting Policies (Continued)**

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

*Special Revenue Fund* - This fund is used to account for the financial activities of the Corporation, primarily related to capital assets and the related debt service.

**Assets, Liabilities and Net Position/Fund Balance**

*Cash Equivalents* - For the 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.

*Capital Assets* - Capital assets, which include land and buildings, are reported in the government-wide 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. Capital assets are depreciated using the straight-line method over the following estimated useful lives.

Buildings and Improvements	15 - 45 years
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*Accrued Salaries and Benefits* - Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from September to August but are earned during an Academy 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 Academy before it has a legal claim to them, including tuition and fees.

*Long-Term Debt* - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Debt premiums, discounts and accounting losses resulting from debt refunding's 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.

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**Note 1: Summary of Significant Accounting Policies** (Continued)

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

*Compensated Absences* - The Academy's policy allows employees to use personal and sick leave. Any unused leave may be accumulated and accrued into a leave bank. Upon termination of employment, no financial compensation is paid for unused personal leave. If an employee leaves the Academy after ten years of service, accrued sick leave to a maximum of 70 days will be paid at the rate of \$45 per day. A long-term liability has been reported in the government-wide financial statements for the earned and accrued sick leave, which is expected to be liquidated with revenues of the General Fund.

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

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: Concerning Modifications to the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to certain benefit provisions. Some, but not all, of these changes were in effect as of June 30, 2021.

*Postemployment Benefits Other Than Pensions (OPEB)* - The Academy participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan 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 Governing Board 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.

**Platte River Academy**  
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 June 30, 2021

**Note 1: Summary of Significant Accounting Policies (Continued)**

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

The Academy 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 Academy uses restricted fund balance first, followed by committed, assigned and unassigned balances.

**Risk Management**

The Academy is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; injuries to employees; and natural disasters. The Academy purchases commercial insurance for these risks of loss.

**Implementation of New Accounting Pronouncements**

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

**Prior Period Adjustments**

The Building Corporation is part of the Academy for financial reporting purposes because its resources are entirely for the direct benefit of the Academy and is blended into the Academy'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:

<b>Building Corporation Fund</b>	<b>As Originally Stated Balance 06/30/20</b>	<b>Capital Assets Adjustments</b>	<b>Loan Payable Adjustments</b>	<b>Interest Payable Adjustments</b>	<b>As Restated Balance 06/30/20</b>
Balance Sheet					
Assets					
Restricted Cash and Investments	\$ 516,784	\$ -	\$ -	\$ -	\$ 516,784
Capital Assets	3,919,495	(3,919,495)	-	-	-
Loss on Debt Refunding	855,335	-	(855,335)	-	-
Liabilities					
Interest Payable	(80,633)	-	-	80,633	-
Loan Payable	(5,855,803)	-	5,855,803	-	-
Fund Balance	<u>\$ (644,822)</u>	<u>\$ (3,919,495)</u>	<u>\$ 5,000,468</u>	<u>\$ 80,633</u>	<u>\$ 516,784</u>

**Platte River Academy**  
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**Note 1: Summary of Significant Accounting Policies (Continued)**

**Subsequent Events**

The Academy evaluated subsequent events through October 29, 2021, the date the financial statements were available to be issued.

**Note 2: Deposits and Investments**

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

Deposits	\$ 47,009
Investments	<u>3,072,442</u>
 Total	 <u>\$ 3,119,451</u>

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

Cash and Investments	\$ 2,600,452
Restricted Cash and Investments	<u>518,999</u>
 Total	 <u>\$ 3,119,451</u>

**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. At June 30, 2020 the Academy had bank deposits of \$1,296,645 collateralized with securities held by the financial institution's agent but not in the Academy's name.

**Investments**

The Academy 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

**Platte River Academy**  
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**Note 2: Deposits and Investments (Continued)**

**Investments** (Continued)

- 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 Academy and the Corporation had the following investments:

Investment Type	S&P Rating	Investment Maturities (in Years)			Total
		Less Than 1	1 - 5	Greater than 5	
Local Government Investment Pool	AAAm	\$ 947,069	\$ -	\$ -	\$ 947,069
U.S. Agency Securities	AAA	-	62,390	-	62,390
U.S. Agency Securities	AA+	-	100,817	-	100,817
Municipal Securities	AAA	50,636	370,796	-	421,432
Municipal Securities	AA+	177,635	207,152	-	384,787
Municipal Securities	AA	146,820	542,605	-	689,425
Municipal Securities	AA-	25,583	298,493	-	324,076
Municipal Securities	A+	-	26,629	-	26,629
Municipal Securities	A	-	29,220	-	29,220
Corporate Securities	AAA	35,413	-	-	35,413
Corporate Securities	AA+	25,299	25,885	-	51,184
Total		\$ 1,408,455	\$ 1,663,987	\$ -	\$ 3,072,442

*Fair Value Measurements* - The Academy 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 Academy's investment 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 the maturity of investment securities to five years from the date of purchase unless the governing board authorizes the investment for a period in excess of five years. Corporate securities must mature within three years.

*Credit Risk* - State statutes limit investments in municipal securities to those with at least two credit ratings at or above A or its equivalent by nationally recognized statistical rating organizations (NRSROs). Corporate securities must have at least two credit ratings from any of the NRSROs at or above AA - or its equivalent.

**Platte River Academy**  
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 Notes to Financial Statements  
 June 30, 2021

**Note 2: Deposits and Investments (Continued)**

**Investments** *(Continued)*

*Concentration of Credit Risk* - State statutes do not limit the amount the Academy may invest in a single issuer, except for corporate securities, which are limited to 50% of total investments or 5% for a single issuer.

*Local Government Investment Pool* - At June 30, 2021, the Academy had \$428,070 and \$518,999 invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating Colotrust. Colotrust operates in conformity with the Securities and Exchange Commission's Rule 2a-7, with each share valued at \$1. Colotrust is rated AAAM by Standard and Poor's. Investments of Colotrust 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.

**Legal Compliance**

At June 30, 2021, the Academy had bank deposits with a balance of \$978 held and issued by banks not registered under the PDPA.

**Restricted Cash and Investments**

At June 30, 2021, the Corporation had investments of \$518,999 restricted by its loan agreement for capital projects and future debt service.

**Note 3: Capital Assets**

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

	<u>Balance 6/30/20</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/21</u>
<b>Governmental Activities</b>				
<i>Capital Assets, Not Being Depreciated</i>				
Land	\$ 553,332	\$ -	\$ -	\$ 553,332
<i>Capital Assets, Being Depreciated</i>				
Buildings and Improvements	5,454,383	-	-	5,454,383
Accumulated Depreciation	(2,088,220)	(123,753)	-	(2,211,973)
<b>Total Capital Assets, Being Depreciated</b>	<u>3,366,163</u>	<u>(123,753)</u>	<u>-</u>	<u>3,242,410</u>
<b>Governmental Activities Capital Assets, Net</b>	<u>\$ 3,919,495</u>	<u>\$ (123,753)</u>	<u>\$ -</u>	<u>\$ 3,795,742</u>

**Platte River Academy**  
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**Note 4: Long-Term Debt**

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

	<u>Balance 6/30/20</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 6/30/21</u>	<u>Due Within One Year</u>
<b>Governmental Activities</b>					
Series 2017 Refunding and Improvement Bonds \$	5,705,000	\$ -	\$ 135,000	\$ 5,570,000	\$ 145,000
Series 2017 Premium	150,803	-	6,375	144,428	-
Compensated Absences	<u>15,437</u>	<u>-</u>	<u>(7,162)</u>	<u>22,599</u>	<u>22,599</u>
Total	<u>\$ 5,871,240</u>	<u>\$ -</u>	<u>\$ 134,213</u>	<u>\$ 5,737,027</u>	<u>\$ 167,599</u>

On July 1, 2020, the Academy obtained a loan from a local bank under the Paycheck Protection Plan (PPP) program administered by the Small Business Administration (SBA) in the amount of \$616,233. The terms of the loan require the Academy to begin repayment on December 1, 2020, with payments of \$11,822, including interest at 1%. Subsequent to the date of the loan, the SBA made revisions to the PPP program that allowed modifications to some of the terms that would allow a borrower to extend the repayment term. On May 11, 2021, the Academy filed an application under SBA guidance for forgiveness for the entire amount of the indebtedness. On May 17, 2021, the loan was forgiven.

On February 22, 2017, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$6,075,000 Charter School Refunding and Improvement Bonds, Series 2017A and 2017B. Bond proceeds were used to refund the outstanding Series 2004 Bonds originally loaned to the Corporation to finance construction of the Academy's educational facilities, and to loan an additional \$500,000 to the Corporation to construct new classrooms. The Academy is obligated under a lease agreement to make monthly lease payments to the Corporation for using the facilities. The Corporation is required to make equal loan payments to the Trustee, for payment of the bonds. Interest accrues on the bonds at rates ranging from 4% to 5% per annum and is payable semi-annually on September 1 and March 1. Principal payments are due annually on March 1, from 2018 through 2044.

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 Notes to Financial Statements  
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**Note 4: Long-Term Debt** (Continued)

Future debt service requirements for the bonds are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 145,000	\$ 236,500	\$ 381,500
2023	150,000	230,700	380,700
2024	155,000	224,700	379,700
2025	160,000	218,500	378,500
2026	170,000	212,100	382,100
2027-2031	975,000	925,500	1,900,500
2032-2036	1,235,000	670,650	1,905,650
2037-2041	1,510,000	399,800	1,909,800
2042-2044	<u>1,070,000</u>	<u>87,000</u>	<u>1,157,000</u>
Total	<u>\$ 5,570,000</u>	<u>\$ 3,205,450</u>	<u>\$ 8,775,450</u>

**Note 5: Defined Benefit Pension Plan**

**General Information**

*Plan Description* - Eligible employees of the Academy are provided with pensions through the SCHDTF, a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report (Annual Report) that can be obtained at [www.copera.org/investments/pera-financial-reports](http://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 over three years multiplied by 2.5% and then multiplied by years of service credit.
- b) The value of the retiring employee's contribution account plus an equal match on eligible amounts as of the retirement date, annualized into a monthly amount based on life expectancy and other actuarial factors.

**Platte River Academy**  
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**Note 5: Defined Benefit Pension Plan** (Continued)

**General Information** (Continued)

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

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

As of December 31, 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.

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.

**Platte River Academy**  
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Notes to Financial Statements  
June 30, 2021

**Note 5: Defined Benefit Pension Plan** (Continued)

**General Information** (Continued)

*Contribution Provisions as of June 30, 2021* - Eligible employees, the Academy and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, et seq. and § 24-51-413. Eligible employees are required to contribute 10.00% of their PERA-includable salary during the period of July 01, 2020 through June 30, 2021. The Academy's contribution rate was 20.90% of covered salaries for July 01, 2020 through June 30, 2021. However, a portion of the Academy'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 Academy is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the Academy were \$572,604, 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 Academy proportion of the net pension liability was based on the Academy contributions to the SCHDTF for the calendar year 2020 relative to the total contributions of participating employers and 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.

**Platte River Academy**  
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 Notes to Financial Statements  
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**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 Academy reported a net pension liability of \$7,929,100 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 Academy as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the Academy were as follows:

Academy proportionate share of net pension liability	\$ 7,929,100
The State's proportionate share of net pension liability as a nonemployer contributing entity associated with the Academy	-
Proportionate share of the net pension liability	\$ 7,929,100

At December 31, 2020, the Academy's proportion was 0.0524481331%, which was an increase of 0.0075773676% from its proportion measured at December 31, 2019.

For the year ended June 30, 2021, the Academy recognized pension benefit of \$1,535,166. There was no support from the State as a nonemployer contributing entity.

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

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 435,665	\$ -
Changes of assumptions and other inputs	762,755	1,332,815
Net difference between projected and actual earnings on plan investments	-	1,745,372
Changes in proportion	1,213,452	493,432
Contributions subsequent to the measurement date	329,079	-
Total	\$ 2,740,951	\$ 3,571,619

**Platte River Academy**  
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**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)

Academy contributions subsequent to the measurement date of \$329,079 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:

<u>Year Ended June 30,</u>	
2021	\$ (1,343,256)
2022	561,741
2023	(102,890)
2024	<u>(275,342)</u>
Total	<u>\$ (1,159,747)</u>

*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%
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:	
Service-based premium subsidy	0.0%
PERACare Medicare plans	
8.10% for 2020, gradually decreasing to 4.50% in 2029	
Medicare Part A premiums:	
3.50% for 2020, gradually rising to 4.50% in 2025	

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:

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

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

The actuarial assumptions used in the December 31, 2019, valuation were based on the results of the 2016 experience analysis for the 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%

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:

- 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.

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**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: 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.

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**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:

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

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.

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**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)*

- 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.

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

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Proportionate share of the net pension liability	\$ 10,815,942	\$ 7,929,100	\$ 5,523,409

*Pension Plan Fiduciary Net Position* - Detailed information about the SCHDTF's FNP is available in PERA's separately issued financial report, which may be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**Note 6: Postemployment Healthcare Benefits**

**General Information**

*Plan Description* - Eligible employees of the Academy 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](http://www.copera.org/investments/pera-financial-reports).

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**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.

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**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 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 Academy is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the Academy was \$29,365 for the year ended June 30, 2021.

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

At June 30, 2021, the Academy reported a net OPEB liability of \$340,871 representing its proportionate share of the net OPEB liability of the HCTF. The net OPEB liability 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.

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**Note 6: Postemployment Healthcare Benefits (Continued)**

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

The Academy's proportion of the net OPEB liability was based on the Academy'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 Academy's proportion was 0.0303266510%, which was an increase of 0.0009962124% from its proportion measured at December 31, 2019.

For the year ended June 30, 2021, the Academy recognized OPEB expense of \$6,959. At June 30, 2021, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 766	\$ 63,354
Changes of assumptions and other inputs	2,155	17,671
Net difference between projected and actual earnings on plan investments	-	11,776
Changes in proportion	15,849	14,656
Contributions subsequent to the measurement date	16,884	-
 Total	 \$ 35,654	 \$ 107,457

Academy contributions subsequent to the measurement date of \$16,884 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:

<u>Year Ended June 30,</u>			
2022		\$	(20,897)
2023			(19,251)
2024			(23,535)
2025			(22,976)
2026			(2,180)
Thereafter			152
 Total		 \$	 (88,687)

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**Note 6: Postemployment Healthcare Benefits (Continued)**

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

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

Actuarial cost method	Entry age
Price inflation	2.4%
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:	
<i>PERA Benefit Structure</i>	0.0%
Service-based premium subsidy	
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	
<i>DPS Benefit Structure</i>	
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:

- 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.

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**Note 6: Postemployment Healthcare Benefits** (Continued)

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

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

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

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.
- 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.

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**Note 6: Postemployment Healthcare Benefits (Continued)**

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

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%

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.

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.

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**Note 6: Postemployment Healthcare Benefits** (Continued)

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

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

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.

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.

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**Note 6: Postemployment Healthcare Benefits** (Continued)

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

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%.

**Platte River Academy**  
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**Note 6: Postemployment Healthcare Benefits (Continued)**

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

*Sensitivity of the Academy's proportionate share of 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:

	<b>1% Decrease (6.25%)</b>	<b>Current Discount Rate (7.25%)</b>	<b>1% Increase (8.25%)</b>
Proportionate share of the net OPEB liability	\$ <u>319,262</u>	\$ <u>340,871</u>	\$ <u>244,053</u>

*Sensitivity of the Academy'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:

	<b>1% Decrease</b>	<b>Current Healthcare Cost Trend Rates</b>	<b>1% Increase</b>
Proportionate share of the net OPEB liability	\$ <u>271,502</u>	\$ <u>340,871</u>	\$ <u>287,091</u>

*OPEB Plan Fiduciary Net Position* - Detailed information about the HCTF's FNP is available in PERA's separately issued financial report, which may be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**Platte River Academy**  
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**Note 7: Commitments and Contingencies**

**Claims and Judgments**

The Academy 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 Academy 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 Academy.

**TABOR Amendment**

In November 1992, Colorado voters passed the TABOR Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The Amendment is subject to interpretation, but the Academy believes it is in substantial compliance with the requirements of the Amendment. In accordance with the Amendment, the Academy has established a reserve for emergencies, 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 \$152,408.

**Current Economic Conditions**

During the year ended June 30, 2021, the United States of America and State of Colorado 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 Academy has adapted and made changes to operations due to potential impacts on health and safety. Should these conditions persist, the Academy could be negatively impacted.

## **Required Supplementary Information**

**Platte River Academy**  
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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

	<u>12/31/20</u>	<u>12/31/19</u>	<u>12/31/18</u>
<b>Proportionate Share of the Net Pension Liability</b>			
Academy's Proportion of the Net Pension Liability	0.0524481331%	0.0448707655%	0.0459747674%
Academy's Proportionate Share of the Net Pension Liability	\$ 7,929,100	\$ 6,703,595	\$ 8,140,777
Academy's Covered-Employee Payroll	\$ 2,804,445	\$ 2,637,271	\$ 2,527,478
Academy'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%
	<u>6/30/21</u>	<u>6/30/20</u>	<u>6/30/19</u>
<b>Academy Contributions</b>			
Statutorily Required Contribution	\$ 572,604	\$ 542,619	\$ 495,136
Contributions in Relation to the Statutorily Required Contribution	<u>(572,604)</u>	<u>(542,619)</u>	<u>(495,136)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's Covered-Employee Payroll	\$ 2,878,953	\$ 2,690,660	\$ 2,588,266
Contributions as a Percentage of Covered-Employee Payroll	19.89%	20.17%	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)

**Platte River Academy**  
(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)

	<u>12/31/17</u>	<u>12/31/16</u>	<u>12/31/15</u>	<u>12/31/14</u>	<u>12/31/13</u>
<b>Proportionate Share of the Net Pension Liability</b>					
Academy's Proportion of the Net Pension Liability	0.0552008443%	0.0546579461%	0.0530029239%	0.0509400076%	0.0495438324%
Academy's Proportionate Share of the Net Pension Liability	\$ 17,849,991	\$ 16,273,784	\$ 8,106,423	\$ 6,904,082	\$ 6,319,302
Academy's Covered-Employee Payroll	\$ 2,546,350	\$ 2,453,213	\$ 2,309,855	\$ 2,134,028	\$ 1,997,269
Academy'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%
	<u>6/30/18</u>	<u>6/30/17</u>	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/14</u>
<b>Academy Contributions</b>					
Statutorily Required Contribution	\$ 475,769	\$ 465,934	\$ 421,898	\$ 380,209	\$ 329,105
Contributions in Relation to the Statutorily Required Contribution	<u>(475,769)</u>	<u>(465,934)</u>	<u>(421,898)</u>	<u>(380,209)</u>	<u>(329,105)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's Covered-Employee Payroll	\$ 2,519,217	\$ 2,533,704	\$ 2,374,933	\$ 2,250,207	\$ 2,058,212
Contributions as a Percentage of Covered-Employee Payroll	18.89%	18.39%	17.76%	16.90%	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.

**Platte River Academy**  
*(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

	<u>12/31/20</u>	<u>12/31/19</u>	<u>12/31/18</u>	<u>12/31/17</u>
<b>Proportionate Share of the Net OPEB Liability</b>				
Academy's Proportion of the Net OPEB Liability	0.0303266510%	0.0293304386%	0.0298838327%	0.0313649129%
Academy's Proportionate Share of the Net OPEB Liability	\$ 340,871	\$ 340,871	\$ 340,871	\$ 407,618
Academy's Covered Payroll	\$ 2,804,445	\$ 2,637,271	\$ 2,527,478	\$ 2,653,298
Academy's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	12%	13%	13%	15%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	33%	24%	17%	18%
<b>Academy Contributions</b>				
Statutorily Required Contribution	\$ 29,365	\$ 27,445	\$ 26,400	\$ 25,696
Contributions in Relation to the Statutorily Required Contribution	<u>(29,365)</u>	<u>(27,445)</u>	<u>(26,400)</u>	<u>(25,696)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's Covered Payroll	\$ 2,878,953	\$ 2,690,660	\$ 2,588,266	\$ 3,182,481
Contributions as a Percentage of Covered Payroll	1.02%	1.02%	1.02%	0.81%

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.

**Platte River Academy**  
(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)
<b>Revenues</b>				
<i>Local Sources</i>				
Per Pupil Revenue	\$ 3,906,746	\$ 3,962,032	\$ 3,945,656	\$ (16,376)
District Mill Levy	606,520	601,042	601,042	-
Extended Day Programs Fees	306,860	135,845	135,485	(360)
Pupil Activities	144,847	120,318	124,714	4,396
Food Service Fees	6,000	1,842	1,932	90
Contributions	60,000	56,611	57,109	498
Facility Rental	13,000	10,739	10,494	(245)
Investment Income	31,000	35,189	30,038	(5,151)
Other	5,000	9,374	11,303	1,929
<b>Total Local Sources</b>	<u>5,079,973</u>	<u>4,932,992</u>	<u>4,917,773</u>	<u>(15,219)</u>
<i>State Sources</i>				
Capital Construction	128,500	153,853	153,853	-
Grants	83,000	83,000	8,942	(74,058)
<b>Total State Sources</b>	<u>211,500</u>	<u>236,853</u>	<u>162,795</u>	<u>(74,058)</u>
<i>Federal Sources</i>				
Grants	-	836,994	219,017	(617,977)
<b>Total Federal Sources</b>	<u>-</u>	<u>836,994</u>	<u>219,017</u>	<u>(617,977)</u>
<b>Total Revenues</b>	<u>5,291,473</u>	<u>6,006,839</u>	<u>5,299,585</u>	<u>(707,254)</u>
<b>Expenditures</b>				
Salaries	2,988,365	3,151,715	3,182,481	(30,766)
Employee Benefits	910,975	929,799	852,641	77,158
Purchased Services	733,040	1,153,920	1,147,567	6,353
Supplies	204,540	299,736	303,934	(4,198)
Property	56,500	115,966	147,417	(31,451)
Other	396,150	394,082	394,352	(270)
<b>Total Expenditures</b>	<u>5,289,570</u>	<u>6,045,218</u>	<u>6,028,392</u>	<u>16,826</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	1,903	(38,379)	(728,807)	(690,428)
<b>Other Financing Sources</b>				
Proceeds from Forgivable loans	-	2,420,889	616,233	(1,804,656)
<b>Net Change in Fund Balance</b>	<u>1,903</u>	<u>2,382,510</u>	<u>(112,574)</u>	<u>(2,495,084)</u>
<b>Fund Balance, Beginning of year</b>	<u>2,420,889</u>	<u>2,420,887</u>	<u>2,420,889</u>	<u>2</u>
<b>Fund Balance, End of year</b>	<u>\$ 2,422,792</u>	<u>\$ 4,803,397</u>	<u>\$ 2,308,315</u>	<u>\$ (2,495,082)</u>

See Accompany Independent Auditors' Report.

**Platte River Academy**  
*(A Component Unit of Douglas County School District RE.1)*  
Notes to Required Supplementary Information  
June 30, 2021

**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 Academy's contributions and related ratios represent cash contributions and any related accruals that coincide with the Academy'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 increased from 4.78% per year, net of investment expenses, to 7.25%. 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**

**Budgets and Budgetary Accounting**

- A budget is adopted for the Academy on a basis consistent with generally accepted accounting principles.
- Management submits to the Governing Board a proposed budget for the fiscal year commencing the following July 1, for their approval. The budget includes proposed expenditures and the means of financing them.
- Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Governing Board.
- All budget appropriations lapse at fiscal year-end.