

**PINNACLE CHARTER SCHOOL, INC.**

**BASIC FINANCIAL STATEMENTS**

**June 30, 2021**

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## JOHN CUTLER & ASSOCIATES

Board of Directors  
Pinnacle Charter School, Inc.  
Federal Heights, Colorado

### INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pinnacle Charter School, Inc., as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the basic financial statements of the School, as listed in the table of contents.

#### Management's Responsibility for the Financial Statements

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

#### Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

#### Opinions

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

## Other Matters

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, schedule of the school's proportionate share, and schedule of the school's contributions on pages 43-48 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

*John Luthr & Associates, LLC*

October 13, 2021

**Pinnacle Charter School  
Management’s Discussion and Analysis  
June 30, 2021**

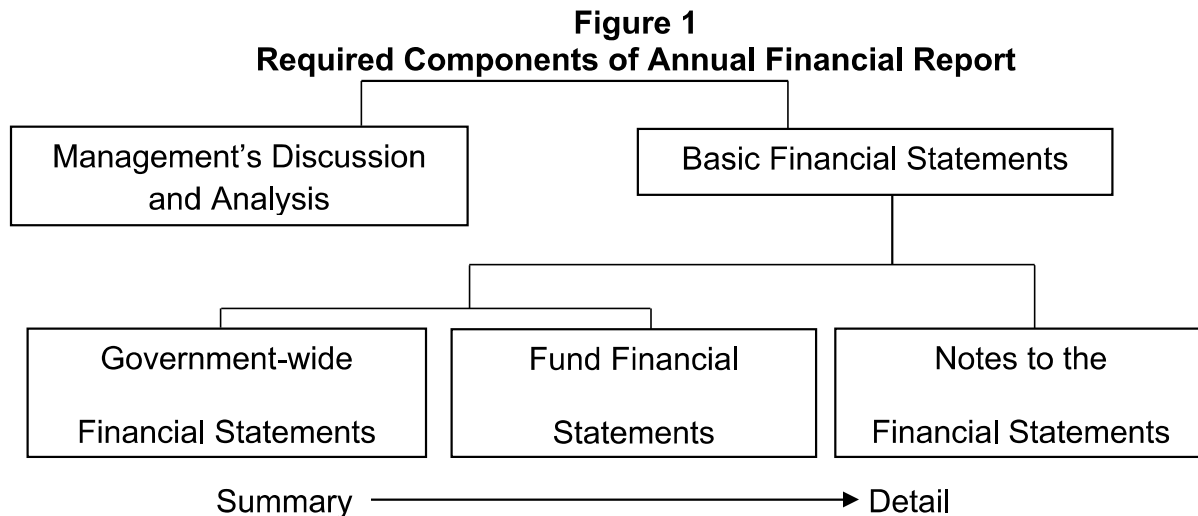
As management of Pinnacle Charter School, we offer readers of Pinnacle Charter School’s audited financial statements this narrative overview and analysis of the financial activities of Pinnacle Charter School for the fiscal year ended June 30, 2021. We encourage readers to read the information presented herein in conjunction with additional information that we have furnished in the School’s financial statements, which follow this narrative.

**Financial Highlights**

- As of the close of the current fiscal year, Pinnacle Charter School’s governmental funds reported combined ending fund balances of \$8,568,127. The fund balance increased \$1,465,948 over the previous year which ended at \$7,213,288.
- The liabilities and deferred inflows of resources of Pinnacle Charter School exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$19,380,487 (net position). This is a change from the previous year’s deficit net position of \$29,941,449. The vast majority of this deficit is caused by the Governmental Accounting Standards Board (GASB) Statement 68 and GASB Statement 75 (Note 7, pages 20-30).
- The Proprietary Fund net position decreased by \$59,092, but is still at a deficit (\$215,303). Management expects the deficit will be eliminated as debt is repaid.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to Pinnacle Charter School’s basic financial statements. The School’s basic financial statements consist of three components; 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two distinct financial perspectives of the School through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, this report contains other supplemental information that will enhance the reader’s understanding of the financial condition of Pinnacle Charter School.



## **Basic Financial Statements**

The first two statements in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about the School's financial standing.

The next statements are the **Fund Financial Statements**. These statements focus on the activities of the individual segments of the School's government and are more detailed than the government-wide financial statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the proprietary fund statements.

Immediately following the fund financial statements are the **Notes to the Financial Statements** (i.e. "Notes"). The Notes offer a detailed explanation of the data contained in those statements. Next, **supplemental information** is provided to show details about the School's funds. Budgetary information for the School can also be found in this section of the statements.

### **Government-wide Financial Statements**

The government-wide financial statements are designed to provide the reader with a broad overview of the School's finances, similar in format to the financial statements of a private-sector business. The government-wide statements provide short and long-term information about the School's financial status, as a whole.

The two government-wide statements are the statement of net position and the statement of activities and report the School's net position and how they have changed, respectively. Net position equals the difference between the School's total assets and total liabilities and deferred inflows of resources. Measuring net position is one way to gauge the School's financial condition.

The governmental activities which presents how the net assets of the School have changed and include most of the School's basic functions such as instructional services, supporting services, interest on long-term debt and food services. These functions are funded almost entirely through state and federal educational funds.

### **Fund Financial Statements**

The fund financial statements provide a more detailed look at the School's most significant activities. A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. Pinnacle Charter School, like all other governmental entities in Colorado, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related statutory requirements. All of the funds of Pinnacle Charter School can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

**Governmental Funds** – Governmental funds are used to account for functions reported as governmental activities in the government-wide financial statements. Most of the

School's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and monies remaining at year-end that will be available for spending in the next fiscal year. Governmental funds are reported using the modified accrual accounting method, which provides a short-term spending focus. The governmental fund financial statements assist the reader in determining whether there has been an increase or a decrease in the financial resources available to finance the School's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is an integral part of the fund financial statements.

Pinnacle Charter School Board of Directors adopts an annual appropriated budget as required by State statute for all of the School's funds. The budgetary comparison statements are not included in the basic financial statements, but are part of the supplemental statements and schedules following the notes. The budget is developed

using estimates for enrollment and State and Federal Grant awards and incorporates input from the faculty, management, and the Board of Directors of the School and specifies which activities will be pursued and which services the School will provide during the year. It also authorizes the School to obtain funds from identified sources to finance current period activities. The Board of Directors may approve a modified budget and appropriation after enrollment count and grant award letters are finalized (typically December/January of each fiscal year). The budgetary statement demonstrates how well the School has complied with the adopted budget and whether or not the School has succeeded in providing the services as originally planned.

**Proprietary Funds** – Pinnacle Charter School has two proprietary funds, which are internal service funds. The School uses internal service funds to account for the Building Corporation and Property Corporation.

**Fiduciary Funds** – Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because Agency funds do not involve the measurement of results of operations and are custodial in nature (assets equal liabilities). The School has one Agency fund, which is the Student Activities Fund. The School uses this fund to account for various student activities and holds all resources in a purely custodial capacity.

**Notes to the Financial Statements** – The notes provide additional information essential to facilitating a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 10 of this report.

## **Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as one useful indicator of a school's financial condition. The liabilities and deferred inflows of resources of Pinnacle Charter School exceeded assets and deferred outflows of resources by (\$19,380,487) as of June 30, 2021 (Figure 2). As of June 30, 2020, the net position of Pinnacle Charter School stood at (\$29,941,449). The School's net position deficit decreased by \$10,560,962 for the fiscal year ended June 30, 2021, compared to a deficit decrease of \$8,193,271 in 2020. The majority of this deficit is caused by the Governmental Accounting Standards Board (GASB) Statement 68 and GASB Statement 75.

All Colorado schools, Pinnacle Charter School included, are required to include its Net Pension Liability as part of the net position of the governmental activities. A detailed explanation of the Defined Benefit Pension Plan that impacted the financial statement as a result of GASB 68 can be found in Note 7, pages 20-30. The Schedule of Schools Proportionate Share (page 48) shows how the School's proportionate share of the net Pension Liability increased from 0.167 percent to 0.186 percent increasing the liability from \$25,000,376 to \$28,203,093. The portion of Note 8 beginning on page 33 explains the changes to PERA's actuarial assumptions.

All Colorado schools, Pinnacle Charter School included, are required to include its Net Other Post Employment Benefit (OPEB) Liability as part of the net position of the governmental activities. A detailed explanation of the OPEB Plan that impacted the financial statement as a result of GASB 75 can be found in Note 8, pages 30-44. The Schools Proportionate Share (page 44) of the net OPEB Liability in the amount of \$1,025,689.

In 2020, the Colorado General Assembly passed Senate Bill 18-200, which was intended to help reduce the Public Employee's Retirement Association's (PERA) unfunded actuarial accrued liability in several of its trust funds. One of the provisions of the bill directed the State of Colorado (the State) to give an annual direct distribution to PERA in the amount of \$225 million beginning in July 2020. Based on the provisions of GASB Statement No. 68, the direct distribution from the State meets the definition of a special funding situation. Pinnacle Charter School's portion of the total state on-behalf payment for 2020 was \$240,171. For the year ending 2021, the annual direct distribution to PERA was put on hold for one year due to COVID-19.

The net investment in capital assets amount of \$5,859,470 reflects the School's investment in all capital assets (e.g. leasehold improvements, computer equipment, and audio visual equipment), less accumulated depreciation and any related debt still outstanding that was issued to acquire those items. Pinnacle Charter School uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although Pinnacle Charter School's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of Pinnacle Charter School's net assets represents resources that are subject to external restrictions on how they may be used.

Pinnacle Charter School  
Management's Discussion and Analysis  
June 30, 2021

\$611,300 is restricted for Emergencies (TABOR). \$90,000 is restricted for a Special Education reserve. The remaining balance of (\$25,941,257) is unrestricted.

**Figure 2**  
**Pinnacle Charter School's Net Position**

	Governmental Activities	
	2021	2020
Current and Other Assets	\$ 27,845,866	\$ 17,085,456
Capital Assets, net of depreciation	21,105,869	21,181,078
Total Capital Assets	\$ 48,951,735	\$ 38,266,534
Deferred Outflows of Resources	9,543,076	4,601,929
Other Liabilities	\$ 1,110,828	\$ 1,647,443
Long-term Liabilities	63,372,143	50,754,554
Total Liabilities	\$ 64,482,971	\$ 52,401,997
Deferred Inflows of Resources	13,392,327	20,407,915
Net Position:		
Net Investment in Capital Assets	\$ 5,859,470	\$ 5,416,762
Restricted	701,300	657,847
Unrestricted	(25,941,257)	(36,016,058)
Total Net Position	\$ (19,380,487)	\$ (29,941,449)

Total net position deficit decreased by \$10,560,962. The cause of this decreased deficit is shown in Figure 3.

**Figure 3**  
**Pinnacle Charter School's Statement of Activities**

	2021	2020
Revenue:		
Per Pupil Revenue	\$ 17,216,499	\$ 17,279,862
Mill Levy Override	623,226	823,654
Earnings on Investments	28,960	132,175
Charges for Services	90,579	1,781,092
Operating Grants and Contributions	3,827,373	5,047,874
Capital Grants and Contributions	593,509	593,509
Other	84,157	123,659
Total Revenues	<u>\$ 22,464,303</u>	<u>\$ 25,781,825</u>
Expenses:		
Instructional	\$ 4,424,540	\$ 5,716,953
Supporting Services	6,261,280	10,644,067
Interest on Long-Term Debt	1,217,521	1,227,534
Total Expenses	<u>\$ 11,903,341</u>	<u>\$ 17,588,554</u>
Net Position at Beginning of Year	\$ (29,941,449)	\$ (38,134,720)
	<u>\$ (19,380,487)</u>	<u>\$ (29,941,449)</u>
Change in Net Position	10,560,962	

### Financial Analysis of Government Net Position

From the two statements above (Figure 2 and 3), the impact of Governmental Accounting Standards Board (GASB) Statement 68 and GASB Statement 75 continues to have a significant impact on net position year after year. The total net position deficit decreased by \$10,560,962 for 2021 compared to the deficit decrease of \$8,193,271 from 2020.

### Financial Analysis of the School's Funds

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

**Governmental Funds.** The focus of the School's governmental funds is to provide information on near-term inflows, outflows, and balances of usable financial resources. Such information is useful in assessing the School's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year. The general fund is the chief operating fund of Pinnacle Charter School. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$7,709,004, while total fund balance was \$8,568,127.

**Proprietary Funds.** The School's proprietary funds provide the same type of information found in the government-wide statements but in more detail. The proprietary funds net position deficit decreased to a balance of (\$215,303) from a balance of (\$274,395). This trend is expected to continue as the School continues to pay down its debt. The proprietary fund has \$2,634,009 in restricted cash and investments required to be held for future debt service.

### Capital Asset and Debt Administration

**Capital assets.** Pinnacle Charter School's investment in capital assets for its governmental and as of June 30, 2021, totals \$26,821,717 (net of accumulated depreciation). Capital assets include building, building equipment and improvements, food service equipment, furniture & fixtures, instructional equipment, and vehicles.

**Figure 4**  
**Pinnacle Charter School's Capital Assets**  
 (Net of Depreciation)

	2021	2020
Capital Assets		
Land	\$ 5,715,848	\$ 5,355,629
Building and Improvements	19,092,461	16,549,112
Vehicles and Equipment	2,013,408	1,631,966
Total Capital Assets	<u>\$ 26,821,717</u>	<u>\$ 23,536,707</u>

Additional information about the School's capital assets can be found in Note 4 on pages 17-18.

**Long-term Debt.** Pinnacle Charter School participates two long-term lease agreements with the Property Corporation and the Building Corporation for use of facilities. As of June 30, 2021, Pinnacle has refinanced the bonds that had originally been financed under the Pinnacle Property Corporation. The new debt was financed under the Building Corporation. The Property Corporation currently has no remaining outstanding debt and will be closed in the following year. As of June 30, 2021, the Pinnacle Building Corporation had outstanding debt from two separate bond issuances. Detail on Pinnacle's long-term debt can be found in Note 6 on pages 18-19.

### Economic Factors

Enrollment is projected to be stable for the 2021-2021 fiscal year. State funding for Per Pupil Revenue is forecasted to increase for 2021-2022.

**Requests for Information**

This report is designed to provide an overview of the School's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information shall be addressed to:

The Pinnacle Charter School  
Attn: Chief Financial Officer  
1001 W. 84<sup>th</sup> Avenue  
Federal Heights, CO 80260

## **BASIC FINANCIAL STATEMENTS**

PINNACLE CHARTER SCHOOL, INC.

STATEMENT OF NET POSITION

As of June 30, 2021

	Governmental Activities	
	2021	2020
<b>ASSETS</b>		
Cash and Investments	\$ 8,677,117	\$ 8,045,863
Restricted Cash and Investments	12,299,194	2,779,010
Accounts Receivable	1,149,089	900,503
Inventory	4,618	4,451
Capital Assets, not Depreciated	5,715,848	5,355,629
Capital Assets, Depreciated, Net of Accumulated Depreciation	21,105,869	21,181,078
<b>TOTAL ASSETS</b>	<b>48,951,735</b>	<b>38,266,534</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Related to OPEB Liability	85,488	94,568
Related to Pensions	8,575,668	3,881,285
Deferred Loss on Refunding	881,920	626,076
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>9,543,076</b>	<b>4,601,929</b>
<b>LIABILITIES</b>		
Accounts Payable	154,658	157,893
Accrued Salaries and Benefits	840,170	842,173
Unearned Revenues	9,101	552,022
Interest Payable	106,899	95,355
Noncurrent Liabilities		
Due in One Year	810,000	1,070,000
Due in More than One Year	33,333,361	23,455,031
OPEB Liability	1,025,689	1,229,147
Net Pension Liability	28,203,093	25,000,376
<b>TOTAL LIABILITIES</b>	<b>64,482,971</b>	<b>52,401,997</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Related to OPEB Liability	424,897	339,750
Related to Pensions	12,967,430	20,068,165
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>13,392,327</b>	<b>20,407,915</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets	5,859,470	5,416,762
Restricted for Emergencies	611,300	657,847
Restricted for Special Education	90,000	90,000
Unrestricted	(25,941,257)	(36,106,058)
<b>TOTAL NET POSITION</b>	<b>\$ (19,380,487)</b>	<b>\$ (29,941,449)</b>

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

PINNACLE CHARTER SCHOOL, INC.

STATEMENT OF ACTIVITIES

Year Ended June 30, 2021

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
					2021	2020
<b>PRIMARY GOVERNMENT</b>						
<b>Governmental Activities</b>						
Instructional	\$ 4,424,540	\$ 84,454	\$ 3,019,692	\$ -	\$ (1,320,394)	\$ (2,394,242)
Supporting Services	6,261,280	6,125	807,681	593,509	(4,853,965)	(6,758,681)
Interest and Other						
Fiscal Charges	1,217,521	-	-	-	(1,217,521)	(1,227,534)
Total Governmental Activities	<u>\$ 11,903,341</u>	<u>\$ 90,579</u>	<u>\$ 3,827,373</u>	<u>\$ 593,509</u>	<u>(7,391,880)</u>	<u>(10,380,457)</u>
GENERAL REVENUES						
					17,216,499	17,279,862
					623,226	823,654
					-	107,189
					28,960	132,175
					84,157	230,848
					<u>17,952,842</u>	<u>18,573,728</u>
CHANGE IN NET POSITION					10,560,962	8,193,271
NET POSITION, Beginning					<u>(29,941,449)</u>	<u>(38,134,720)</u>
NET POSITION, Ending					<u>\$ (19,380,487)</u>	<u>\$ (29,941,449)</u>

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

PINNACLE CHARTER SCHOOL, INC.

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2021

	GENERAL FUND	FOOD SERVICE FUND	TOTAL GOVERNMENTAL FUNDS	
			2021	2020
<b>ASSETS</b>				
Cash and Investments	\$ 8,677,116	\$ -	\$ 8,677,116	\$ 8,045,863
Accounts Receivable	1,045,557	103,532	1,149,089	900,503
Due from Other Funds	-	-	-	131,515
Inventory	-	4,618	4,618	4,451
<b>TOTAL ASSETS</b>	<b>\$ 9,722,673</b>	<b>\$ 108,150</b>	<b>\$ 9,830,823</b>	<b>\$ 9,082,332</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	\$ 154,658	\$ -	\$ 154,658	\$ 157,893
Due to Other Funds	150,617	108,150	258,767	316,956
Accrued Salaries	840,170	-	840,170	842,173
Unearned Revenue	9,101	-	9,101	552,022
<b>TOTAL LIABILITIES</b>	<b>1,154,546</b>	<b>108,150</b>	<b>1,262,696</b>	<b>1,869,044</b>
<b>FUND BALANCES</b>				
Nonspendable	-	4,618	4,618	4,451
Restricted for Emergencies	611,300	-	611,300	657,847
Restricted for Special Education	90,000	-	90,000	90,000
Restricted for Food Service Operations	-	106,658	106,658	106,658
Unassigned	7,866,827	(111,276)	7,755,551	6,354,332
<b>TOTAL FUND BALANCES</b>	<b>8,568,127</b>	<b>-</b>	<b>8,568,127</b>	<b>7,213,288</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 9,722,673</b>	<b>\$ 108,150</b>		

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

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.		6,226,642	5,781,243
Long-term liabilities and related assets related to pensions and OPEB are not due and payable in the current period and therefore, are not reported in the funds. This liability includes net pension liability (\$28,202,093), OPEB liability (\$102,5689), deferred outflows related to pensions and OPEB \$8,661,156, and deferred inflows related to pensions and OPEB (\$13,392,327).		(33,959,953)	(42,661,585)
Internal Service funds are used by management to charge the lease costs to governmental funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.		(215,303)	(274,395)
Net position of governmental activities		<u>\$ (19,380,487)</u>	<u>\$ (29,941,449)</u>

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

PINNACLE CHARTER SCHOOL, INC.

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

	GENERAL FUND	FOOD SERVICE FUND	TOTAL GOVERNMENTAL FUNDS	
			2021	2020
REVENUES				
Local Sources	\$ 17,962,020	\$ 64,869	\$ 18,026,889	\$ 20,357,588
State and Federal Sources	3,839,157	570,789	4,409,946	5,488,518
<b>TOTAL REVENUES</b>	<b>21,801,177</b>	<b>635,658</b>	<b>22,436,835</b>	<b>25,846,106</b>
EXPENDITURES				
Current				
Instruction	9,384,471	-	9,384,471	9,384,471
Supporting Services	9,170,780	746,767	9,917,547	13,498,948
Capital Outlay	1,779,978	-	1,779,978	4,725,034
<b>TOTAL EXPENDITURES</b>	<b>20,335,229</b>	<b>746,767</b>	<b>21,081,996</b>	<b>27,608,453</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>1,465,948</b>	<b>(111,109)</b>	<b>1,354,839</b>	<b>(1,762,347)</b>
FUND BALANCES, Beginning	7,102,179	111,109	7,213,288	8,975,635
FUND BALANCES, Ending	<u>\$ 8,568,127</u>	<u>\$ -</u>	<u>\$ 8,568,127</u>	<u>\$ 7,213,288</u>

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

PINNACLE CHARTER SCHOOL, INC.

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

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

Net change in fund balances - total governmental funds	\$ 1,354,839
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlay of \$875,431, exceeded depreciation expense of (\$430,032), in the current year.	445,399
Deferred Charges related to pension and OPEB are not recognized in the governmental funds. However, for the government-wide funds that amount is capitalized and amortized.	8,701,632
The Internal Service fund is used by management to charge the cost of lease payments to the governmental funds. The net revenue of the internal service fund is reported with the governmental activities.	<u>59,092</u>
Change in net position of governmental activities	<u><u>\$ 10,560,962</u></u>

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

PINNACLE CHARTER SCHOOL, INC.

STATEMENT OF NET POSITION  
 PROPRIETARY FUND TYPE  
 June 30, 2021

	BUILDING CORPORATION	PROPERTY CORPORATION	Governmental Activities - Internal Service Funds	
			2021	2020
<b>ASSETS</b>				
Current Assets				
Restricted Cash and Investments	\$ 12,299,194	\$ -	\$ 12,299,194	\$ 2,779,010
Due from Other Funds	258,768	-	258,768	185,441
Total Current Assets	12,557,962	-	12,557,962	2,964,451
Long-term Assets				
Capital Assets, Net of Accumulated Depreciation	20,595,075	-	20,595,075	20,755,464
Total Long-term Assets	20,595,075	-	20,595,075	20,755,464
<b>TOTAL ASSETS</b>	<b>33,153,037</b>	<b>-</b>	<b>33,153,037</b>	<b>23,719,915</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Deferred Loss on Refunding	881,920	-	881,920	626,076
<b>LIABILITIES</b>				
Current Liabilities				
Interest Payable	106,899	-	106,899	95,355
Loans Payable - Current	810,000	-	810,000	1,070,000
Total Current Liabilities	916,899	-	916,899	1,165,355
Long-Term Liabilities				
Loans Payable	33,333,361	-	33,333,361	23,455,031
<b>TOTAL LIABILITIES</b>	<b>34,250,260</b>	<b>-</b>	<b>34,250,260</b>	<b>24,620,386</b>
<b>NET POSITION</b>				
Net Investment in Capital Assets	(13,655,185)	-	(13,655,185)	(3,864,922)
Restricted for Debt Service	115,496	-	115,496	333,252
Restricted for Repair and Replacement	-	-	-	200,706
Unrestricted	13,324,386	-	13,324,386	3,056,569
<b>TOTAL NET POSITION</b>	<b>\$ (215,303)</b>	<b>\$ -</b>	<b>\$ (215,303)</b>	<b>\$ (274,395)</b>

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

PINNACLE CHARTER SCHOOL, INC.

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUND TYPE  
Year Ended June 30, 2021

	BUILDING CORPORATION	PROPERTY CORPORATION	Governmental Activities - Internal Service Funds	
			2021	2020
<b>OPERATING REVENUES</b>				
Charges for Services	\$ 1,653,161	\$ 569,397	\$ 2,222,558	\$ 2,253,825
<b>TOTAL OPERATING REVENUES</b>	<b>1,653,161</b>	<b>569,397</b>	<b>2,222,558</b>	<b>2,253,825</b>
<b>OPERATING EXPENSES</b>				
General Expenses	92,144	-	92,144	-
Depreciation	520,608	-	520,608	520,608
Amortization	(33,162)	-	(33,162)	25,363
Bond Issuance Costs	393,823	-	393,823	-
<b>TOTAL OPERATING EXPENSES</b>	<b>973,413</b>	<b>-</b>	<b>973,413</b>	<b>545,971</b>
<b>OPERATING INCOME</b>	<b>679,748</b>	<b>569,397</b>	<b>1,249,145</b>	<b>1,707,854</b>
<b>NON-OPERATING EXPENSES</b>				
Investment Income	1,335	720	2,055	42,908
Interest and Finance Charges	(854,444)	(363,077)	(1,217,521)	(1,227,534)
Other Expenses	-	25,413	25,413	-
<b>TOTAL NON-OPERATING EXPENSES</b>	<b>(853,109)</b>	<b>(336,944)</b>	<b>(1,190,053)</b>	<b>(1,184,626)</b>
<b>NET INCOME</b>	<b>(173,361)</b>	<b>232,453</b>	<b>59,092</b>	<b>523,228</b>
<b>NET POSITION, Beginning</b>	<b>(41,942)</b>	<b>(232,453)</b>	<b>(274,395)</b>	<b>(797,623)</b>
<b>NET POSITION, Ending</b>	<b>\$ (215,303)</b>	<b>\$ -</b>	<b>\$ (215,303)</b>	<b>\$ (274,395)</b>

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

PINNACLE CHARTER SCHOOL, INC.

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND TYPE  
 Year Ended June 30, 2021  
 Increase (Decrease) in Cash

	BUILDING CORPORATION	PROPERTY CORPORATION	Governmental Activities - Internal Service Funds	
			2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Cash Received from Rental Operations	\$ 1,653,161	\$ 594,810	\$ 2,247,971	\$ 2,253,825
Net Cash Provided by Operating Activities	1,653,161	594,810	2,247,971	2,253,825
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>				
Purchase of Capital Assets	(875,000)	-	(875,000)	-
Investment Income	1,335	720	2,055	42,908
Net Cash Provided by Investing Activities	(873,665)	720	(872,945)	42,908
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>				
Principal Payments on Bonds	\$ (11,530,000)	\$ -	\$ (11,530,000)	\$ (1,025,000)
Proceeds from the Issuance of Debt	20,955,648	-	20,955,648	-
Interest Expense	(968,740)	(363,077)	(1,331,817)	(1,231,247)
Payments (to) from Other Funds	1,516,755	(1,516,755)	-	(91,813)
Net Cash Used by Capital and Related Financing Activities	9,973,663	(1,879,832)	8,093,831	(2,348,060)
NET INCREASE (DECREASE) IN CASH	10,753,159	(1,284,302)	9,468,857	(51,327)
CASH, Beginning	1,546,035	1,284,302	\$ 2,830,337	\$ 2,830,337
CASH, Ending	\$ 12,299,194	\$ -	\$ 12,299,194	\$ 2,779,010
<b>RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>				
Operating Income	\$ 679,748	\$ 569,397	\$ 1,249,145	\$ 1,707,854
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities				
Depreciation Expense	520,608	-	\$ 520,608	\$ 520,608
Amortization Expense	(33,162)	-	(33,162)	25,363
Total Adjustments	487,446	-	487,446	545,971
Net Cash Provided by Operating Activities	\$ 1,167,194	\$ 569,397	\$ 1,736,591	\$ 2,253,825

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

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

Pinnacle Charter School, Inc. (the “School”) was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school. On July 1, 2016, the School entered into a contract with the Colorado Charter School Institute (the “Institute”) pursuant to the Colorado Charter School Institute Act, for an initial term of five years. The contract was renewed effective July 1, 2021 for a period of 3 years with an automatic renewal of 2 years ad long as the School meets certain performance metrics.

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

**Reporting Entity**

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

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

The School includes the Pinnacle Charter School Building Corporation (the “Building Corporation”) and the Pinnacle Charter School Property Corporation (the “Property Corporation”) within its reporting entity. The Building Corporation and the Property Corporation are considered to be financially accountable to the School and were formed exclusively for the purpose of holding title, as nominee or otherwise, to real and/or personal property for, and to make same available for use by, the School, and to otherwise provide facilities, equipment and other physical plant and related support to the School. These entities are blended into the School’s financial statements as an internal service funds. Separate financial statements are not available for the Building Corporation.

**Government-Wide and Fund Financial Statements**

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

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment 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, are restricted to meeting the operational or capital requirements of a particular function or segment.

Unrestricted intergovernmental revenues not properly included among program revenues are reported instead as general revenues.

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations.

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

The School reports the following major funds:

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

*Food Service Fund*— This fund is a special revenue fund used to record financial transactions related to food service operations.

Additionally, the Academy reports the following fund types:

The *Internal Service Funds* as used to account for activities of Building Corporation and the Property Corporation.

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

*Investments* – Investments are recorded at fair value.

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

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net position in the government-wide financial statements. Depreciation has been provided over the following estimated useful lives of the capital assets using the straight-line method: buildings and improvements, 10-50 years; vehicles and equipment, 5-15 years.

*Long-term Debt* – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

*Unearned Revenues* – Unearned revenues include tuition revenues that have been collected but the corresponding expenditure that have not been incurred.

*Compensated Absences* – Full-time, certified employees of the School are allowed to accumulate vacation, sick, and personal leave during the year. Instructional employees are paid for any unused leave annually prior to year end. Non-instructional employees must use any vacation, sick and personal leave prior to July 31. Therefore, the liability for the non-instructional employees has been included in the accrued salaries and benefits.

*Net Position* – The government-wide fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted. Net investment in capital assets is intended to reflect the portion of net position which is associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost. Restricted net position is liquid assets, which have third party limitations on their use. Unrestricted net position represents assets that do not have any third party limitations on their use.

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

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

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

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

**Deferred Outflows/Inflows of Resources**

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

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

**NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (Continued)

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

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

**Comparative Data**

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Academy's financial position and operations. However, comparative data has not been presented in all statements because such inclusion would make certain statements unduly complex and difficult to understand. Also, certain amounts presented in the prior year data have been reclassified to be consistent with current year's presentation.

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets and Budgetary Accounting**

A budget is adopted for all of the School's funds. The General, Food Service, and Student Activities Funds are adopted on a basis consistent with generally accepted accounting principles. The Building and Property Corporation Funds are presented on a non-GAAP basis.

School management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July1. The budget is adopted by the Board of Directors prior to June 30. Expenditures may not legally exceed appropriations at the fund level. Revisions must be approved by the Board of Directors. The budget includes proposed expenditures and the means of financing them. All appropriations lapse at fiscal year end.

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

**NOTE 3: CASH AND INVESTMENTS**

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

Cash on Hand	\$	50
Deposits		4,503,668
Investments		<u>16,213,825</u>
Total		<b><u>\$ 20,717,543</u></b>

The above amounts are classified in the statement of Net Position as follows:

Cash and Investments	\$	8,418,349
Restricted Cash and Investments		<u>12,299,194</u>
Total		<b><u>\$ 20,717,543</u></b>

**Deposits**

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At June 30, 2021, State regulatory commissioners have indicated that all financial institutions holding deposits for the School are eligible public depositories.

Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

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

At June 30, 2021, the School had deposits with financial institutions with a carrying amount of \$4,503,668. The bank balances with the financial institutions were \$5,886,914. Of this amount, \$250,000 was covered federal depository insurance and \$5,636,914 was covered by collateral held by authorized escrow agents in the financial institutions name (PDPA).

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

**Investments**

Interest Rate Risk

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

Credit Risk

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

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

Local Government Investment Pool

The School had invested \$16,213,825 in the Colorado Government Liquid Asset Trust (ColoTrust) which has a credit rating of AAAM by Standard and Poor's. ColoTrust is an investment vehicle established for local government entities in Colorado to pool surplus funds and is regulated by the State Securities Commissioner. It operates similarly to a money market fund and each share is equal in value to \$1.00. Investments consist of U.S. Treasury and U.S. Agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities.

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

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

**Investments** (Continued)

Fair Value

The School categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant observable inputs. As of June 30, 2021, the School did not hold any investments that required categorization.

**Restricted Cash and Investments**

Cash and Investments totaling \$12,299,194 are restricted in the Building Corporation and Property Corporation Funds, respectively, for the School's ongoing debt service and repair and replacement reserves.

**NOTE 4: CAPITAL ASSETS**

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

	Balance <u>June 30, 2020</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2021</u>
<b>Governmental Activities</b>				
Capital Assets, Not Depreciate				
Land	\$ 5,355,629	\$ -	\$ -	\$ 5,355,629
Construction in Process	-	<u>360,219</u>	-	<u>360,219</u>
Total	<u>5,335,629</u>	<u>360,219</u>	-	<u>5,715,848</u>
Capital Assets, Depreciated				
Buildings and Improvements	16,305,594	-	-	16,305,594
Vehicles and Equipment	3,156,058	875,431	-	4,031,489
Improvements and Infrastructure	<u>11,918,916</u>	-	-	<u>11,918,916</u>
Total Capital Assets, Depreciated	<u>31,380,58</u>	<u>875,431</u>	-	<u>32,255,999</u>
Accumulated Depreciation				
Buildings and Improvements	8,038,617	520,608	-	8,559,225
Vehicles and Equipment	1,631,966	381,442	-	2,013,408
Improvements and Infrastructure	<u>528,907</u>	<u>48,590</u>	-	<u>577,497</u>
Total Accumulated Depreciation	<u>10,199,490</u>	<u>950,640</u>	-	<u>11,150,130</u>
Total Capital Assets, Depreciated, Net	<u>21,181,078</u>	<u>(75,209)</u>	-	<u>21,105,869</u>
Net Capital Assets	<u>\$ 23,536,707</u>	<u>\$ 285,010</u>	<u>\$ -</u>	<u>\$ 26,821,717</u>

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

**NOTE 4: CAPITAL ASSETS** (Continued)

Depreciation has been charged to the programs of the School as follows:

Instruction	\$ 48,590
Supporting Services	<u>902,050</u>
Total	<u><u>\$ 950,640</u></u>

**NOTE 5: ACCRUED SALARIES AND BENEFITS**

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from August to July but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, as of June 30, 2021, were \$840,170.

**NOTE 6: LONG-TERM DEBT**

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

	Balance <u>June 30, 2020</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>June 30, 2021</u>	Due In <u>One Year</u>
2010 Building Loan	\$ 10,785,000	\$ -	\$10,785,000	\$ -	\$ -
2010 Discount	(345,696)	-	(345,696)	-	-
2013 Building Loan	13,510,000	-	775,000	12,735,000	810,000
2013 Premium	575,727	-	78,157	497,570	-
2020 Building Loan	-	17,765,000	-	17,765,000	-
2020 Premium	<u>-</u>	<u>3,190,648</u>	<u>44,857</u>	<u>3,145,791</u>	<u>-</u>
<b>Total</b>	<b><u>\$ 24,525,031</u></b>	<b><u>\$20,955,648</u></b>	<b><u>\$ 11,337,318</u></b>	<b><u>\$ 34,143,361</u></b>	<b><u>\$ 810,000</u></b>

**2010 Building Loan**

In January 2010, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$12,985,000 Charter School Revenue Bonds, Series 2010. Proceeds of the bonds were loaned to the Building Corporation to pay off an existing loan and provide additional funding for a high school educational facility. The School is obligated under a lease agreement to make monthly lease payments to the Building Corporation for using the facilities. Interest accrues at a rate 2.4% to 5.125% per year. The loan matures in December 2039. This loan was paid off with the 2021 Bonds.

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

**NOTE 6: LONG-TERM DEBT** (Continued)

**2013 Building Loan**

In March 2013, Colorado Educational and Cultural Facilities Authority (CECFA) issued \$17,985,000 Charter School Revenue and Refunding Bonds, Series 2013. Proceeds of the bonds were loaned to the Property Corporation to currently refund \$18,905,000 of the outstanding 2003 Charter School Revenue and Refunding Bonds. The School is required to make lease payments to the Property Corporation for the use of the building. The Property Corporation is required to make equal lease payments to the Trustee, for payment of principal and interest on the bonds. Interest accrues at a rate 3.00% to 5.00% per year. The loan matures in June 2033.

**2021 Bonds**

In February 2021, Colorado Educational and Cultural Facilities Authority (CECFA) issued \$17,765,000 Charter School Revenue and Refunding Bonds, Series 2021. Proceeds of the bonds were loaned to the Property Corporation to currently refund \$10,785,000 of the outstanding 2003 Charter School Revenue and Refunding Bonds and to fund capital projects. The School is required to make lease payments to the Property Corporation for the use of the building. The Property Corporation is required to make equal lease payments to the Trustee, for payment of principal and interest on the bonds. Interest accrues at a rate 4.00% per year. The loan matures in June 2051.

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 810,000	\$ 1,282,788	\$ 2,092,788
2023	845,000	1,250,388	2,095,388
2024	1,245,000	1,200,738	2,445,738
2025	1,305,000	1,142,038	2,447,038
2026	1,360,000	1,080,188	2,440,188
2027-2031	7,835,000	4,383,363	12,218,363
2032-2036	5,250,000	2,800,100	8,050,100
2037-2041	3,210,000	2,059,000	5,269,000
2042-2046	3,890,000	1,351,200	5,241,200
2037-2041	<u>4,750,000</u>	<u>489,600</u>	<u>5,239,600</u>
Total	<u>\$ 30,500,000</u>	<u>\$ 17,039,403</u>	<u>\$ 37,058,603</u>

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

**NOTE 7: DEFINED BENEFIT PENSION PLAN**

**Summary of Significant Accounting Policies**

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

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

**General Information about the Pension Plan**

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

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

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

**General Information about the Pension Plan** (Continued)

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

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

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

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

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

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

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

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

**General Information about the Pension Plan** (Continued)

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

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

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

*Contributions provisions as of June 30, 2021:* Eligible employees of the School and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 10.00 percent of their PERA-includable salary during the period of July 1, 2020 through June 30, 2021. Employer contribution requirements are summarized in the table below:

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

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

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

**General Information about the Pension Plan** (Continued)

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the School were \$9,889,423 for the year ended June 30, 2021.

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

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

At June 30, 2021, the School reported a liability of \$28,203,093 for its proportionate share of the net pension liability. The amount recognized by the School as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the School were as follows:

School's proportionate share of the net pension liability	\$28,203,093
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the School	-
Total	\$28,203,093

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

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

At December 31, 2020, the School's proportion was .1865 percent, which was an increase of .00019 percent from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the School recognized pension income of \$6,622,575 and revenue of \$0 for support from the State as a nonemployer contributing entity. At June 30, 2021, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$1,549,620	N/A
Changes of assumptions or other inputs	\$2,713,050	\$4,740,700
Net difference between projected and actual earnings on pension plan investments	N/A	\$6,208,142
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$3,277,689	\$2,018,588
Contributions subsequent to the measurement date	\$1,035,309	N/A
Total	\$8,575,668	\$12,967,430

\$1,035,309 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2022	(\$5,515,455)
2023	\$1,708,621
2024	(\$640,870)
2025	(\$979,367)

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

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

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

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

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

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

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

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

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

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

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

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

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

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

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

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

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

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

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

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

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

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

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

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

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

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

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

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

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

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

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

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

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

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

<sup>1</sup>The Opportunity Fund's name changed to Alternatives, effective January 1, 2020.

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

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

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

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

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

- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded. HB 20-1379 suspended the \$225 million (actual dollars) direct distribution payable on July 1, 2020, for the State's 2020-21 fiscal year.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

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

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$38,471,335	\$28,203,097	\$19,646,272

*Pension plan fiduciary net position.* Detailed information about the SCHDTP's FNP is available in PERA's Annual Report which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

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

**Summary of Significant Accounting Policies**

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

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

**General Information about the OPEB Plan**

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

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

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

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

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

**General Information about the OPEB Plan (Continued)**

*PERA Benefit Structure*

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

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

*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.

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

**General Information about the OPEB Plan (Continued)**

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the School were \$100,872 for the year ended June 30, 2021.

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

At June 30, 2021, the School reported a liability of \$1,025,689 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2020. The School's proportion of the net OPEB liability was based on the School's contributions to the HCTF for the calendar year 2020 relative to the total contributions of participating employers to the HCTF.

At December 31, 2020, the School's proportion was .108 percent, which was a decrease of .0014 percent from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the School recognized OPEB income of \$8,359.

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

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

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$2,722	\$225,496
Changes of assumptions or other inputs	\$7,664	\$62,897
Net difference between projected and actual earnings on OPEB plan investments	N/A	\$41,911
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$22,099	\$94,596
Contributions subsequent to the measurement date	\$53,003	N/A
Total	\$85,488	\$424,897

\$53,003 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2022	(\$103,038)
2023	(\$97,174)
2024	(\$92,042)
2025	(\$68,987)
2026	(\$29,266)
Thereafter	(\$1,905)

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

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

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

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

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

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

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

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

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

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

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

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

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

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

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

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

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

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

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

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

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

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

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

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

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

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

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

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

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

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

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

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

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

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

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

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

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

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

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

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

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

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

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

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

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

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

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

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

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

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

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

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

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

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

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

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

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

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

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

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

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

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

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

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

<sup>1</sup>The Opportunity Fund's name changed to Alternatives, effective January 1, 2020.

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

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	7.10%	8.10%	9.10%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
<b>Net OPEB Liability</b>	<b>\$999,178</b>	<b>\$1,025,689</b>	<b>\$1,056,550</b>

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

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

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

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

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

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$1,174,945	\$1,025,689	\$898,161

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

**NOTE 9: RISK MANAGEMENT**

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

**NOTE 10: COMMITMENTS AND CONTINGENCIES**

**Claims and Judgments**

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

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2021

**NOTE 10:** **COMMITMENTS AND CONTINGENCIES** (Continued)

**Tabor Amendment**

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The School believes it has complied with the Amendment. As required by the Amendment, the School has established a reserve for emergencies. At June 30, 2021, the reserve of \$611,300 was recorded as a restriction of fund balance in the General Fund.

**NOTE 11:** **DEFICIT NET POSITION**

The Net Position of the government type activities is in a deficit position of \$19,390,487 due to the School including the Net Pension and OPEB Liabilities per the requirements of GASB Statements No. 68 and 75.

**NOTE 12:** **SUBSEQUENT EVENT**

Potential subsequent events were considered through October 13, 2021. It was determined that no events were required to be disclosed through this date.

**REQUIRED SUPPLEMENTARY INFORMATION**

PINNACLE CHARTER SCHOOL, INC.

GENERAL FUND  
BUDGETARY COMPARISON SCHEDULE  
Year Ended June 30, 2021

	2021			VARIANCE Positive (Negative)	2020 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
<b>REVENUES</b>					
Local Sources					
Per Pupil Revenue	\$ 16,211,258	\$ 17,179,256	\$ 17,216,499	\$ 37,243	\$ 17,279,862
Mill Levy Override	630,000	630,000	623,226	(6,774)	823,654
Tuition and Fees	505,000	437,074	51,645	(385,429)	443,581
BASE Fees	45,000	45,000	32,809	(12,191)	93,819
Facility Rentals	100,000	-	-	-	75,935
Grants and Donations	61,832	8,550	10,936	2,386	152,865
Investment Income	40,000	10,080	26,905	16,825	89,267
State Sources					
Grants and Donations	1,361,194	1,508,731	1,424,572	(84,159)	1,616,435
Federal Sources					
Grants and Donations	2,693,893	2,419,974	2,414,585	(5,389)	1,925,671
<b>TOTAL REVENUES</b>	<b>21,648,177</b>	<b>22,238,665</b>	<b>21,801,177</b>	<b>(437,488)</b>	<b>22,501,089</b>
<b>EXPENDITURES</b>					
Salaries	10,221,105	10,627,672	9,960,295	667,377	10,020,130
Employee Benefits	4,072,746	3,858,473	3,428,877	429,596	3,622,218
Purchased Services	4,397,090	4,672,392	4,304,887	367,505	4,500,830
Supplies and Materials	786,085	875,800	750,674	125,126	974,617
Property	1,176,776	1,690,828	1,779,978	(89,150)	4,725,034
Other	480,750	550,305	110,518	439,787	224,674
<b>TOTAL EXPENDITURES</b>	<b>21,134,552</b>	<b>22,275,470</b>	<b>20,335,229</b>	<b>1,940,241</b>	<b>24,067,503</b>
<b>NET CHANGE IN FUND BALANCE</b>					
	513,625	(36,805)	1,465,948	1,502,753	(1,566,414)
FUND BALANCE, Beginning	7,102,179	7,102,179	7,102,179	-	8,668,593
FUND BALANCE, Ending	<u>\$ 7,615,804</u>	<u>\$ 7,065,374</u>	<u>\$ 8,568,127</u>	<u>\$ 1,502,753</u>	<u>\$ 7,102,179</u>

See the accompanying independent auditors' report.

PINNACLE CHARTER SCHOOL, INC., INC.

SCHOOL FOOD AUTHORITY  
 BUDGETARY COMPARISON SCHEDULE  
 Year Ended June 30, 2020

	2021			VARIANCE Positive (Negative)	2020 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Local Sources					
Student Meals	96,250	1,588	\$ 206	\$ (1,382)	\$ 792,114
Services Provided	-	6,000	5,919	(81)	375,643
Other	-	75,000	58,744	(16,256)	230,848
State Sources	-				
Grants	26,000	8,607	8,962	355	75,075
Federal Sources	-				
Grants	790,444	558,000	561,827	3,827	1,871,337
TOTAL REVENUES	<u>912,694</u>	<u>649,195</u>	<u>635,658</u>	<u>(13,537)</u>	<u>3,345,017</u>
EXPENDITURES					
Food Services	912,694	760,304	746,767	13,537	3,540,950
TOTAL EXPENDITURES	<u>912,694</u>	<u>760,304</u>	<u>746,767</u>	<u>13,537</u>	<u>3,540,950</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>-</u>	<u>(111,109)</u>	<u>(111,109)</u>	<u>-</u>	<u>(195,933)</u>
OTHER FINANCING SOURCES					
Transfers In	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	<u>-</u>	<u>(111,109)</u>	<u>(111,109)</u>	<u>-</u>	<u>(195,933)</u>
FUND BALANCE, Beginning	<u>-</u>	<u>307,042</u>	<u>111,109</u>	<u>(195,933)</u>	<u>307,042</u>
FUND BALANCE, Ending	<u>\$ -</u>	<u>\$ 195,933</u>	<u>\$ -</u>	<u>\$ (195,933)</u>	<u>\$ 111,109</u>

See the accompanying independent auditors' report.

PINNACLE CHARTER SCHOOL, INC.  
 SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE  
 SCHOOL DIVISION TRUST FUND

Years Ended December 31,

	2013	2014	2015	2016	2017	2018	2019	2020
School's proportionate share of the Net Pension Liability	0.187%	0.195%	0.205%	0.213%	0.202%	0.165%	0.167%	0.186%
School's proportionate share of the Net Pension Liability	\$ 23,163,893	\$ 26,403,085	\$ 31,325,942	\$ 63,391,429	\$ 65,380,701	\$ 29,169,572	\$ 25,000,376	\$ 28,203,097
State of Colorado's Proportionate Share of the Net Pension Liability associated with the School	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,988,534	\$ 4,016,367	\$ -
Total portion of the Net Pension Liability associated with the School	\$ 23,163,893	\$ 26,403,085	\$ 31,325,942	\$ 63,391,429	\$ 65,380,701	\$ 33,158,106	\$ 29,016,743	\$ 28,203,097
School's covered payroll	\$ 7,526,515	\$ 8,160,974	\$ 8,926,058	\$ 9,555,763	\$ 9,326,734	\$ 9,043,838	\$ 9,832,733	\$ 9,889,423
School's proportionate share of the Net Pension Liability as a percentage of its covered payroll	307.8%	323.5%	350.9%	663.4%	701.0%	366.6%	295.1%	285.2%
Plan fiduciary net position as a percentage of the total pension liability	64.1%	62.8%	59.2%	43.1%	44.0%	57.0%	64.5%	67.0%

See the accompanying independent auditors' report.

PINNACLE CHARTER SCHOOL, INC.  
 SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS  
 SCHOOL DIVISION TRUST FUND

Years Ended June 30,

	2014	2015	2016	2017	2018	2019	2020	2021
Statutorily required contributions	\$ 1,245,728	\$ 1,449,580	\$ 1,657,580	\$ 1,760,326	\$ 1,695,921	\$ 1,807,046	\$ 1,974,077	\$ 1,969,826
Contributions in relation to the Statutorily required contributions	1,245,728	1,449,580	1,657,580	1,760,326	1,695,921	1,807,046	1,974,077	1,969,826
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School's covered payroll	\$ 7,790,150	\$ 8,581,137	\$ 9,341,976	\$ 9,575,792	\$ 8,982,332	\$ 9,316,179	\$ 10,186,155	\$ 9,889,423
Contributions as a percentage of covered payroll	15.99%	16.89%	17.74%	18.38%	18.88%	19.40%	19.38%	19.92%

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

See the accompanying independent auditors' report.

PINNACLE CHARTER SCHOOL, INC.

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

Years Ended December 31,

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
School's proportionate share of the Net OPEB Liability	0.121%	0.115%	0.107%	0.109%	0.108%
School's proportionate share of the Net OPEB Liability	\$ 1,569,070	\$ 1,493,019	\$ 1,454,834	\$ 1,229,147	\$ 1,025,689
School's covered payroll	\$ 9,555,763	\$ 9,326,734	\$ 9,043,838	\$ 9,832,733	\$ 9,889,423
School's proportionate share of the Net OPEB Liability as a percentage of its covered payroll	16.4%	16.0%	16.1%	12.5%	10.4%
Plan fiduciary net position as a percentage of the total OPEB liability	16.7%	17.5%	17.0%	24.5%	32.8%

Notes:

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

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

See the accompanying independent auditors' report.

PINNACLE CHARTER SCHOOL, INC.

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS  
HEALTH CARE TRUST FUND

Years Ended June 30,

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Statutorily required contributions	\$ 97,469	\$ 91,620	\$ 95,025	\$ 103,899	\$ 100,872
Contributions in relation to the Statutorily required contributions	<u>97,469</u>	<u>91,620</u>	<u>95,025</u>	<u>103,899</u>	<u>100,872</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered payroll	\$ 9,575,792	\$ 8,982,332	\$ 9,316,179	\$ 10,186,155	\$ 9,889,423
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%	1.02%

Notes:

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

See the accompanying independent auditors' report.

**SUPPLEMENTARY INFORMATION**

PINNACLE CHARTER SCHOOL, INC.

BUILDING CORPORATION  
 BUDGETARY COMPARISON SCHEDULE  
 Year Ended June 30, 2021

	2021			VARIANCE Positive (Negative)	2020 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Local Sources					
Lease Revenues	\$ 1,399,882	\$ 1,653,161	\$ 1,653,161	\$ -	\$ 1,400,733
Investment Income	5,000	1,300	1,335	35	24,866
<b>TOTAL REVENUES</b>	<b>1,404,882</b>	<b>1,654,461</b>	<b>1,654,496</b>	<b>35</b>	<b>1,425,599</b>
EXPENDITURES					
Dues and Fees	20,917	465,339	92,144	373,195	21,488
Depreciation	313,959	377,694	520,608	(142,914)	313,959
Amortization	6,835	(33,162)	(33,162)	-	7,169
Other Expenses	-	-	-	-	-
Capital Outlay	-	10,000,000	-	10,000,000	-
Bond Issuance Costs	-	-	393,823	(393,823)	-
Debt Service					
Principal	-	775,000	745,000	30,000	745,000
Interest	607,708	854,444	854,444	-	638,254
<b>TOTAL EXPENDITURES</b>	<b>949,419</b>	<b>12,439,315</b>	<b>2,572,857</b>	<b>9,866,458</b>	<b>1,725,870</b>
<b>CHANGE IN FUND BALANCE (Budget Basis)</b>	<b>\$ 455,463</b>	<b>\$ (10,784,854)</b>	<b>(918,361)</b>	<b>\$ 9,866,493</b>	<b>(300,271)</b>
Adjustments to Reconcile Budget Basis to GAAP Basis					
Principal Payments			745,000		745,000
<b>CHANGE IN FUND BALANCE (GAAP Basis)</b>			<b>(173,361)</b>		<b>444,729</b>
NET POSITION, Beginning			(41,942)		(486,671)
NET POSITION, Ending			<b>\$ (215,303)</b>		<b>\$ (41,942)</b>

See the accompanying independent auditors' report

PINNACLE CHARTER SCHOOL, INC.

PROPERTY CORPORATION  
 BUDGETARY COMPARISON SCHEDULE  
 Year Ended June 30, 2021

	2021			VARIANCE Positive (Negative)	2020 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Local Sources					
Lease Revenues	\$ 854,095	\$ 569,397	\$ 569,397	\$ -	\$ 853,092
Investment Income	5,000	719	720	1	18,042
<b>TOTAL REVENUES</b>	<b>859,095</b>	<b>570,116</b>	<b>570,117</b>	<b>1</b>	<b>871,134</b>
EXPENDITURES					
Dues and Fees	18,047	7,568	7,568	-	14,834
Depreciation	206,649	206,649	-	206,649	206,649
Amortization	18,194	-	-	-	18,194
Transfers Out	-	-	(25,413)	25,413	
Capital Outlay	-				
Debt Service					
Principal	-		-	-	280,000
Interest	539,458	355,509	355,509	-	552,958
<b>TOTAL EXPENDITURES</b>	<b>782,348</b>	<b>569,726</b>	<b>337,664</b>	<b>232,062</b>	<b>1,072,635</b>
<b>CHANGE IN FUND BALANCE (Budget Basis)</b>	<b>\$ 76,747</b>	<b>\$ 390</b>	<b>232,453</b>	<b>\$ 232,063</b>	<b>(201,501)</b>
Adjustments to Reconcile Budget Basis to GAAP Basis					
Principal Payments			-		280,000
<b>CHANGE IN FUND BALANCE (GAAP Basis)</b>			<b>232,453</b>		<b>78,499</b>
NET POSITION, Beginning			(232,453)		(310,952)
NET POSITION, Ending			\$ -		\$ (232,453)

See the accompanying independent auditors' report