THE ACADEMY OF CHARTER SCHOOLS, INC.

BASIC FINANCIAL STATEMENTS

June 30, 2021

TABLE OF CONTENTS

JOHN CUTLER
& ASSOCIATES

Board of Directors
The Academy of Charter Schools, Inc.
Westminster, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements governmental activities, each major fund, and the aggregate remaining fund information of The Academy of Charter Schools, Inc. (the "Academy"), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of The Academy of Charter Schools, 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.

600 17TH STREET SUITE 2800 SOUTH • DENVER, COLORADO 80202 •TEL 303.634.2259 •FAX 303.496.4631

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 Academy's proportionate share, and schedule of The Academy's contributions on pages 46-50 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.

John Cutler & Associates, LLC

October 15, 2021

The Academy of Charter Schools, Inc.

Management's Discussion and Analysis

As of and for the fiscal year ended June 30, 2021

As management of The Academy of Charter Schools, we offer readers of the School's basic financial statements this narrative and analysis of the financial activities of the School for the fiscal year ending June 30, 2021.

Financial Highlights

- The liabilities of The Academy exceeded its assets at the close of the most recent fiscal year by $27,333,276 (net position). This is a significant change from the previous year's net position of $34,460,458. The vast majority of this deficit is caused by the Governmental Accounting Standards Board (GASB) Statement 68 (Note 7, pages 20-30) and Government Accounting Standards Board (GASB) Statement 75 (Note 8 pages 30-44). The positive change in net position of $7,127,182 is due to several factors including the increased federal support provided in response to the COVID pandemic, the savings made by the school as a result of enforced remote learning periods out of the building and the benefits of our bond refinance process (May 2020). These combining elements have resulted in a significant improvement in The Academy's debt service structure.
- The General Fund balance increased $2,818,090 from $2,486,636 to $5,304,726. Adding this to our General Fund balance was an intentional decision made at the Senior Admin level in order to place the school in the best position possible for planning long term projects as well as remaining conservative as we move into another year where funding may become unstable again due to the ongoing COVID pandemic impact.
- The Proprietary Fund was created when the Academy used bond proceeds to construct its facilities. In FY21, the Proprietary Fund net position increased by $520,612 and continues to run at a deficit, to the amount of ($2,285,050). The increase seen this year was as a result of our bond restructure in May 2020 where, in anticipation of the pandemic impact, we set up reduced rent payments for the first year to allow us to make some immediate savings and afford us as much flexibility as possible. From FY2022 onwards, we now revert back to a set, replicable payment schedule and therefore can expect more consistency in eliminating this debt in the future.

Overview of the Financial Statements

Management's discussion and analysis is intended to serve as an introduction to the school's basic financial statements and provide an analytical overview of The Academy's financial activities. The basic financial statements are comprised of three components: 1) Government-wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements. This report also contains other required supplemental information in addition to the basic financial statements themselves.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the financial activities in a manner similar to a private sector business.

The statement of net position presents information about all of The Academy's assets and liabilities. The difference between assets and liabilities is reported as net position. Over time, changes in net position may serve as a useful indicator of whether the financial position of the school is improving or deteriorating.

The statement of activities presents information showing how the net assets of the school changed during the current fiscal year. Changes in net assets are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flow may be recorded in a future period.

Fund Financial Statements

Fund financial statements are designed to demonstrate compliance with finance-related legal requirements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for special objectives. Fund financial statements for the Academy include two fund types - governmental and proprietary funds.

Governmental funds account for essentially the same information reported in the governmental activities of the government-wide financial statements. However, unlike the government-wide statements, the governmental fund financial statements focus on near-term financial resources and fund balances. Such information may be useful in evaluating financing requirements in the near term.

Since the governmental funds and the governmental activities report information using the same functions, it is useful to compare the information presented. Because the focus of each report differs, reconciliations are provided on the fund financial statements to assist the reader in comparing the near-term requirements with the long-term needs.

The Academy maintains one governmental fund, The Academy General Fund. The Academy adopts an annual appropriated budget for its general fund. The budget is developed using estimates for enrollment and State and Federal Grant awards. The Academy Board then approves a modified budget and appropriation after the official enrollment count and grant award letters are finalized (typically, Dec/Jan of each fiscal year). A budgetary comparison schedule for the General Fund is included in the required supplemental information (page 46).

The School maintains one type of proprietary fund, The Academy Building Corporation. The Academy Building Corporation is considered a component unit of the charter school and is reported as business-type activities in the proprietary fund. This unit is presented with statements of net position, changes in net position and cash flows.

Notes to the Basic Financial Statements

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes can be found on pages 9-45 of this report.

Government-wide Financial Analysis

Net Position may serve over time as a useful indicator of a government's financial position. In the case of The Academy, liabilities exceeded assets by $27,333,276 at the close of the most recent fiscal year. Again, the majority of this deficit is caused by the Governmental Accounting Standards Board (GASB) Statement 68 and GASB Statement 75. All Colorado Schools, The Academy included, are now required to include its proportionate share of the Net Pension Liability and its OPEB 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 and GASB 75 can be found in Note 7, pages 20-30 and Note 8 pages 30-44 respectively. Note 7 on page 25 shows The Academy's proportionate share of the Net Pension liability increased .01346% to .1613%.

The assets of the School are classified as current assets and capital assets. Cash and investments, receivables, internal balances and inventories are current assets. These assets are available to provide resources for the near-term operations of the school. The majority of the current assets are the result of unspent revenues received from the state. Capital assets are used in the operations of the School. These assets represent land, buildings, and equipment of the School.

Current and non-current liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued salaries and benefits, deferred revenue, and current debt obligations. The liquidation of current liabilities is anticipated to be either from current available resources, current assets, or new resources that become available during fiscal year 2022.

Long-term liabilities such as long-term debt obligations will be liquidated from resources that will become available after fiscal year 2022. The noncurrent liabilities primarily relate to the debt incurred to fund the facilities of The Academy or are part of the school's portion of the state's pension liability.

Governmental Activities

		June 30, 2021		June 30, 2020
Cash and Investments	$	6,601,591	$	5,448,596
Accounts Receivable	$	1,070,149	$	319,812
Capital Assets	$	24,975,961	$	25,534,964
Total Assets	**$**	**32,647,701**	**$**	**31,303,372**
Deferred Outflows - Related to OPEB Liability	$	107,405	$	125,330
Deferred Outflows - Related to Pensions	$	6,750,309	$	3,419,091
Deferred Outflows - Gain on Refunding of Bond	$	1,178,824	$	1,234,482
Current Liabilities	$	2,162,874	$	2,146,777
Other Liabilities	$	28,253,000	$	29,305,000
OPEB Liability	$	886,799	$	1,086,079
Pension Liability	$	24,390,232	$	22,092,404
Total Liabilities	**$**	**55,692,905**	**$**	**54,630,260**
Deferred Inflows - Related to OPEB Liability	$	316,205	$	200,629
Deferred Inflows - Related to Pensions	$	12,008,405	$	15,711,844
Net Position				
Investment in Capital Assets	$	(3,028,050)	$	(2,588,770)
Restricted for Emergencies (TABOR)	$	488,740	$	516,865
Unrestricted	$	(24,793,966)	$	(32,388,553)
	$	**(27,333,276)**	**$**	**(34,460,458)**

Cash and Investments are 20.2% of the Academy's Governmental and Business-Type Assets (up from 17.4% last year)

The Academy's Change in Net Position

For the Year Ending June 30, 2021

Governmental and Business-Type Activities

		June 30, 2021		June 30, 2020
Program Revenue:				
Charges for Services	$	921,115	$	1,917,382
Operating Grants and Contributions	$	2,916,006	$	484,707
Capital Grants and Contributions	$	512,805	$	512,805
Total Program Revenues:	**$**	**4,349,926**	**$**	**2,914,388**
General Revenue:				
Per Pupil Revenue	$	14,432,196	$	14,933,043
Mill Levy Revenue	$	550,166	$	751,153
Investment Earnings	$	3,647	$	65,565
Other	$	451,932	$	464,370
Unrestricted State Aid	$	0	$	94,721
Total General Revenue:	**$**	**15,437,941**	**$**	**16,308,852**
Total Revenue:	**$**	**19,787,867**	**$**	**19,223,240**
Expenses:				
Current:				
Instruction	$	5,630,901	$	5,391,370
Supporting Services	$	5,760,755	$	8,996,111
Interest on Long-Term Debt	$	1,269,029	$	902,037
Total Expenses	**$**	**12,660,685**	**$**	**15,289,518**
Increase (Decrease) in Net Position	$	7,127,182	$	3,933,722
Beginning Net Position	$	(34,460,458)	$	(38,394,180)
Ending Net Position	**$**	**(27,333,276)**	**$**	**(34,460,458)**

Financial Analysis of Government and Business-Type Activities Net Position

The impact of the implementation of Governmental Accounting Standards Board (GASB) Statement 68 and GASB 75 remains evident. In 2018, the Colorado General Assembly passed Senate Bill (SB) 18-200 which made some major changes in an attempt to eliminate the "high probability the unfunded liability of the plan within the next thirty years." The bill modified the contribution rates, modified some of the retirement benefits, and required the state to contribute $225M each year to PERA. It was projected the then proposed changes would decrease the unfunded liability carried by schools by approx. 50%. As long as the unfunded liability on the state retirement plan remains, it will continue to be the primary driver of net position. It is important to note that even though The Academy's proportionate share of the unfunded liability is included in our financial reports, <u>it will never be an expense realized by The Academy</u>. If an employee leaves, the liability leaves as well. If an employee retires, the expense shifts to the state agency and does not remain with The Academy.

Financial Analysis of the School's Governmental Funds

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

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

Proprietary Fund. The Proprietary Fund was created when the Academy used bond proceeds to construct its facilities. In FY21, the Proprietary Fund net position increased by $520,612 and continues to run at a deficit, to the amount of ($2,285,050). The increase seen this year was as a result of our bond restructure in May 2020 where, in anticipation of the pandemic impact, we set up reduced rent payments for the first year to allow us to make some immediate savings and afford us as much flexibility as possible. From FY2022 onwards, we now revert back to a set, replicable payment schedule and therefore can expect more consistency in eliminating this debt in the future.

General Fund Budgetary Highlights

The Academy approves a budget in June based on enrollment projections for the following school year. In October after enrollment stabilizes, adjustments are made to the budget. Actual expenditures in the general fund were under revenues by $2,818,091 primarily as a result of the Federal Government support in response to the COVID pandemic. The General Fund balance therefore increased by $2,818,090 to $5,304,726 during fiscal year 2021.

The Academy refinanced its bonds in early May 2020 moved into a long-term loan agreement with a bank that resulted in Total Debt Service Savings of $9,406,008 and a Net Present Value Savings of $4,296,348. Monthly principal and interest payments are due under the loan agreements with interest accruing at a rate of 3.9%.

Economic Factors and Next Year's Budgets and Rates

The Academy's FY 2021-22 budget starts in a much stronger position than was predicted throughout FY21. This is due to the savings made and federal support given in response to the COVID pandemic. PPR has been restored by the legislature to the level seen prior to the pandemic which will allow us to restore more normal operations as well as invest more into closing the gaps in the anticipated learning loss for students. Enrollment is due to be stable and land around 1855 for the upcoming year.

Although The Academy has recently been utilizing conservative strategies regarding enrollment and budgeting, we will be using this year to outline our long term investment plans to help support the new 5 year Strategic Plan approved by the Board. This will mean actively investing in some of our longer term facility projects, technology needs and staff salaries and benefits.

Requests for Information

This financial report is designed to provide a general overview of the school's finances for all those with an interest in the school. Questions concerning any of the information provided in this report or requests for additional information shall be addressed to:

Chief Operating Officer

The Academy of Charter Schools, Inc.

11800 Lowell Blvd.

Westminster, CO 80031

BASIC FINANCIAL STATEMENTS

THE ACADEMY OF CHARTER SCHOOLS, INC.

STATEMENT OF NET POSITION
June 30, 2021

	GOVERNMENTAL ACTIVITIES	
	2021	2020
ASSETS		
Cash and Investments	$ 5,300,602	$ 4,117,330
Restricted Cash and Investments	1,300,989	1,331,266
Accounts Receivable	1,070,149	319,812
Capital Assets, Not Being Depreciated	4,120,406	4,120,406
Capital Assets, Depreciated, Net of Accumulated Depreciation	20,855,555	21,414,558
TOTAL ASSETS	32,647,701	31,303,372
DEFERRED OUTFLOWS OF RESOURCES		
Related to OPEB Liability	107,405	125,330
Related to Pensions	6,750,309	3,419,091
Gain on Refunding of Bond	1,178,824	1,234,482
TOTAL DEFERRED OUTFLOWS OF RESOURCES	8,036,538	4,778,903
LIABILITIES		
Accounts Payable	151,905	314,250
Accrued Salaries and Benefits	868,460	856,317
Unearned Revenue	45,660	779,939
Accrued Interest Payable	2,355	2,354
Compensated Absences	42,494	43,917
Noncurrent Liabilities		
Due Within One Year	1,052,000	150,000
Due in More Than One Year	28,253,000	29,305,000
OPEB Liability	886,799	1,086,079
Pension Liability	24,390,232	22,092,404
TOTAL LIABILITIES	55,692,905	54,630,260
DEFERRED INFLOWS OF RESOURCES		
Related to OPEB Liability	316,205	200,629
Related to Pensions	12,008,405	15,711,844
TOTAL DEFERRED INFLOWS OF RESOURCES	12,324,610	15,912,473
NET POSITION		
Investment in Capital Assets	(3,028,050)	(2,588,770)
Restricted for Emergencies	488,740	516,865
Unrestricted	(24,793,966)	(32,388,553)
TOTAL NET POSITION	$ (27,333,276)	$ (34,460,458)

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

THE ACADEMY OF CHARTER SCHOOLS, INC.

STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

		PROGRAM REVENUES			Net Expense (Revenue) and Changes in Net Postion	
			Operating	Capital	Governmental Activities	
		Charges for	Grants and	Grants and		
FUNCTIONS/PROGRAMS	Expenses	Services	Contributions	Contributions	2021	2020
PRIMARY GOVERNMENT						
Governmental Activities						
Instruction	$ 5,630,901	$ 246,681	$ 2,916,006	$ -	$ (2,468,214)	$ (4,074,851)
Supporting Services	5,760,755	674,434	-	512,805	(4,573,516)	(7,398,242)
Interest and Fiscal Charges	1,269,029	-	-	-	(1,269,029)	(902,037)
Total Governmental Activities	$ 12,660,685	$ 921,115	$ 2,916,006	$ 512,805	(8,310,759)	(12,375,130)
	GENERAL REVENUES					
	Per Pupil Revenue				14,432,196	14,933,043
	Mill Levy Revenue				550,166	751,153
	Investment Earnings				3,647	65,565
	Other				451,932	464,370
	Unrestricted State Aid				-	94,721
	TOTAL GENERAL REVENUES				15,437,941	16,308,852
	CHANGE IN NET POSITION				7,127,182	3,933,722
	NET POSITION, Beginning				(34,460,458)	(38,394,180)
	NET POSITION, Ending				$ (27,333,276)	$ (34,460,458)

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

THE ACADEMY OF CHARTER SCHOOLS, INC.

BALANCE SHEET
ALL GOVERNMENTAL FUNDS
June 30, 2021

	GENERAL FUND	
	2021	2020
ASSETS		
Cash and Investments	$ 5,300,602	$ 4,117,330
Accounts Receivable	1,070,149	319,812
TOTAL ASSETS	$ 6,370,751	$ 4,437,142
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	$ 151,905	$ 314,250
Accrued Salaries and Benefits	868,460	856,317
Unearned Revenue	45,660	779,939
TOTAL LIABILITIES	1,066,025	1,950,506
FUND BALANCES		
Restricted for Emergencies	488,740	516,865
Unassigned	4,815,986	1,969,771
TOTAL FUND BALANCES	5,304,726	2,486,636
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.	433,469	407,796
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 ($24,390,232), OPEB liability ($886,799), deferred outflows related to pensions and OPEB $6,857,714, deferred inflows related to pensions and OPEB ($12,324,610), and compensated absences ($42,494).	(30,786,421)	(35,590,452)
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.	(2,285,050)	(1,764,438)
Net position of governmental activities	$ (27,333,276)	$ (34,460,458)

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

THE ACADEMY OF CHARTER SCHOOLS, INC.

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

	GENERAL FUND	
	2021	2020
REVENUES		
Local Sources	$ 16,119,880	$ 17,838,173
State and Federal Sources	3,667,035	1,256,842
TOTAL REVENUES	19,786,915	19,095,015
EXPENDITURES		
Instruction	8,705,994	6,458,324
Supporting Services	8,262,831	12,423,646
TOTAL EXPENDITURES	16,968,825	18,881,970
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	2,818,090	213,045
OTHER FINANCING SOURCES (USES)		
Transfers In	-	93,442
TOTAL OTHER FINANCING SOURCES (USES)	-	93,442
NET CHANGE IN FUND BALANCES	2,818,090	306,487
FUND BALANCES, Beginning	2,486,636	2,180,149
FUND BALANCES, Ending	$ 5,304,726	$ 2,486,636

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

THE ACADEMY OF CHARTER SCHOOLS, 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	$	2,818,090
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 $69,333 exceeded depreciation expense ($43,660).		25,673
Repayment of long-term is an expenditure in the governmental funds, but repayment of principal reduces long-term liabilities in the statement of net position. This is the amount of the change in compensated absences for the year.		1,423
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.		(520,612)
Deferred Charges related to pensions and OPEB are not recognized in the governmental funds. However. in the government-wide statements these amounts are capitalized and amortized.		4,802,608
Change in net position of governmental activities	$	7,127,182

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

THE ACADEMY OF CHARTER SCHOOLS, INC.

STATEMENT OF NET POSITION
PROPRIETARY FUND TYPES
June 30, 2021

	GOVERNMENTAL ACTIVITIES Internal Service Fund	
	2021	2020
ASSETS		
Current Assets		
Cash and Investments	$ -	$ -
Restricted Cash and Investments	1,300,989	1,331,266
Total Current Assets	1,300,989	1,331,266
Long-term Assets		
Capital Assets, Net of Accumulated Depreciation	24,542,492	25,127,168
Gain on Refunding of Debt	1,178,824	1,234,482
Total Long-term Assets	25,721,316	26,361,650
TOTAL ASSETS	27,022,305	27,692,916
LIABILITIES		
Current Liabilities		
Accrued Interest Payable	2,355	2,354
Mortgage Payable - Current Portion	1,052,000	150,000
Total Current Liabilities	1,054,355	152,354
Long-Term Liabilities		
Mortgage Payable	28,253,000	29,305,000
TOTAL LIABILITIES	29,307,355	29,457,354
NET POSITION		
Net Investment in Capital Assets	(2,285,050)	(1,764,438)
TOTAL NET POSITION	$ (2,285,050)	$ (1,764,438)

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

THE ACADEMY OF CHARTER SCHOOLS, INC.

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

	GOVERNMENTAL ACTIVITIES	
	Internal Service Fund	
	2021	2020
OPERATING REVENUES		
Rent	$ 1,394,435	$ 2,578,348
Investment Income	952	33,504
TOTAL OPERATING REVENUES	1,395,387	2,611,852
OPERATING EXPENSES		
Purchased Services	251	710,552
Depreciation	584,676	584,676
Amortization	62,043	-
TOTAL OPERATING EXPENSES	646,970	1,295,228
OPERATING INCOME	748,417	1,316,624
NON-OPERATING EXPENSES		
Interest Expense	(1,269,029)	(902,037)
Transfer to General Fund	-	(93,442)
TOTAL NON-OPERATING EXPENSES	(1,269,029)	(995,479)
NET INCOME (LOSS)	(520,612)	321,145
NET POSITION, Beginning	(1,764,438)	(2,085,583)
NET POSITION, Ending	$ (2,285,050)	$ (1,764,438)

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

THE ACADEMY OF CHARTER SCHOOLS, INC.

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

	GOVERNMENTAL ACTIVITIES Internal Service Fund 2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Rental Operations	$ 1,394,435	$ 2,578,348
Cash Paid to Suppliers	(6,636)	(707,756)
Investment Income	952	33,504
Net Cash Provided by Operating Activities	1,388,751	1,904,096
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest Expense	(1,269,028)	(598,917)
Proceeds from the Issuance of Debt	-	29,455,000
Principal Payments on Loan	(150,000)	(32,684,880)
Net Cash Used by Financing Activities	(1,419,028)	(3,828,797)
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES		
Transfer to General Fund	-	(93,442)
NET DECREASE IN CASH	(30,277)	(2,018,143)
CASH, Beginning	1,331,266	3,349,409
CASH, Ending	$ 1,300,989	$ 1,331,266
RECONCILIATION OF OPERATING INCOME TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Income	$ 748,417	$ 1,316,624
Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities		
Depreciation Expense	584,676	584,676
Amortization Expense	55,658	2,796
Total Adjustments	640,334	587,472
Net Cash (Used) by Operating Activities	$ 1,388,751	$ 1,904,096

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

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

The Academy of Charter Schools, Inc. (the "Academy") was formed in 1994 pursuant to the Colorado Charter Schools Act to form and operate a charter school. The accounting policies of the Academy 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 Academy and organizations for which the Academy is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the Academy. In addition, any legally separate organizations for which the Academy is financially accountable are considered part of the reporting entity. Financial accountability exists if the Academy appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on the Academy.

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

The Academy of Charter Schools Building Corporation

The purpose of the Corporation is to provide a mechanism to issue and pay debt on behalf of the Academy. The Corporation is considered to be part of the Academy for financial reporting purposes because its resources are entirely for the direct benefit of the Academy and is blended into the Academy's financial statements as an internal service fund. As part of its ongoing responsibilities, the Corporation provides the Academy with monthly financial statements. Separate financial statements are not available.

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 Academy. 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.

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

Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to students or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted 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 Academy.

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

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

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 Academy's policy to use restricted resources first and the unrestricted resources as they are needed.

The Academy reports the following major governmental funds:

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

Additionally, the Academy reports the following fund types:

The *Internal Service Fund* is used to account for activity of the Building Corporation.

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 or resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position and fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

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

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

Assets, Liabilities and Fund Balance/Net Position

Investments – Investments are recorded at fair value.

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

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 Academy 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.

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 20 - 50 years, furniture and equipment 5 to 25 years.

Long Term Obligations - In the government-wide financial statements, and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences – Eligible employees earn vacation time up to 160 hours per year depending on their length of service to the Academy. Employees may carry over up to 80 hours to the next contract year. Any unused vacation time in excess of 80 hours will be paid to the employee in August of each year.

Net Position– The government-wide and business-type fund financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted.

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

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

- Investment in Capital Assets is intended to reflect the portion of net position which are 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 are liquid assets, which have third party limitations on their use.

- Unrestricted Net Position represents assets that do not have any third party limitation on their use. While Academy management may have categorized and segmented portion for various purposes, the Academy Board has the unrestricted right to revisit or alter these managerial decisions.

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 Academy is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

- Nonspendable – This classification includes amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact. The Academy does not report any fund balances as nonspendable as of June 30, 2021.

- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Academy has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies.

- 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 Academy did not have any committed resources as of June 30, 2021.

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

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

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

Risk Management

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

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, complete comparative data in accordance with generally accepted accounting principles has not been presented since its inclusion would make the financial statements unduly complex and difficult to read.

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

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

Budgets and Budgetary Accounting

A budget is adopted for the General Fund on a basis consistent with generally accepted accounting principles. Management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1. The budget is adopted by the Board of Directors prior to June 30. Expenditures may not legally exceed appropriations at the fund level. Revisions must be approved by the Board of Directors. The budget includes proposed expenditures and the means of financing them. All appropriations lapse at fiscal year-end.

NOTE 3: ***CASH AND INVESTMENTS***

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

Deposits	$ 3,372,844
Investments	3,228,747
Total	**$ 6,601,591**

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 Academy 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 Academy has no policy regarding custodial credit risk for deposits.

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

Deposits (Continued)

At June 30, 2021, the Academy had deposits with financial institutions with a carrying amount of $3,372,844. The bank balances with the financial institutions were $3,835,085. Of these balances $500,000 were covered by federal depository insurance and $3,335,085 were covered by collateral held by authorized escrow agents in the financial institutions name (PDPA).

Investments

Interest Rate Risk

The Academy 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 the units of local government may invest which includes:

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

The above investments are authorized for all funds and fund types used by Colorado municipalities.

Local Government Investment Pool

The Academy had invested $2,137,030 in the Colorado Surplus Asset Fund Trust (CSAFE) an investment vehicle established for local government entities in Colorado pursuant to Title 24, Article 75, Part 7 of the Colorado Revised Statues, to pool surplus funds for investment purposes. The State Securities Commissioner administers and enforces the requirements of creating and operating the Pools. CSAFE reports its underlying investments at amortized cost and is considered a qualifying external investment pool under GASB Statement 79. CSAFE operates similar to money market funds where each share is equal in value to $1.00. The fair value of the position in the pools is the same as the value of the pooled shares.

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

Investments (Continued)

Local Government Investment Pool (Continued)

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

Fair Value

The Academy 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.

At June 30, 2021, the Academy held investments in government agency mutual funds in the amount of $1,091,717 with maturity dates of less than one year and rated AAAm by Standard and Poor's. Given the low risk of this type of investment, the Academy has not established a policy limiting the amount of investments in this type of security and deems it unnecessary at this time. These investments are valued with Level 1 inputs.

Restricted Cash

Cash in the amount of $1,300,989 is restricted for debt service in the Internal Service Fund.

NOTE 4: ***CAPITAL ASSETS***

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

	Balance June 30, 2020	Additions	Deletions	Balance June 30, 2021
Governmental Activities				
Capital Assets, Not Depreciated				
Land	$ 4,120,406	$ -	$ -	$ 4,120,406
Total Capital Assets, Not Depreciated	4,120,406	-	-	4,120,406
Capital Assets, Depreciated				
Buildings and Improvements	28,547,763	-	-	28,547,763
Equipment	627,601	69,333	-	696,934
Total Capital Assets, Depreciated	29,175,364	69,333	-	29,244,697
Accumulated Depreciation				
Building	7,417,645	591,168	-	8,008,813
Equipment	343,161	37,168	-	380,329
Total Accumulated Depreciation	7,760,806	628,336	-	8,389,142
Net Capital Assets, Depreciated	21,414,558	(559,003)	-	20,855,555
Net Capital Assets	**$ 25,534,964**	**$ (559,003)**	**$ -**	**$ 24,975,961**

Depreciation has been charged to the Supporting Services program of the Academy.

NOTE 5: ***ACCRUED SALARIES AND BENEFITS***

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from August to July but are earned during a school year of nine months. The salaries and benefits earned, but unpaid, as of June 30, 2021, were $868,460 in the General Fund.

NOTE 6: *LONG-TERM DEBT*

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

	Balance June 30, 2020	Additions	Payments	Balance June 30, 2021	Due In One Year
2020 Bonds Payable	**$ 29,455,000**	**$ -**	**$ 150,000**	**$ 29,305,000**	**$ 1,052,000**

2020 Bonds Payable

In May 2020, the Colorado Educational and Facilities Authority (CECFA) issued $20,660,000 Charter School Revenue Bonds, Series 2020A and $8,795,000 in Charter School Revenue Bonds, Series 2020B. Proceeds from the bonds were used to refund bonds from 2004, 2008, and 2010 that allowed the Academy to purchase land and construct an additional educational facility. The Academy is required to make lease payments to the Building Corporation for the use of the building. The Building Corporation is required to make equal lease payments to the Trustee, for payment of the bonds. Interest accrues at a rate of 3.9% per year. Principal and Interest payments are due monthly on the first day of each month. Series 2020A Bonds maturing on or after June 15, 2040.. Series 2020B Bonds maturing on or after June 30, 2041 are subject to mandatory sinking fund redemption beginning June 1, 2020. The lease matures in November, 2040.

Future debt service requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
2022	$ 1,052,000	$ 1,123,834	$ 2,175,834
2023	1,093,000	1,082,062	2,175,062
2024	1,137,000	1,038,661	2,175,661
2025	1,182,000	993,512	2,175,512
2026	1,230,000	946,537	2,176,537
2027-2031	6,926,000	3,959,803	10,885,803
2031-2035	8,427,000	2,469,815	10,896,815
2036-2041	8,258,000	696,680	8,954,680
Total	**$ 29,305,000**	**$ 12,310,903**	**$ 41,615,903**

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.

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.

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.

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 lessor of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25 percent based on the parameters specified in C.R.S. § 24-51-413.

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of 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%
Total employer contribution rate to the SCHDTF	19.88%

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

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 $1,790,067 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 $24,390,232 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	$24,390,232
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the School	-
Total	$24,390,232

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 .1613 percent, which was an increase of .01346 percent from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the School recognized pension income of $2,946,762 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$1,340,122	N/A
Changes of assumptions or other inputs	$2,346,264	$4,099,790
Net difference between projected and actual earnings on pension plan investments	N/A	$5,368,845
Changes in proportion and differences between contributions recognized and proportionate share of contributions	$2,154,905	$2,539,770
Contributions subsequent to the measurement date	$909,018	N/A
Total	$6,750,309	$12,008,405

$909,018 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	($4,186,294)
2023	$379,154
2024	($1,513,008)
2025	($846,966)

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

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

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

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

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

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.

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[1]	Financed by the AIR

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

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

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

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

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.

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[1]	6.00%	4.70%
Total	**100.00%**	

[1] 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.

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.

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	$32,270,279	$24,390,232	$16,990,233

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

NOTE 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.

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.

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.

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.

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 $86,489 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 $886,799 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 .0933 percent, which was a decrease of .0033 percent from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the School recognized OPEB expense of $20,710.

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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$2,354	$194,961
Changes of assumptions or other inputs	$6,626	$54,378
Net difference between projected and actual earnings on OPEB plan investments	N/A	$36,235
Changes in proportion and differences between contributions recognized and proportionate share of contributions	$54,497	$30,631
Contributions subsequent to the measurement date	$43,928	N/A
Total	$107,405	$316,205

$43,928 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	($56,988)
2023	($51,919)
2024	($58,574)
2025	($53,941)
2026	($29,391)
Thereafter	($1,915)

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:

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)

	Initial Costs for Members without Medicare Part A		
Medicare Plan	**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.

NOTE 8: ***<u>DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN</u>*** (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.

- **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.

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 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.

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

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

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

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

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

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

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

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

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

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

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

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.

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.

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:
[1] 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%
Net OPEB Liability	**$863,877**	**$886,799**	**$913,480**

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.

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	$1,015,843	$886,799	$913,480

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

NOTE 9: ***COMMITMENTS AND CONTINGENCIES***

Claims and Judgments

The Academy 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 Academy may be required to reimburse the grantor government. As of June 30, 2021, significant amounts of grant expenditures have not been audited, but the Academy believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Academy.

NOTE 9: ***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 Academy believes it has complied with the Amendment. As required by the Amendment, the Academy has established a reserve for emergencies. At June 30, 2021, the reserve of $488,740 was recorded as a reservation of fund balance in the General Fund.

NOTE 10: ***DEFICIT NET POSITION***

The net position of the governmental activities is in a deficit position of $27,284,000 due to the Academy including its Net Pension Liability per the requirements of GASB Statements No. 68 and 75.

As of June 30, 2020 the Academy had an internal service fund net position deficit of $2,223,006. The deficit was created when the Academy used bond proceeds to construct its facilities. The deficit will be eliminated as the Academy pays down its debt.

NOTE 11: ***SUBSEQUENT EVENTS***

Potential subsequent events were considered through October 15, 2021. It was determined that no events are required to be disclosed through this date.

REQUIRED SUPPLEMENTARY INFORMATION

THE ACADEMY OF CHARTER SCHOOLS, INC.

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2021

	2021				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2020 ACTUAL
REVENUES					
Local Sources					
Per Pupil Operating Revenue	$ 15,354,429	$ 15,793,582	$ 14,432,196	$ (1,361,386)	$ 14,933,043
Mill Levy	-	-	550,166	550,166	751,153
Pupil Activities	-	-	246,681	246,681	810,706
Charges for Services	-	-	436,210	436,210	846,840
Earnings on Investments	-	-	2,695	2,695	32,061
Other Revenue	2,153,570	1,309,250	451,932	(857,318)	464,370
State and Federal Sources					
Grants and Donations	1,558,269	1,595,364	3,667,035	2,071,671	1,256,842
TOTAL REVENUES	19,066,268	18,698,196	19,786,915	1,088,719	19,095,015
EXPENDITURES					
Current					
Salaries	9,259,340	9,289,042	8,821,718	467,324	8,970,975
Employee Benefits	3,669,093	3,669,091	3,047,618	621,473	3,330,037
Purchased Services	4,045,694	3,626,300	3,208,702	417,598	4,552,218
Supplies and Materials	1,394,281	1,566,750	1,288,020	278,730	1,361,057
Property	-	60,000	215,347	(155,347)	55,835
Other	697,860	487,013	387,420	99,593	611,848
TOTAL EXPENDITURES	19,066,268	18,698,196	16,968,825	1,729,371	18,881,970
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	-	-	2,818,090	2,818,090	213,045
OTHER FINANCING SOURCES					
Transfers In	-	-	-	-	93,442
NET CHANGE IN FUND BALANCES	-	-	2,818,090	2,818,090	306,487
FUND BALANCE, Beginning	2,475,189	2,486,636	2,486,636	-	2,180,149
FUND BALANCE, Ending	$ 2,475,189	$ 2,486,636	$ 5,304,726	$ 2,818,090	$ 2,486,636

See the accompanying independent auditors' report.

THE ACADEMY OF CHARTER SCHOOLS, 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	0.079%	0.160%	0.163%	0.156%	0.164%	0.144%	0.148%	0.161%
School's proportionate share of the Net Pension Liability	$ 10,030,429	$ 21,708,268	$ 24,973,594	$ 46,534,475	$ 53,081,661	$ 25,545,322	$ 22,092,404	$ 24,391,232
State of Colorado Proportionate Share of the Net Pension Liability associated with the School	-	-	-	-	-	3,492,968	3,549,194	-
Total portion of the Net Pension Liability associated with the School	$ 10,030,429	$ 21,708,268	$ 24,973,594	$ 46,534,475	$ 53,081,661	$ 29,038,290	$ 25,641,598	$ 24,391,232
School's covered payroll	$ 6,374,528	$ 6,710,029	$ 7,116,195	$ 6,988,424	$ 7,572,236	$ 7,931,095	$ 8,651,797	$ 8,479,308
School's proportionate share of the Net Pension Liability as a percentage of its covered payroll	157.4%	323.5%	350.9%	665.9%	701.0%	366.1%	296.4%	287.7%
Plan fiduciary net position as a percentage of the total pension liability	64.07%	62.80%	59.20%	43.10%	43.96%	57.01%	64.52%	66.99%

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.

THE ACADEMY OF CHARTER SCHOOLS, 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	$ 1,064,275	$ 1,102,441	$ 1,369,654	$ 1,374,149	$ 1,531,707	$ 1,579,911	$ 1,716,356	$ 1,790,067
Contributions in relation to the Statutorily required contributions	1,064,275	1,102,441	1,369,654	1,374,149	1,531,707	1,579,911	1,716,356	1,790,067
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School's covered payroll	$ 6,252,422	$ 6,710,029	$ 7,305,839	$ 7,476,403	$ 7,696,932	$ 8,258,811	$ 8,856,313	$ 8,479,308
Contributions as a percentage of covered payroll	17.02%	16.43%	18.75%	18.38%	19.90%	19.13%	19.38%	21.11%

Notes:

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

See the accompanying independent auditors' report.

THE ACADEMY OF CHARTER SCHOOLS, INC.

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

Years Ended December 31,

	2016	2017	2018	2019	2020
School's proportionate share of the Net OPEB Liability	0.089%	0.933%	0.094%	0.097%	0.093%
School's proportionate share of the Net OPEB Liability	$ 1,147,510	$ 1,212,163	$ 1,275,833	$ 1,086,079	$ 886,798
School's covered payroll	$ 6,988,424	$ 7,572,236	$ 7,931,095	$ 8,651,797	$ 8,479,308
School's proportionate share of the Net OPEB Liability as a percentage of its covered payroll	16.4%	16.0%	16.1%	12.6%	10.5%
Plan fiduciary net position as a percentage of the total OPEB liability	16.72%	17.53%	17.03%	24.49%	32.78%

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.

THE ACADEMY OF CHARTER SCHOOLS, INC.

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
HEALTH CARE TRUST FUND

Years Ended June 30,

	2017	2018	2019	2020	2021
Statutorily required contributions	$ 76,259	$ 78,509	$ 84,240	$ 90,333	$ 86,489
Contributions in relation to the Statutorily required contributions	76,259	78,509	84,240	90,333	86,489
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -
School's covered payroll	$ 7,476,403	$ 7,696,932	$ 8,258,811	$ 8,856,313	$ 8,479,308
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.