

PINNACLE CHARTER SCHOOL, INC.

BASIC FINANCIAL STATEMENTS

June 30, 2022

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JOHN CUTLER & ASSOCIATES

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

INDEPENDENT AUDITORS' REPORT

Opinions

We have audited the financial statements of the governmental activities and each major fund, of Pinnacle Charter School (the "School") as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Pinnacle Charter School as of June 30, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Pinnacle Charter School and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures of the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion of the effectiveness of the School's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required budgetary and pension information on pages 43-47 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) 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.

Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The individual fund schedules as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The individual fund schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the individual fund schedules are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

John Luttrell & Associates, LLC

October 10, 2022

**Pinnacle Charter School
Management’s Discussion and Analysis
June 30, 2022**

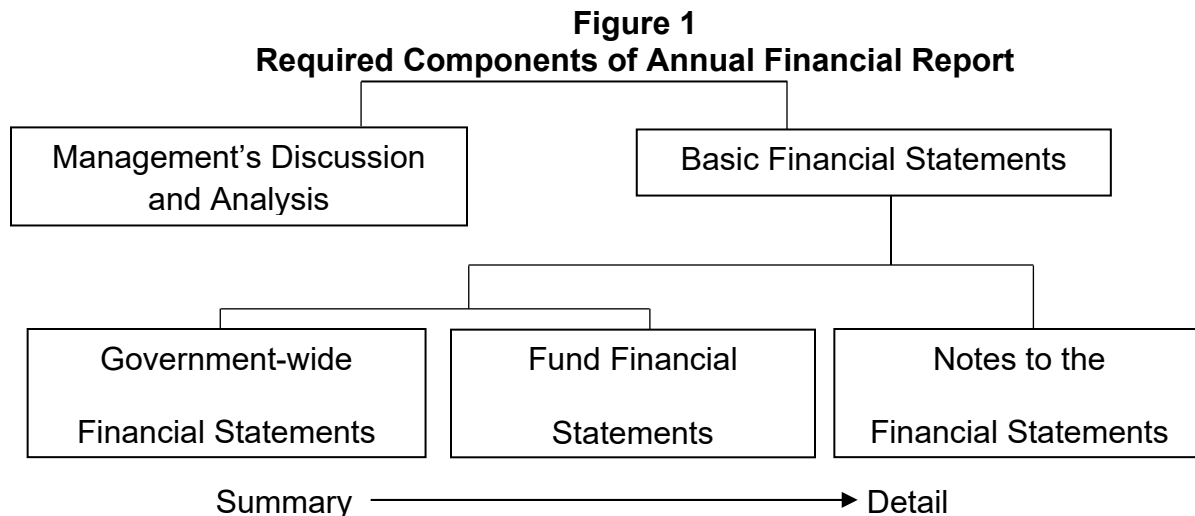
As management of Pinnacle Charter School, we offer readers of Pinnacle Charter School’s audited financial statements this narrative overview and analysis of the financial activities of Pinnacle Charter School for the fiscal year ended June 30, 2022. We encourage readers to read the information presented herein in conjunction with additional information that we have furnished in the School’s financial statements, which follow this narrative.

Financial Highlights

- As of the close of the current fiscal year, Pinnacle Charter School’s governmental funds reported combined ending fund balances of \$8,994,881. The fund balance increased \$366,437 over the previous year which ended at \$8,628,444.
- The liabilities and deferred inflows of resources of Pinnacle Charter School exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$8,348,256 (net position). This is a change from the previous year’s deficit net position of \$10,971,914. The vast majority of this deficit is caused by the Governmental Accounting Standards Board (GASB) Statement 68 (Note 7, pages 19-29).
- The Proprietary Fund net position increased by \$603,190 from a net deficit of \$215,303 to net surplus of \$387,887.

Overview of the Financial Statements

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



Basic Financial Statements

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

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

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

Government-wide Financial Statements

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

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

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

Fund Financial Statements

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

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

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

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

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

Proprietary Funds – Pinnacle Charter School has one proprietary funds, which is an internal service fund. The School uses internal service funds to account for the Building Corporation.

Notes to the Financial Statements – The notes provide additional information essential to facilitating a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 9 of this report.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as one useful indicator of a school's financial condition. The liabilities and deferred inflows of resources of Pinnacle Charter School exceeded assets and deferred outflows of resources by \$8,348,256 as of June 30, 2022 (Figure 2). As of June 30, 2021, the net position of Pinnacle Charter School stood at deficit of \$19,320,170.

The School's net position deficit increased by \$10,971,914 for the fiscal year ended June 30, 2022, compared to a deficit increase of \$10,621,279 in 2021. The majority of this deficit is caused by the Governmental Accounting Standards Board (GASB) Statement 68 and GASB Statement 75.

All Colorado schools, Pinnacle Charter School included, are required to include its Net Pension Liability as part of the net position of the governmental activities. A detailed explanation of the Defined Benefit Pension Plan that impacted the financial statement as a result of GASB 68 can be found in Note 7, pages 19-29.

Additionally, all Colorado schools, Pinnacle Charter School included, are required to include its Net Other Post Employment Benefit (OPEB) Liability as part of the net position of the governmental activities. A detailed explanation of the OPEB Plan that impacted the financial statement as a result of GASB 75 can be found in Note 8, pages 29-41. The Schedule of Schools Proportionate Share (page 44) shows how the School's proportionate share of the net Pension Liability decreased from 0.186 percent to 0.181 percent decreasing the liability from \$28,203,093 to \$21,086,808. The Schools Proportionate Share (page 46) of the net OPEB Liability in the amount of \$1,020,186. The portion of Note 8 beginning on page 34 explains the changes to PERA's actuarial assumptions.

In 2020, the Colorado General Assembly passed Senate Bill 18-200, which was intended to help reduce the Public Employee's Retirement Association's (PERA) unfunded actuarial accrued liability in several of its trust funds. One of the provisions of the bill directed the State of Colorado (the State) to give an annual direct distribution to PERA in the amount of \$225 million beginning in July 2020. Based on the provisions of GASB Statement No. 68, the direct distribution from the State meets the definition of a special funding situation. Pinnacle Charter School's portion of the total state on-behalf payment for 2020 was \$240,171. For the year ending 2021, the annual direct distribution to PERA was put on hold for one year due to COVID-19. State on-behalf funding resumed for the year ending in 2022. Pinnacle Charter School's portion of the total state on-behalf payment was \$258,081.

The net investment in capital assets amount of \$7,820,810 reflects the School's investment in all capital assets (e.g. leasehold improvements, computer equipment, and audio visual equipment), less accumulated depreciation and any related debt still outstanding that was issued to acquire those items. Pinnacle Charter School uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although Pinnacle Charter School's investment in its capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of Pinnacle Charter School's net assets represents resources that are subject to external restrictions on how they may be used. \$745,000 is restricted for Emergencies (TABOR). \$90,000 is restricted for a Special Education reserve. The remaining balance of (\$17,004,066) is unrestricted.

Figure 2
Pinnacle Charter School's Net Position

	Governmental Activities	
	2022	2021
Current and Other Assets	\$ 18,939,266	\$ 27,906,183
Capital Assets, net of depreciation	31,281,231	21,105,869
Total Capital Assets	\$ 51,220,497	\$ 49,012,052
Deferred Outflows of Resources	6,430,442	9,543,076
Other Liabilities	\$ 1,747,348	\$ 1,110,828
Long-term Liabilities	55,197,168	63,372,143
Total Liabilities	\$ 56,944,516	\$ 64,482,971
Deferred Inflows of Resources	9,054,679	13,392,327
Net Position:		
Net Investment in Capital Assets	\$ 7,820,810	\$ 5,859,470
Restricted	835,000	701,300
Unrestricted	(17,004,066)	(25,880,940)
Total Net Position	\$ (8,348,256)	\$ (19,320,170)

Total net position deficit decreased by \$10,971,914. The cause of this decreased deficit is shown in Figure 3.

Figure 3
Pinnacle Charter School's Statement of Activities

	2022	2021
Revenue:		
Per Pupil Revenue	\$ 19,557,450	\$ 17,216,499
Mill Levy Override	983,454	623,226
Earnings on Investments	23,315	28,960
Charges for Services	371,330	90,579
Operating Grants and Contributions	6,385,858	3,832,159
Capital Grants and Contributions	627,316	649,040
Other	(518,431)	84,157
Total Revenues	\$ 27,430,292	\$ 22,524,620
Expenses:		
Instructional	\$ 10,770,165	\$ 4,424,540
Supporting Services	4,362,591	6,261,280
Interest on Long-Term Debt	1,325,622	1,217,521
Total Expenses	\$ 16,458,378	\$ 11,903,341
 Change in Net Position	 10,971,914	 10,621,279
 Net Position at Beginning of Year	 (19,320,170)	 (29,941,449)
	\$ (8,348,256)	\$ (19,320,170)

Financial Analysis of Government Net Position

From the two statements above (Figure 2 and 3), the impact of Governmental Accounting Standards Board (GASB) Statement 68 and GASB Statement 75 continues to have a significant impact on net position year after year. The total net position deficit increased by \$10,971,914 for 2022 compared to the deficit increase of \$10,621,279 for 2021.

Financial Analysis of the School's Funds

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

Governmental Funds – The focus of the School's governmental funds is to provide information on near-term inflows, outflows, and balances of usable financial resources. Such information is useful in assessing the School's financing requirements.

Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year. The general fund is the chief operating fund of Pinnacle Charter School. At the end of the current fiscal year, unassigned fund balance of the General Fund was \$8,159,881, while total fund balance was \$8,994,881.

Proprietary Funds – The School's proprietary funds provide the same type of information found in the government-wide statements but in more detail. The proprietary funds net position decreased to a positive balance of \$387,887 from a deficit balance of \$215,303. This trend is expected to continue as the School continues to pay down its debt. The proprietary fund has \$2,635,790 in restricted cash and investments required to be held for future debt service.

Capital Asset and Debt Administration

Capital Assets – Pinnacle Charter School's investment in capital assets for its governmental and as of June 30, 2022, totals \$32,281,231 (net of accumulated depreciation). Capital assets include building, building equipment and improvements, food service equipment, furniture & fixtures, instructional equipment, and vehicles.

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

	2022	2021
Capital Assets		
Land	\$ 6,441,492	\$ 5,715,848
Building and Improvements	23,697,362	19,087,788
Vehicles and Equipment	2,142,377	2,018,081
Total Capital Assets	<u>\$ 32,281,231</u>	<u>\$ 26,821,717</u>

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

Long-term Debt – Pinnacle Charter School participates two long-term lease agreements with the Building Corporation for use of facilities. As of June 30, 2022, the Pinnacle Building Corporation had outstanding debt from two separate bond issuances. Detail on Pinnacle's long-term debt can be found in Note 6 on pages 18-19.

Economic Factors – Enrollment is projected to be stable for the 2022-2023 fiscal year. State funding for Per Pupil Revenue is forecasted to increase for 2022-2023.

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

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

BASIC FINANCIAL STATEMENTS

PINNACLE CHARTER SCHOOL, INC.

STATEMENT OF NET POSITION

As of June 30, 2022

	Governmental Activities	
	2022	2021
ASSETS		
Cash and Investments	\$ 9,658,813	\$ 8,677,117
Restricted Cash and Investments	7,845,854	12,299,194
Accounts Receivable	1,420,350	1,209,406
Inventory	14,249	4,618
Capital Assets, not Depreciated	6,441,492	5,715,848
Capital Assets, Depreciated, Net of Accumulated Depreciation	25,839,739	21,105,869
TOTAL ASSETS	51,220,497	49,012,052
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	5,468,879	8,575,668
Related to OPEB Liability	177,664	85,488
Deferred Loss on Refunding	783,899	881,920
TOTAL DEFERRED OUTFLOWS OF RESOURCES	6,430,442	9,543,076
LIABILITIES		
Accounts Payable	133,282	154,658
Accrued Salaries and Benefits	1,500,866	840,170
Unearned Revenues	9,001	9,101
Interest Payable	104,199	106,899
Noncurrent Liabilities		
Due in One Year	845,000	810,000
Due in More than One Year	32,245,174	33,333,361
Net Pension Liability	21,086,808	28,203,093
OPEB Liability	1,020,186	1,025,689
TOTAL LIABILITIES	56,944,516	64,482,971
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	8,648,862	12,967,430
Related to OPEB Liability	405,817	424,897
TOTAL DEFERRED INFLOWS OF RESOURCES	9,054,679	13,392,327
NET POSITION		
Net Investment in Capital Assets	7,820,810	5,859,470
Restricted for Emergencies	745,000	611,300
Restricted for Special Education	90,000	90,000
Unrestricted	(17,004,066)	(25,880,940)
TOTAL NET POSITION	\$ (8,348,256)	\$ (19,320,170)

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

PINNACLE CHARTER SCHOOL, INC.

STATEMENT OF ACTIVITIES
Year Ended June 30, 2022

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
					2022	2021
PRIMARY GOVERNMENT						
Governmental Activities						
Instructional	\$ 10,770,165	\$ 371,330	\$ 6,385,858	\$ -	\$ (4,012,977)	\$ (1,315,608)
Supporting Services	4,362,591	-	-	627,316	(3,735,275)	(4,798,434)
Interest and Other						
Fiscal Charges	1,325,622	-	-	-	(1,325,622)	(1,217,521)
Total Governmental Activities	<u>\$ 16,458,378</u>	<u>\$ 371,330</u>	<u>\$ 6,385,858</u>	<u>\$ 627,316</u>	<u>(9,073,874)</u>	<u>(7,331,563)</u>
GENERAL REVENUES						
					19,557,450	17,216,499
Per Pupil Revenue					983,454	623,226
Mill Levy Override					(518,431)	-
Unrestricted State Aid					23,315	28,960
Interest					-	84,157
Other						
TOTAL GENERAL REVENUES					<u>20,045,788</u>	<u>17,952,842</u>
CHANGE IN NET POSITION					10,971,914	10,621,279
NET POSITION, Beginning					<u>(19,320,170)</u>	<u>(29,941,449)</u>
NET POSITION, Ending					<u>\$ (8,348,256)</u>	<u>\$ (19,320,170)</u>

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

PINNACLE CHARTER SCHOOL, INC.

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2022

	TOTAL GOVERNMENTAL FUNDS	
	2022	2021
ASSETS		
Cash and Investments	\$ 9,658,813	\$ 8,677,116
Accounts Receivable	1,420,350	1,209,406
Inventory	14,249	4,618
TOTAL ASSETS	<u>\$ 11,093,412</u>	<u>\$ 9,891,140</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	\$ 133,282	\$ 154,658
Due to Other Funds	455,382	258,767
Accrued Salaries	1,500,866	840,170
Unearned Revenue	9,001	9,101
TOTAL LIABILITIES	<u>2,098,531</u>	<u>1,262,696</u>
FUND BALANCES		
Nonspendable	-	4,618
Restricted for Emergencies	745,000	611,300
Restricted for Special Education	90,000	90,000
Restricted for Food Service Operations	-	106,658
Unassigned	8,159,881	7,815,868
TOTAL FUND BALANCES	<u>8,994,881</u>	<u>8,628,444</u>
TOTAL LIABILITIES AND FUND BALANCES		
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.	7,784,106	6,226,642
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 (\$21,086,808), OPEB liability (\$1,020,186), deferred outflows related to pensions and OPEB \$5,646,543, and deferred inflows related to pensions and OPEB (\$9,054,679).	(25,515,130)	(33,959,953)
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.	<u>387,887</u>	<u>(215,303)</u>
Net position of governmental activities	<u>\$ (8,348,256)</u>	<u>\$ (19,320,170)</u>

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

PINNACLE CHARTER SCHOOL, INC.

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2022

	TOTAL GOVERNMENTAL FUNDS	
	2022	2021
REVENUES		
Local Sources	\$ 21,350,147	\$ 18,026,889
State and Federal Sources	6,585,054	4,470,263
TOTAL REVENUES	<u>27,935,201</u>	<u>22,497,152</u>
EXPENDITURES		
Current		
Instruction	16,775,546	9,384,471
Supporting Services	8,432,431	9,917,547
Capital Outlay	2,360,787	1,779,978
TOTAL EXPENDITURES	<u>27,568,764</u>	<u>21,081,996</u>
NET CHANGE IN FUND BALANCES	366,437	1,415,156
FUND BALANCES, Beginning	<u>8,628,444</u>	<u>7,213,288</u>
FUND BALANCES, Ending	<u>\$ 8,994,881</u>	<u>\$ 8,628,444</u>

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

PINNACLE CHARTER SCHOOL, INC.

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2022

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

Net change in fund balances - total governmental funds	\$ 366,437
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlay of \$2,163,878, exceeded depreciation expense of (\$606,414), in the current year.	1,557,464
Deferred Charges related to pension and OPEB are not recognized in the governmental funds. However, for the government-wide funds that amount is capitalized and amortized.	8,444,823
The Internal Service fund is used by management to charge the cost of lease payments to the governmental funds. The net revenue of the internal service fund is reported with the governmental activities.	<u>603,190</u>
Change in net position of governmental activities	<u>\$ 10,971,914</u>

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

PINNACLE CHARTER SCHOOL, INC.

STATEMENT OF NET POSITION
 PROPRIETARY FUND TYPE
 June 30, 2022

	<u>Governmental Activities - Internal Service Funds</u>	
	<u>2022</u>	<u>2021</u>
ASSETS		
Current Assets		
Restricted Cash and Investments	\$ 7,845,854	\$ 12,299,194
Due from Other Funds	<u>455,382</u>	<u>258,768</u>
Total Current Assets	<u>8,301,236</u>	<u>12,557,962</u>
Long-term Assets		
Capital Assets, Net of Accumulated Depreciation	<u>24,497,125</u>	<u>20,595,075</u>
Total Long-term Assets	<u>24,497,125</u>	<u>20,595,075</u>
TOTAL ASSETS	<u>32,798,361</u>	<u>33,153,037</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Refunding	<u>783,899</u>	<u>881,920</u>
LIABILITIES		
Current Liabilities		
Interest Payable	104,199	106,899
Loans Payable - Current	<u>845,000</u>	<u>810,000</u>
Total Current Liabilities	<u>949,199</u>	<u>916,899</u>
Long-Term Liabilities		
Loans Payable	<u>32,245,174</u>	<u>33,333,361</u>
TOTAL LIABILITIES	<u>33,194,373</u>	<u>34,250,260</u>
NET POSITION		
Net Investment in Capital Assets	(8,697,248)	(13,655,185)
Restricted for Debt Service	174,618	115,496
Restricted for Repair and Replacement	-	-
Unrestricted	<u>8,910,517</u>	<u>13,324,386</u>
TOTAL NET POSITION	<u>\$ 387,887</u>	<u>\$ (215,303)</u>

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

PINNACLE CHARTER SCHOOL, INC.

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND TYPE
Year Ended June 30, 2022

	<u>Governmental Activities - Internal Service Funds</u>	
	<u>2022</u>	<u>2021</u>
OPERATING REVENUES		
Charges for Services	<u>\$ 2,331,604</u>	<u>\$ 2,222,558</u>
TOTAL OPERATING REVENUES	<u>2,331,604</u>	<u>2,222,558</u>
OPERATING EXPENSES		
General Expenses	144,264	92,144
Depreciation	515,236	520,608
Amortization	(243,186)	(33,162)
Bond Issuance Costs	-	393,823
TOTAL OPERATING EXPENSES	<u>416,314</u>	<u>973,413</u>
OPERATING INCOME	<u>1,915,290</u>	<u>1,249,145</u>
NON-OPERATING EXPENSES		
Investment Income	13,522	2,055
Interest and Finance Charges	(1,325,622)	(1,217,521)
Other Expenses	-	25,413
TOTAL NON-OPERATING EXPENSES	<u>(1,312,100)</u>	<u>(1,190,053)</u>
NET INCOME	603,190	59,092
NET POSITION, Beginning	<u>(215,303)</u>	<u>(274,395)</u>
NET POSITION, Ending	<u><u>\$ 387,887</u></u>	<u><u>\$ (215,303)</u></u>

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

PINNACLE CHARTER SCHOOL, INC.

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPE
 Year Ended June 30, 2022
 Increase (Decrease) in Cash

	<u>Governmental Activities - Internal Service Funds</u>	
	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Rental Operations	\$ 2,331,604	\$ 2,247,971
Cash Paid to Suppliers	(46,244)	
	<u>2,285,360</u>	<u>2,247,971</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of Capital Assets	(4,417,286)	(875,000)
Investment Income	13,522	2,055
	<u>(4,403,764)</u>	<u>(872,945)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Principal Payments on Bonds	\$ (810,000)	\$ (11,530,000)
Proceeds from the Issuance of Debt	-	20,955,648
Interest Expense	(1,328,322)	(1,331,817)
Payments (to) from Other Funds	(196,614)	-
	<u>(2,334,936)</u>	<u>8,093,831</u>
NET INCREASE (DECREASE) IN CASH	(4,453,340)	9,468,857
CASH, Beginning	<u>12,299,194</u>	<u>\$ 2,830,337</u>
CASH, Ending	<u>\$ 7,845,854</u>	<u>\$ 12,299,194</u>
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Operating Income	<u>\$ 1,915,290</u>	<u>\$ 1,249,145</u>
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities		
Depreciation Expense	515,236	\$ 520,608
Amortization Expense	(145,166)	(33,162)
	<u>370,070</u>	<u>487,446</u>
Net Cash Provided by Operating Activities	<u>\$ 2,285,360</u>	<u>\$ 1,736,591</u>

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

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pinnacle Charter School, Inc. (the “School”) was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school. On July 1, 2016, the School entered into a contract with the Colorado Charter School Institute (the “Institute”) pursuant to the Colorado Charter School Institute Act, for an initial term of five years. The contract was renewed effective July 1, 2022 for a period of 3 years with an automatic renewal of 2 years ad long as the School meets certain performance metrics.

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

Reporting Entity

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

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

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

Government-Wide and Fund Financial Statements

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

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

The School reports the following major funds:

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

Additionally, the Academy reports the following fund types:

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

Assets, Liabilities and Fund Balance/Net Position

Investments – Investments are recorded at fair value.

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

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

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

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- Nonspendable – This classification includes amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. The School considers Inventory as nonspendable.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The School has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies. The School has classified the balance of the Food Service Fund as being restricted as its use is restricted by grantors and other governments for food service operations and also funds for special education.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The School did not have any committed resources as of June 30, 2022.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

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

Deferred Outflows/Inflows of Resources

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

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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

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

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

Comparative Data

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

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

Budgets and Budgetary Accounting

A budget is adopted for all of the School's funds. The General Fund is adopted on a basis consistent with generally accepted accounting principles. The Building Corporation Fund is presented on a non-GAAP basis.

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

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

NOTE 3: CASH AND INVESTMENTS

Cash and Investments at June 30, 2022 consisted of the following:

Cash on Hand	\$	540
Deposits		5,733,856
Investments		<u>11,770,270</u>
Total		<u>\$ 17,504,667</u>

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

Cash and Investments	\$	9,658,813
Restricted Cash and Investments		<u>7,845,854</u>
Total		<u>\$ 17,504,667</u>

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, 2022, State regulatory commissioners have indicated that all financial institutions holding deposits for the School are eligible public depositories.

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

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

At June 30, 2022, the School had deposits with financial institutions with a carrying amount of \$5,733,856. The bank balances with the financial institutions were \$6,199,743. Of this amount, \$250,000 was covered federal depository insurance and \$5,949,743 was covered by collateral held by authorized escrow agents in the financial institutions name (PDPA).

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE 3: CASH AND INVESTMENTS (Continued)

Investments

Interest Rate Risk

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

Credit Risk

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

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

Local Government Investment Pool

The School had invested \$11,770,270 in the Colorado Government Liquid Asset Trust (ColoTrust) which has a credit rating of AAAM by Standard and Poor's. ColoTrust is an investment vehicle established for local government entities in Colorado to pool surplus funds and is regulated by the State Securities Commissioner. It operates similarly to a money market fund and each share is equal in value to \$1.00. Investments consist of U.S. Treasury and U.S. Agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities.

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

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE 3: CASH AND INVESTMENTS (Continued)

Investments (Continued)

Fair Value

The School categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant observable inputs. As of June 30, 2022, the School did not hold any investments that required categorization.

Restricted Cash and Investments

Cash and Investments totaling \$7,845,854 is restricted in the Building Corporation Fund, for the School's ongoing debt service and repair and replacement reserves.

NOTE 4: CAPITAL ASSETS

Capital Assets activity for the year ended June 30, 2022, is summarized below.

	<u>Balance</u> <u>June 30, 2021</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2022</u>
Governmental Activities				
Capital Assets, Not Depreciate				
Land	\$ 5,355,629	\$ 1,085,863	\$ -	\$ 6,441,492
Construction in Process	<u>360,219</u>	<u>-</u>	<u>360,219</u>	<u>-</u>
Total	<u>5,715,848</u>	<u>1,085,863</u>	<u>360,219</u>	<u>6,441,492</u>
Capital Assets, Depreciated				
Buildings and Improvements	26,19,081	4,777,505	-	30,946,586
Vehicles and Equipment	4,031,489	653,086	-	4,684,575
Improvements and Infrastructure	<u>2,055,429</u>	<u>424,929</u>	<u>-</u>	<u>2,480,358</u>
Total Capital Assets, Depreciated	<u>32,255,999</u>	<u>5,855,520</u>	<u>-</u>	<u>38,111,519</u>
Accumulated Depreciation				
Buildings and Improvements	8,559,225	515,236	-	9,074,461
Vehicles and Equipment	2,013,408	528,790	-	2,542,198
Improvements and Infrastructure	<u>577,497</u>	<u>77,624</u>	<u>-</u>	<u>655,121</u>
Total Accumulated Depreciation	<u>11,150,130</u>	<u>1,121,650</u>	<u>-</u>	<u>12,271,780</u>
Total Capital Assets, Depreciated, Net	<u>21,105,869</u>	<u>4,733,870</u>	<u>-</u>	<u>25,839,739</u>
Net Capital Assets	<u>\$ 26,821,717</u>	<u>\$ 5,819,733</u>	<u>\$ (360,219)</u>	<u>\$ 32,281,231</u>

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

NOTE 4: CAPITAL ASSETS (Continued)

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

Instruction	\$ 597,753
Supporting Services	<u>523,897</u>
Total	<u>\$ 1,121,650</u>

NOTE 5: ACCRUED SALARIES AND BENEFITS

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from August to July but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, as of June 30, 2022, were \$1,500,866.

NOTE 6: LONG-TERM DEBT

Following is a summary of the School's long-term debt transactions for the year ended June 30, 2022:

	Balance <u>June 30, 2021</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>June 30, 2022</u>	Due In <u>One Year</u>
2013 Building Loan	\$ 12,735,000	\$ -	\$ 810,000	\$ 11,925,000	\$ 845,000
2013 Premium	497,570	-	73,200	424,370	-
2021 Building Loan	17,765,000	-	-	17,765,000	-
2021 Premium	<u>3,145,791</u>	<u>-</u>	<u>169,987</u>	<u>2,975,804</u>	<u>-</u>
Total	<u>\$ 34,143,361</u>	<u>\$ -</u>	<u>\$ 1,053,187</u>	<u>\$ 33,090,174</u>	<u>\$ 845,000</u>

2013 Building Loan

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

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

NOTE 6: LONG-TERM DEBT (Continued)

2021 Bonds

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

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 845,000	\$ 1,250,388	\$ 2,095,388
2024	1,245,000	1,200,738	2,445,738
2025	1,305,000	1,142,038	2,447,038
2026	1,360,000	1,080,188	2,440,188
2027	1,425,000	1,015,738	2,440,738
2028-2032	8,175,000	4,041,925	12,216,925
2033-2037	4,075,000	2,587,800	6,662,800
2038-2042	3,340,000	1,928,200	5,268,200
2043-2047	4,050,000	1,192,400	5,242,400
2048-2051	<u>3,870,000</u>	<u>317,200</u>	<u>4,187,200</u>
Total	<u>\$ 29,690,000</u>	<u>\$ 15,756,613</u>	<u>\$ 45,446,613</u>

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.

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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

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 annual comprehensive financial report (ACFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided as of December 31, 2021. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100% 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% 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.

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE 7: DEFINED BENEFIT PENSION PLAN(Continued)

General Information about the Pension Plan (Continued)

In all cases the service retirement benefit is limited to 100% 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% or 100% 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.

Upon meeting certain criteria, benefit recipients who elect to receive a lifetime retirement benefit generally receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Subject to the automatic adjustment provision (AAP) under C.R.S. § 24-51-413, 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 the maximum annual increase (AI) or AI cap of 1.00% unless adjusted by the AAP. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the lesser of an annual increase of the 1.00% AI cap or the average increase of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed a determined increase that would exhaust 10% of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned AI cap by up to 0.25% 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, 2022: 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.

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE 7: DEFINED BENEFIT PENSION PLAN(Continued)

General Information about the Pension Plan (Continued)

Eligible employees are required to contribute 10.50% of their PERA-includable salary during the period of July 1, 2021 through June 30, 2022. Employer contribution requirements are summarized in the table below:

	July 1, 2021 Through June 30, 2022
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).

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 \$2,324,655 for the year ended June 30, 2022.

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. As specified in C.R.S. § 24-51-414, the State is required to contribute \$225 million (actual dollars) direct distribution 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. In addition to the \$225 million (actual dollars) direct distribution due July 1, 2022, House Bill (HB) 22-1029, instructs the State treasurer to issue a warrant to PERA in the amount of \$380 million (actual dollars), upon enactment, with reductions to future direct distributions scheduled to occur July 1, 2023, and July 1, 2024.

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

NOTE 7: DEFINED BENEFIT PENSION PLAN(Continued)

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

The net pension liability for the SCHDTF was measured as of December 31, 2021, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll-forward the TPL to December 31, 2021. The School's proportion of the net pension liability was based on the School contributions to the SCHDTF for the calendar year 2021 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2022, the School reported a liability of \$21,086,808 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the School as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the School were as follows:

The School's proportionate share of the net pension liability	\$21,086,808
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the School	2,168,717
Total	\$23,255,525

At December 31, 2021, the School proportion was 0.1812%, which was a decrease of 0.00535% from its proportion measured as of December 31, 2020. For the year ended June 30, 2022, the School recognized pension income of \$6,521,840 and expenses of \$518,431 for support from the State as a nonemployer contributing entity.

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

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 June 30, 2022, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$807,287	N/A
Changes of assumptions or other inputs	\$1,609,820	N/A
Net difference between projected and actual earnings on pension plan investments	N/A	\$7,928,010
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$1,943,204	\$720,852
Contributions subsequent to the measurement date	\$1,108,568	N/A
Total	\$5,468,879	\$8,648,862

\$1,108,568 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, 2023. 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:	
2023	\$513,271
2024	(\$1,785,390)
2025	(\$2,054,142)
2026	(\$962,291)

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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 TPL in the December 31, 2020, actuarial valuation was determined using the following actuarial cost method, actuarial assumptions, and other inputs:

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)	1.00%
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.

The TPL as of December 31, 2021, includes the anticipated adjustments to contribution rates and the AI cap, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.

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

Pre-retirement mortality assumptions were based upon the PubT-2010 Employee Table with generational projection using scale MP-2019. Post-retirement non-disabled mortality assumptions were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows:

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

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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

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

The actuarial assumptions used in the December 31, 2020, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020, meeting.

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.

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% 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:

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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)

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

Note: 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%.

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in Senate Bill (SB) 18-200, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. 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, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point the AED and SAED will each drop 0.50% every year until they are zero.

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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)

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.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered AI cap, from 1.25% to 1.00%, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

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)

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension	\$31,038,057	\$21,086,808	\$12,782,862

Pension plan fiduciary net position. Detailed information about the SCHDTF’s FNP is available in PERA’s ACFR 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.

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, and 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.

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

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

(Continued)

General Information about the OPEB Plan (Continued)

Colorado State law provisions may be amended by the Colorado General Assembly. PERA issues a publicly available annual comprehensive financial report (ACFR) 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 health benefits program is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

PERA Benefit Structure

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 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% 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.

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

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

(Continued)

General Information about the OPEB Plan (Continued)

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

DPS Benefit Structure

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

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

Contributions. Pursuant to Title 24, Article 51, Section 208(1) (f) of the 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% 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 \$119,274 for the year ended June 30, 2022.

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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, 2022, the School reported a liability of \$1,020,186 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2021, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll-forward the TOL to December 31, 2021. The School proportion of the net OPEB liability was based on the School contributions to the HCTF for the calendar year 2021 relative to the total contributions of participating employers to the HCTF.

At December 31, 2021, the School proportion was 0.1183092%, which was an increase of 0.01037% from its proportion measured as of December 31, 2020. For the year ended June 30, 2022, the School recognized OPEB expense of \$94,989. At June 30, 2022, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of</u>
Difference between expected and actual experience	\$1,555	\$241,898
Changes of assumptions or other inputs	\$21,122	55,339
Net difference between projected and actual earnings on OPEB plan investments	N/A	63,150
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$98,108	\$45,430
Contributions subsequent to the measurement date	\$56,879	N/A
Total	\$177,664	\$405,817

\$56,879 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, 2023.

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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)

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:	
2023	(\$80,044)
2024	(\$73,618)
2025	(\$65,627)
2026	(\$51,262)
2027	(\$13,713)
Thereafter	(768)

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

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 TOL in the December 31, 2020 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

	State Division	School Division	Local Government Division	Judicial Division
Actuarial cost method			Entry age	
Price inflation			2.30%	
Real wage growth			0.70%	
Wage inflation			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%	N/A
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			4.50% in 2021, 6.00% in 2022 gradually decreasing to 4.50% in 2029	
Medicare Part A premiums			3.75% in 2021, 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	

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

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)

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

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, 2020, valuation, the following monthly costs/premiums (actual dollars) are assumed for 2021 for the PERA Benefit Structure:

Medicare Plan	Initial Costs for Members without Medicare Part A		
	Monthly Cost	Monthly Premium	Monthly Cost Adjusted to Age 65
Medicare Advantage/Self-Insured Rx	\$633	\$230	\$591
Kaiser Permanente Medicare Advantage HMO	596	199	562

The 2021 Medicare Part A premium is \$471 (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, 2020, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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

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

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

Year	PERACare Medicare Plans	Medicare Part A Premiums
2021	4.50%	3.75%
2022	6.00%	3.75%
2023	5.80%	4.00%
2024	5.60%	4.00%
2025	5.40%	4.00%
2026	5.10%	4.25%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029+	4.50%	4.50%

Mortality assumptions used in the December 31, 2020, valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below, reflect generational mortality and were applied, as applicable, in the determination of the TOL for the HCTF, but developed using a headcount-weighted basis. Affiliated employers of the State, School, Local Government and Judicial Divisions participate in the HCTF.

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

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

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

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

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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% of the rates prior to age 80 and 90% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 87% of the rates prior to age 80 and 107% 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% of the rates prior to age 80 and 94% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 83% of the rates prior to age 80 and 106% 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% of the rates for all ages, with generational projection using scale MP-2019.
- **Females:** 105% of the rates for all ages, with generational projection using scale MP-2019.

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

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

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

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

- 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 2021 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 PERA Board's actuary, as discussed above.

The actuarial assumptions used in the December 31, 2020, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020, meeting.

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.

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.

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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)

As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

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

Note: 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%.

Sensitivity of the the School 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	3.50%	4.50%	5.50%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.75%	3.75%	4.75%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$990,899	\$1,020,186	\$1,054,124

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

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 TOL was 7.25%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2021, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

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 the School 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%, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.25%) or one-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$1,287,795	\$1,124,203	\$984,427

O

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

NOTE 9: RISK MANAGEMENT

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

NOTE 10: COMMITMENTS AND CONTINGENCIES

Claims and Judgments

The School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the School may be required to reimburse the grantor government. As of June 30, 2022, significant amounts of grant expenditures have not been audited, but the School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

PINNACLE CHARTER SCHOOL, INC.

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2022

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

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The School believes it has complied with the Amendment. As required by the Amendment, the School has established a reserve for emergencies. At June 30, 2022, the reserve of \$745,000 was recorded as a restriction of fund balance in the General Fund.

NOTE 11: **DEFICIT NET POSITION**

The Net Position of the government type activities is in a deficit position of \$9,214,619 due to the School including the Net Pension and OPEB Liabilities per the requirements of GASB Statements No. 68 and 75.

NOTE 12: **SUBSEQUENT EVENT**

Potential subsequent events were considered through October 10, 2022. It was determined that no events were required to be disclosed through this date.

REQUIRED SUPPLEMENTARY INFORMATION

PINNACLE CHARTER SCHOOL, INC.

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2022

	2022			VARIANCE Positive (Negative)	2021 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Local Sources					
Per Pupil Revenue	\$ 19,192,569	\$ 19,301,488	\$ 19,557,450	\$ 255,962	\$ 17,216,499
Mill Levy Override	795,933	918,171	983,454	65,283	623,226
Tuition and Fees	232,574	135,000	157,279	22,279	51,645
BASE Fees	140,700	140,700	108,332	(32,368)	32,809
Facility Rentals	100,000	100,000	105,719	5,719	-
Grants and Donations	450,900	484,900	428,120	(56,780)	10,936
Investment Income	10,000	10,000	9,793	(207)	26,905
State Sources					
Grants and Donations	1,774,663	1,796,810	1,975,115	178,305	1,424,572
Federal Sources					
Grants and Donations	2,798,504	4,638,995	4,609,939	(29,056)	2,414,585
TOTAL REVENUES	25,495,843	27,526,064	27,935,201	409,137	21,801,177
EXPENDITURES					
Salaries	12,735,636	13,468,990	13,128,156	340,834	9,960,295
Employee Benefits	4,840,767	4,968,975	4,734,497	234,478	3,428,877
Purchased Services	4,937,905	5,238,514	5,068,691	169,823	4,304,887
Supplies and Materials	1,482,551	1,874,615	1,811,441	63,174	750,674
Property	963,042	2,381,330	2,360,787	20,543	1,779,978
Other	444,900	525,100	465,192	59,908	110,518
TOTAL EXPENDITURES	25,404,801	28,457,524	27,568,764	888,760	20,335,229
NET CHANGE IN FUND BALANCE					
	91,042	(931,460)	366,437	1,297,897	1,465,948
FUND BALANCE, Beginning	7,102,179	8,568,127	8,628,444	60,317	7,162,496
FUND BALANCE, Ending	<u>\$ 7,193,221</u>	<u>\$ 7,636,667</u>	<u>\$ 8,994,881</u>	<u>\$ 1,358,214</u>	<u>\$ 8,628,444</u>

See the accompanying independent auditors' report.

PINNACLE CHARTER SCHOOL, INC.

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
SCHOOL DIVISION TRUST FUND

Years Ended December 31,

	2013	2014	2015	2016	2017	2018	2019	2020	2021
School's proportionate share of the Net Pension Liability	0.187%	0.195%	0.205%	0.213%	0.202%	0.165%	0.167%	0.186%	0.181%
School's proportionate share of the Net Pension Liability	\$ 23,163,893	\$ 26,403,085	\$ 31,325,942	\$ 63,391,429	\$ 65,380,701	\$ 29,169,572	\$ 25,000,376	\$ 28,203,097	\$ 21,086,808
State of Colorado's Proportionate Share of the Net Pension Liability associated with the School	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,988,534	\$ 4,016,367	\$ -	\$ 2,168,717
Total portion of the Net Pension Liability associated with the School	\$ 23,163,893	\$ 26,403,085	\$ 31,325,942	\$ 63,391,429	\$ 65,380,701	\$ 33,158,106	\$ 29,016,743	\$ 28,203,097	\$ 23,255,525
School's covered payroll	\$ 7,526,515	\$ 8,160,974	\$ 8,926,058	\$ 9,555,763	\$ 9,326,734	\$ 9,043,838	\$ 9,832,733	\$ 9,889,423	\$ 11,311,755
School's proportionate share of the Net Pension Liability as a percentage of its covered payroll	307.8%	323.5%	350.9%	663.4%	701.0%	366.6%	295.1%	285.2%	205.6%
Plan fiduciary net position as a percentage of the total pension liability	64.1%	62.8%	59.2%	43.1%	44.0%	57.0%	64.5%	67.0%	74.9%

Notes:

See the accompanying independent auditors' report.

PINNACLE CHARTER SCHOOL, INC.

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
SCHOOL DIVISION TRUST FUND

Years Ended June 30,

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Statutorily required contributions	\$ 1,245,728	\$ 1,449,580	\$ 1,657,580	\$ 1,760,326	\$ 1,695,921	\$ 1,807,046	\$ 1,974,077	\$ 1,969,826	\$ 2,324,655
Contributions in relation to the Statutorily required contributions	<u>1,245,728</u>	<u>1,449,580</u>	<u>1,657,580</u>	<u>1,760,326</u>	<u>1,695,921</u>	<u>1,807,046</u>	<u>1,974,077</u>	<u>1,969,826</u>	<u>2,324,655</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered payroll	\$ 7,790,150	\$ 8,581,137	\$ 9,341,976	\$ 9,575,792	\$ 8,982,332	\$ 9,316,179	\$ 10,186,155	\$ 9,889,423	\$ 11,693,424
Contributions as a percentage of covered payroll	15.99%	16.89%	17.74%	18.38%	18.88%	19.40%	19.38%	19.92%	19.88%

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

See the accompanying independent auditors' report.

PINNACLE CHARTER SCHOOL, INC.

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

Years Ended December 31,

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
School's proportionate share of the Net OPEB Liability	0.121%	0.115%	0.107%	0.109%	0.108%	0.118%
School's proportionate share of the Net OPEB Liability	\$ 1,569,070	\$ 1,493,019	\$ 1,454,834	\$ 1,229,147	\$ 1,025,689	\$ 1,020,186
School's covered payroll	\$ 9,555,763	\$ 9,326,734	\$ 9,043,838	\$ 9,832,733	\$ 9,889,423	\$ 11,311,755
School's proportionate share of the Net OPEB Liability as a percentage of its covered payroll	16.4%	16.0%	16.1%	12.5%	10.4%	9.0%
Plan fiduciary net position as a percentage of the total OPEB liability	16.7%	17.5%	17.0%	24.5%	32.8%	39.4%

Notes:

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

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

See the accompanying independent auditors' report.

PINNACLE CHARTER SCHOOL, INC.

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
HEALTH CARE TRUST FUND

Years Ended June 30,

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
Statutorily required contributions	\$ 97,469	\$ 91,620	\$ 95,025	\$ 103,899	\$ 100,872	\$ 119,274
Contributions in relation to the Statutorily required contributions	<u>97,469</u>	<u>91,620</u>	<u>95,025</u>	<u>103,899</u>	<u>100,872</u>	<u>119,274</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered payroll	\$ 9,575,792	\$ 8,982,332	\$ 9,316,179	\$ 10,186,155	\$ 9,889,423	\$ 11,693,424
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%

Notes:

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

See the accompanying independent auditors' report.

SUPPLEMENTARY INFORMATION

PINNACLE CHARTER SCHOOL, INC.

BUILDING CORPORATION
 BUDGETARY COMPARISON SCHEDULE
 Year Ended June 30, 2022

	2022			VARIANCE Positive (Negative)	2021 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Local Sources					
Lease Revenues	\$ 2,331,604	\$ 2,331,604	\$ 2,331,604	\$ -	\$ 1,653,161
Investment Income	5,000	660	13,522	12,862	1,335
TOTAL REVENUES	2,336,604	2,332,264	2,345,126	12,862	1,654,496
EXPENDITURES					
Dues and Fees	41,877	41,877	46,245	(4,368)	92,144
Depreciation	520,608	520,608	515,236	5,372	520,608
Amortization	(98,019)	(98,019)	(243,186)	145,167	(33,162)
Other Expenses	243,186	243,186	98,019	145,167	-
Capital Outlay	-	10,000,000	-	10,000,000	-
Bond Issuance Costs	-	-	-	-	393,823
Debt Service					
Principal	810,000	810,000	810,000	-	745,000
Interest	470,087	470,087	1,325,622	(855,535)	854,444
TOTAL EXPENDITURES	1,987,739	11,987,739	2,551,936	9,435,803	2,572,857
CHANGE IN FUND BALANCE (Budget Basis)	\$ 348,865	\$ (9,655,475)	(206,810)	\$ 9,448,665	(918,361)
Adjustments to Reconcile Budget Basis to GAAP Basis					
Principal Payments			810,000		745,000
CHANGE IN FUND BALANCE (GAAP Basis)			603,190		(173,361)
NET POSITION, Beginning			(215,303)		(41,942)
NET POSITION, Ending			\$ 387,887		\$ (215,303)

See the accompanying independent auditors' report