

**HIGHLINE ACADEMY NETWORK**

**BASIC FINANCIAL STATEMENTS**

**June 30, 2023**

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**FINANCIAL SECTION**



**PROSPECTIVE  
BUSINESS  
SOLUTIONS, LLC**  
Certified Public Accountants

Auditing, Accounting, and Consulting Services for  
Governments and Nonprofit Organizations

Board of Directors  
Highline Academy Network  
Denver, Colorado

## INDEPENDENT AUDITOR'S REPORT

### Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Highline Academy Network (the "Network"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Network'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, each major fund, and the aggregate remaining fund information of the Highline Academy Network as of June 30, 2023, 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 the Network, and to meet our other 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 these financial statements in accordance with 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 Network'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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- exercise professional judgment 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 in 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 on the effectiveness of the Network'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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Network'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.

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedules of the Network's proportionate share, and the schedules of the Network's contributions on pages 48-52 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*Other Information*

*Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Network's basic financial statements. The combining and individual fund statements and schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund statements and schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has 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 combining and individual fund financial statements and schedules are fairly stated in all material respects in relation to the basic financial statements as a whole.

*PB Solutions LLC*

Littleton, Colorado  
October 13, 2023

## **Highline Academy Network Management Discussion and Analysis**

As management of Highline Academy Network (HA-Network or the Network), we offer readers of Highline Academy Network's financial statements our narrative overview and analysis of the financial activities of the Network for the fiscal year ended June 30, 2023.

### **Financial Highlights**

The year ended June 30, 2022 is the seventh year of operations for the schools operating as a Network. The Southeast Campus completed its nineteenth year, and the Northeast Campus completed its ninth year since opening. As of June 30, 2023, net position increased by \$785,143 to \$2,334,557. This balance includes the result of the implementation of regulations under the Governmental Accounting Standards Board Statement (GASB) Numbers 68 and 75. Further information about GASB 68 and 75 is provided in Notes 8 and 9 of the financial statements.

The operations of the Network are funded primarily by tax revenue received under the Colorado School Finance Act in Per Pupil Revenue from the Network's two schools: the Northeast Campus and the Southeast Campus. Such revenue for the year was \$10,317,925. At the close of the fiscal year, Highline Academy Network's governmental funds reported an ending fund balance of \$13,378,406, an increase of \$7,809,421 from the prior year.

### **Overview of Financial Statements**

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

#### ***Government-Wide Financial Statements***

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

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

The statement of activities presents information showing how the Network's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only

result in cash flows in future fiscal periods (e.g. uncollected grant expenses and earned but unpaid salary and benefits).

The government-wide statement of activities distinguishes functions/programs of the Network supported primarily by Per Pupil Revenue or other revenues passed through from the authorizer (Denver Public Schools). The governmental activities of the Network include instruction and supporting services.

### ***Fund Financial Statements***

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Network, like other governmental units or schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds.** The Network has three governmental funds consisting of the activity from the Northeast Campus, the Southeast Campus, and the Highline Academy Southeast Building Corporation (the Corporation). Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the Network's near-term financing requirements.

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

The Network adopts annually appropriated budgets for the General Fund. A budgetary comparison schedule for the General Fund, as well as the individual activity of the Northeast Campus, the Southeast Campus, and the Corporation have been provided herein.

### ***Notes to the Financial Statements***

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This information is provided on pages 7-47.

## **Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of the Network's financial position. In the case of Highline Academy Network, assets and deferred outflows exceeded liabilities and deferred inflows resulting in a net position of \$2,334,557 in FY 2022-2023. Again, the net position includes amounts directly related to the Pension Plan and the Defined Benefit Other Post Employment Benefit (OPEB) liabilities reporting requirements under GASB 68 and 75. Of the Network's total net position, \$511,603 is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment, and \$(735,671) is invested in capital assets. Accordingly, these funds are not available to satisfy the Network's general operating expenses.

**Highline Academy Network's Net Position  
Governmental Activities**

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
<b>ASSETS</b>		
Cash and Investments	\$ 6,483,101	\$ 5,283,543
Restricted Cash and Investments	7,501,341	43,584
Accounts Receivable	411,761	403,330
Inventory	30,646	21,890
Prepaid Expenses	130,859	44,087
Deposits	104,000	-
Capital Assets, Not Depreciated	3,879,842	2,484,330
Capital Assets, Net of Accum Depreciation	3,117,412	3,301,207
Right of Use Assets - Equipment	197,164	106,705
<b>Total Assets</b>	<b>21,856,126</b>	<b>11,688,676</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Deferred Charges	551,742	619,707
Related to Pensions	3,097,232	2,440,345
Related to OPEB	157,909	115,913
<b>Total Deferred Outflows of Resources</b>	<b>3,806,883</b>	<b>3,175,965</b>
<b>LIABILITIES</b>		
Accounts Payable	745,653	58,718
Retainage Payable	32,204	-
Accrued Expenses	307,194	167,467
Unearned Revenue	198,251	1,264
Accrued Interest Payable	69,515	-
Noncurrent Liabilities		
Due in One Year	40,269	246,618
Due in More than One Year	15,942,903	7,370,091
Net Pension Liability	4,645,665	40,043
Net OPEB Liability	80,549	90,460
<b>Total Liabilities</b>	<b>22,062,203</b>	<b>7,974,661</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Related to Pensions	1,140,190	5,197,061
Related to OPEB	126,059	143,505
<b>Total Deferred Inflows of Resources</b>	<b>1,266,249</b>	<b>5,340,566</b>
<b>NET POSITION</b>		
Net Investment in Capital Assets	(735,671)	(1,787,588) <sup>1</sup>
Restricted for Capital Construction	-	71,021
Restricted for Emergencies	511,603	459,113
Unrestricted	2,558,625	2,806,868
<b>Total Net Position</b>	<b>\$ 2,334,557</b>	<b>\$ 1,549,414</b>

The largest portion of the Network's assets is in cash and investments, at 64% of total assets in 2023.

**Highline Academy Network's Change in Net Position  
Governmental Activities**

	June 30, 2023	June 30, 2022
Program Revenue:		
Charges for Services	\$ 95,888	\$ 63,698
Operating Grants and Contributions	2,947,934	1,643,821
Capital Grants and Contributions	285,839	231,633
Total Program Revenue	3,329,661	1,939,152
General Revenue:		
Per Pupil Revenue	10,317,925	9,687,922
Mill Levy Override	2,755,833	2,338,638
Interest	282,285	3,486
Other Income	2,088,420	1,515,653
Total General Revenue	15,444,463	13,545,699
<b>Total Revenue</b>	<b>18,774,124</b>	<b>15,484,851</b>
Expenses:		
Instructional	10,282,609	6,730,378
Supporting Services	7,007,422	5,835,383
Interest and Other Fiscal Charges	698,950	394,888
Total Expenses	17,988,981	12,960,649
<b>Increase/(Decrease) in Net Position</b>	785,143	2,524,202
<b>Net Position, Beginning</b>	<b>1,549,414</b>	<b>(974,788)</b>
<b>Net Position, Ending</b>	<b>\$ 2,334,557</b>	<b>\$ 1,549,414</b>

The largest portion of the Network's revenues came from Per Pupil Revenue – 55%, respectively in 2023.

**Financial Analysis of the Government's Funds**

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

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

As of the end of the current fiscal year, the Network's General Fund reported an ending fund balance of \$13,378,406, an increase of \$7,809,421 from prior year. The Northeast Campus

reported an ending fund balance of \$3,012,711, an increase of \$480,886 from prior year. The Southeast Campus reported an ending fund balance of \$3,611,610, an increase of \$618,034 from prior year. And the Highline Academy Southeast Building Corporation, established to help in financing the Southeast Academy educational facilities, reported an ending fund balance of \$6,754,085, an increase of \$6,710,501 from prior year. The Building Corporation ending fund balance includes unspent bond proceeds for facility improvements. See Other Capital Assets & Long-Term Debt, below, for additional information.

### **General Fund Budgetary Highlights**

The Network approves a General Fund budget in May based on enrollment projections for the school year. In October, after enrollment stabilizes, adjustments are made to the budget. At year-end, the Network had some variances between its final budgeted and actual activities. Overall, the Network recognized \$84,074 more revenue than expected and spent \$559,100 less than planned, when compared to the final budget. Two budget amendments were made during FY 2022-2023. Additional information regarding budget versus actual activity may be found on pages 48 and 55-57 of the financial statements.

### **Right-to-Use Assets**

The Governmental Accounting Standards Board (GASB) has recently issued two standards that affect the accounting for right to use assets:

GASB 87 requires that multi-year leases, regardless of whether they are considered operating or capital leases under previous accounting standards, be capitalized. Charter schools now must recognize right-to-use assets and corresponding lease liabilities for all qualifying leases.

GASB 96 requires that multi-year software licenses, or subscription-based information technology arrangements (SBITAs), be capitalized. Charter schools now must recognize right-to-use assets and corresponding SBITA liabilities for all qualifying agreements.

The Network has invested in right-to-use assets in the form of equipment. Amortization expenses for right-to-use assets are booked under the supporting services program of the Network's operations. Additional information related to leases may be found in Note 7 to the financial statements.

### **Other Capital Assets & Long-Term Debt**

The Network has invested in capital assets in the form of land, construction in progress, an educational facility, building improvements, leasehold improvements, furniture, and equipment. Depreciation expenses for capital assets are booked under the supporting services program of the Network's operations. Additional information related to capital assets may be found in Note 4 to the financial statements.

The Network has 2022 Charter School Refunding Revenue Bonds, issued through the Colorado Educational and Facilities Authority (CECFA). The proceeds of the Series 2022 Bonds were used to refinance 2018 Charter School Revenue Bonds, which were issued for the purchase and improvement of the Network's Southeast Campus, and to finance additional facility improvements. Additional information related to long-term debt may be found in Note 5 to the financial statements.

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

The primary factors driving the budget for Highline Academy Network are student enrollment and Per Pupil Revenue. Enrollment for the 2022-2023 school year was 1,029.00 funded students (501 funded pupils at the Northeast Campus and 528 funded pupils at the Southeast Campus). This information was analyzed as part of the 2023-2024 budget which is projecting a 1,031.00 funded student count (503 funded pupils at the Northeast Campus and 528 funded pupils at the Southeast Campus).

### **Requests for Information**

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

Highline Academy – Northeast  
19451 East Maxwell Place  
Denver, CO 80249

Highline Academy – Southeast  
2170 South Dahlia St.  
Denver, CO 8022

## **BASIC FINANCIAL STATEMENTS**

HIGHLINE ACADEMY NETWORK  
STATEMENT OF NET POSITION  
As of June 30, 2023

	<u>GOVERNMENTAL ACTIVITIES</u>
<b>ASSETS</b>	
Cash and Investments	\$ 6,483,101
Restricted Cash and Investments	7,501,341
Accounts Receivable	411,761
Inventory	30,646
Prepaid Expenses	130,859
Deposits	104,000
Capital Assets, Not Depreciated	3,879,842
Capital Assets, Depreciated, Net of Accumulated Depreciation	3,117,412
Right of Use Assets - Equipment	<u>197,164</u>
TOTAL ASSETS	<u>21,856,126</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Charges	551,742
Related to Pensions	3,097,232
Related to OPEB	<u>157,909</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>3,806,883</u>
<b>LIABILITIES</b>	
Accounts Payable	745,653
Retainage Payable	32,204
Accrued Salaries and Benefits	307,194
Unearned Revenues	198,251
Accrued Interest Payable	69,515
Noncurrent Liabilities	
Due in One Year	40,269
Due in More than One Year	15,942,903
Net Pension Liability	4,645,665
Net OPEB Liability	<u>80,549</u>
TOTAL LIABILITIES	<u>22,062,203</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to Pensions	1,140,190
Related to OPEB	<u>126,059</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>1,266,249</u>
<b>NET POSITION</b>	
Net Investment in Capital Assets	(735,671)
Restricted for Emergencies	521,113
Unrestricted	<u>2,549,115</u>
TOTAL NET POSITION	<u>\$ 2,334,557</u>

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

HIGHLINE ACADEMY NETWORK  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2023

<u>FUNCTIONS/PROGRAMS</u>	<u>EXPENSES</u>	<u>PROGRAM REVENUES</u>			<u>NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION</u>
PRIMARY GOVERNMENT		<u>CHARGES FOR SERVICES</u>	<u>OPERATING GRANTS AND CONTRIBUTIONS</u>	<u>CAPITAL GRANTS AND CONTRIBUTIONS</u>	<u>GOVERNMENTAL ACTIVITIES</u>
<b>Governmental Activities</b>					
Instructional	\$ 10,282,609	\$ -	\$ 1,850,553	\$ -	\$ (8,432,056)
Supporting Services	7,007,422	95,888	1,097,381	285,839	(5,528,314)
Interest and Other Fiscal Charges	698,950	-	-	-	(698,950)
<b>Total Governmental Activities</b>	<b><u>\$ 17,988,981</u></b>	<b><u>\$ 95,888</u></b>	<b><u>\$ 2,947,934</u></b>	<b><u>\$ 285,839</u></b>	<b>(14,659,320)</b>
		<b>GENERAL REVENUES</b>			
					10,317,925
					2,755,833
					282,285
					<u>2,088,420</u>
					<b>TOTAL GENERAL REVENUES</b>
					<b><u>15,444,463</u></b>
					<b>CHANGE IN NET POSITION</b>
					<b>785,143</b>
					<b>NET POSITION, Beginning</b>
					<b><u>1,549,414</u></b>
					<b>NET POSITION, Ending</b>
					<b><u>\$ 2,334,557</u></b>

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

HIGHLINE ACADEMY NETWORK  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2023

	GENERAL FUND
<b>ASSETS</b>	
Cash and Investments	\$ 6,483,101
Restricted Cash and Investments	7,501,341
Accounts Receivable	411,761
Inventory	30,646
Prepaid Expenses	130,859
Deposits	104,000
TOTAL ASSETS	\$ 14,661,708
 <b>LIABILITIES AND FUND BALANCES</b>	
<b>LIABILITIES</b>	
Accounts Payable	\$ 745,653
Retainage Payable	32,204
Accrued Salaries	307,194
Unearned Revenue	198,251
TOTAL LIABILITIES	1,283,302
 <b>FUND BALANCES</b>	
Nonspendable	265,505
Restricted for Emergencies	521,113
Restricted for Debt Service	6,754,085
Unassigned	5,837,703
TOTAL FUND BALANCES	13,378,406
TOTAL LIABILITIES AND FUND BALANCES	\$ 14,661,708

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

HIGHLINE ACADEMY NETWORK  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
Year Ended June 30, 2023

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

Total fund balances of governmental funds		\$ 13,378,406
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.		
Capital Assets, not depreciated	3,879,842	
Capital Assets, depreciated	5,347,039	
Accumulated Depreciation	(2,229,627)	
Right to Use Assets	228,668	
Accumulated Amortization	<u>(31,504)</u>	7,194,418
Long-term liabilities and related assets are not due and payable in the current period and, therefore, are not reported in the funds.		
Bonds Payable	(15,260,000)	
Bond Premium	(522,126)	
Accrued Interest Payable	(69,515)	
Deferred Charges	551,742	
Lease Payable	(201,046)	
Net Pension Liability	(4,645,665)	
Net OPEB Liability	<u>(80,549)</u>	(20,227,159)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources - Related to Pensions	3,097,232	
Deferred outflows of resources - Related to OPEB	157,909	
Deferred inflows of resources - Related to Pensions	(1,140,190)	
Deferred inflows of resources- Related to OPEB	<u>(126,059)</u>	<u>1,988,892</u>
Net position of governmental activities		<u><u>\$ 2,334,557</u></u>

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

HIGHLINE ACADEMY NETWORK  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2023

	GENERAL FUND
REVENUES	
Local Sources	\$ 15,663,210
State Sources	1,148,961
Federal Sources	1,471,099
TOTAL REVENUES	18,283,270
EXPENDITURES	
Current	
Instruction	10,018,764
Supporting Services	8,260,078
Debt Service	
Principal	121,285
Interest	550,866
TOTAL EXPENDITURES	18,950,993
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(667,723)
OTHER FINANCING SOURCES (USES)	
Proceeds from Lease	121,963
Proceeds from Issuance of Debt	15,795,514
Payment to Escrow Agent	(7,440,333)
TOTAL OTHER FINANCING SOURCES (USES)	8,477,144
NET CHANGE IN FUND BALANCES	7,809,421
FUND BALANCES, Beginning	5,568,985
FUND BALANCES, Ending	\$ 13,378,406

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

HIGHLINE ACADEMY NETWORK  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2023

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

Net change in fund balances - total governmental funds \$ 7,809,421

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.

Capital Outlay	1,541,050	
Depreciation	(207,370)	
Amortization	(31,504)	
	<u>1,302,176</u>	1,302,176

Debt proceeds are reported as financial resources in the governmental funds and increase fund balance. In the government-wide financial statements, however, issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities.

Lease Proceeds	(121,963)	
Bond Proceeds	(15,795,514)	
Payments to Escrow Agent	7,440,333	
	<u>(8,477,144)</u>	(8,477,144)

Some expenses reported in the statement of activities do not require current financial resources and are not reported in the funds.

Bond Principal Payments	93,663	
Lease Principal Payments	27,622	
Changes in Accrued Interest Payable	(69,514)	
Amortization of Bond Premium and Deferred Charges	(78,569)	
	<u>(26,798)</u>	(26,798)

Deferred Charges related to pensions and OPEB are not recognized in the governmental fund. However, for the government-wide funds those amounts are capitalized and amortized.

Deferred charges related to Pension Plan	108,136	
Deferred charges related to OPEB	69,352	
	<u>177,488</u>	<u>177,488</u>

Change in net position of governmental activities \$ 785,143

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

HIGHLINE ACADEMY NETWORK  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

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

Highline Academy Network (the “Network” or the “School”) was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Denver Public Schools District of the State of Colorado. The Network operates two campuses, Highline Academy North East Campus and Highline Academy South East Campus. The Network is governed by an eight-member Board of Directors.

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

**Reporting Entity**

The definition of the reporting entity is based primarily on financial accountability. The financial reporting entity consists of the Network and organizations for which the Network is financially accountable. It is also financially accountable for legally separate organizations if the Network’s officials appoint a voting majority for the organization’s governing body and either it is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on the Network. The Network may also be financially accountable for organizations that are fiscally dependent upon it.

Based on the application of this criteria, the Network includes the following organizations within its reporting entity:

Highline Academy South East Building Corporation

The Highline Academy South East Building Corporation (the “Corporation”) was formed to support and assist the Network to perform its function and to carry out its purpose, specifically to assist in the financing of the Network’s facilities. The Corporation is blended into the Network’s financial statements as a special revenue fund. Separate financial statements are not available for the Corporation.

The Network is a component unit of the Denver Public Schools District.

HIGHLINE ACADEMY NETWORK  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

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

**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 nonfiduciary activities of the Network. 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.

The statement of net position reports all financial, capital and debt resources of the Network. The difference between the assets plus deferred outflows of resources and liabilities and deferred inflows of resources of the Network is reported as net position.

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 other customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted intergovernmental revenue and other items 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, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when the 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.

HIGHLINE ACADEMY NETWORK  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

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

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

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. For this purpose, the Network considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

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 Network.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

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

In the fund financial statements, the Network reports the following major governmental funds:

The *General Fund* is the Network's primary operating fund. It accounts for all financial resources of the Network, except those required to be accounted for in another fund.

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

Deposits and Investments – For purposes of the statement of cash flows, the Network considers cash and cash equivalents to be all demand deposits as well as short-term investments with a maturity date of three months or less. Investments are stated at fair value.

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

HIGHLINE ACADEMY NETWORK  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

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

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

Inventory – Inventory consists of consumable supplies. Inventory purchases are recorded as expenditures at the time the items are purchased and adjusted to inventory at year-end based on a physical count.

Prepaid Expenses – Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses. An expenditure is reported in the year in which the services are consumed.

Capital Assets – Capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the Network 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 fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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. Property and equipment of the Network is depreciated using the straight-line method over the following estimated useful lives:

Buildings and Improvements	30 years
Leasehold Improvements	10 years
Equipment	5-10 years

Unearned Revenues – The deferred revenues include amounts received but not yet available for expenditure.

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 Network year of approximately nine to ten months. At June 30, 2023 the Network reports \$307,194 in accrued salaries and benefits.

HIGHLINE ACADEMY NETWORK  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

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

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

Deferred Outflows 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.

Deferred Inflows of Resources - In addition to 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 future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Long-Term Debt – In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

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

Compensated Absences – The Network’s policy allows employees to earn personal leave of absence during the year. Employees are allowed to carry over a maximum of three unused personal leave days to the next fiscal year. Any remaining unused days are paid out at the substitute teacher rate in June each year. Therefore, no liability is recorded in the Network’s government-wide statement of net position.

HIGHLINE ACADEMY NETWORK  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

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

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

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

Investment in Capital Assets is intended to reflect the portion of net position which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.

Restricted Net Position are liquid assets, which have third party limitations on their use.

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

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

- Nonspendable – This classification includes amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. The Network considers prepaid expenses, inventory, and deposits 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 Network has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies. The Network has also classified funds held for debt service as restricted because their use is restricted by debt covenants.

HIGHLINE ACADEMY NETWORK  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

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

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

- **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 Network did not have any committed resources as of June 30, 2023.
  
- **Assigned** – This classification includes spendable fund balance amounts that are intended to be used for specific purposes that are neither considered restricted nor committed. The Network did not have any assigned resources as of June 30, 2023.
  
- **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 Network would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned fund balance.

**Risk Management**

The Network 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 Network purchases commercial insurance for these risks of loss. Settled claims have not exceeded this coverage in the last three years.

HIGHLINE ACADEMY NETWORK  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

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

**Income Taxes**

The Network is a tax exempt entity under section 501 (c) 3 of the US Internal Revenue Code. The Foundation's tax filings are subject to audit by various taxing authorities. The Network believes it has no significant uncertain tax provisions for the year ended June 30, 2023.

**Subsequent Events**

The Network has evaluated events subsequent to the year ended June 30, 2023 through October 13, 2023, the date these financial statements were issued, and has incorporated any required recognition into these financial statements.

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

**Budgets**

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

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

HIGHLINE ACADEMY NETWORK  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

**NOTE 3: CASH AND INVESTMENTS**

At June 30, 2023, cash and investments consist of the following:

Deposits	\$ 4,041,987
Investments	<u>9,942,455</u>
Total	<u>\$ 13,984,442</u>

The above amounts are classified in the statement of net position as follows:

Cash and Investments - Unrestricted	\$ 6,483,101
Cash and Investments - Restricted	<u>7,501,341</u>
Total	<u>\$ 13,984,442</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, 2023 State regulatory commissioners have indicated that all financial institutions holding deposits for the Network 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.

At June 30, 2023, the Network had deposits with financial institutions with a carrying amount of \$4,041,987. The bank balances with the financial institutions were \$4,088,829. Of these balances, \$500,000 was covered by federal depository insurance and \$3,588,829 was covered by collateral held by authorized escrow agents in the financial institutions name (PDPA).

HIGHLINE ACADEMY NETWORK  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

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

**Investments**

Interest Rate Risk

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

Credit Risk

Colorado statutes specify in which instruments the units of local government may invest which includes:

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

The above investments are authorized for all funds and fund types used by Colorado units of government.

Local Government Investment Pools

The Network had invested \$4,680,009 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.

HIGHLINE ACADEMY NETWORK  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

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

**Investments** (Continued)

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.

**Fair Value**

The Network categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant observable inputs.

At June 30, 2023, the Network had \$5,262,446 invested U.S. Treasury obligations. The investments are valued at Level 1 inputs.

**Restricted Cash**

At June 30, 2023, cash in the amount of \$7,501,341 is restricted in the Building Corporation for debt service payments.

HIGHLINE ACADEMY NETWORK  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

**NOTE 4: CAPITAL ASSETS**

Capital Asset activity for the year ended June 30, 2023 is summarized below:

	Balance 6/30/2022	Additions	Deletions	Balance 6/30/2023
<b>Governmental Activities</b>				
Capital Assets, Not Depreciated				
Land	\$ 2,300,000	\$ -	\$ -	\$ 2,300,000
Construction in Progress	184,330	1,395,512	-	1,579,842
Total Capital Assets, Not Being Depreciated	<u>2,484,330</u>	<u>1,395,512</u>	<u>-</u>	<u>3,879,842</u>
Capital Asset, Being Depreciated				
Buildings and Improvements	4,748,857	-	-	4,748,857
Leasehold Improvements	494,010	-	-	494,010
Equipment	67,765	23,575	-	91,340
Furniture	12,832	-	-	12,832
Right to Use Assets-Equipment	106,705	121,963	-	228,668
Total Capital Assets, Being Depreciated	<u>5,430,169</u>	<u>145,538</u>	<u>-</u>	<u>5,575,707</u>
Accumulated Depreciation				
Buildings and Improvements	1,741,512	158,362	-	1,899,874
Leasehold Improvements	241,043	39,175	-	280,218
Equipment	35,425	7,267	-	42,692
Furniture	4,277	2,566	-	6,843
Right to Use Assets-Equipment	-	31,504	-	31,504
Total Depreciation	<u>2,022,257</u>	<u>238,874</u>	<u>-</u>	<u>2,261,131</u>
Total Capital Assets, Being Depreciated, Net	<u>3,407,912</u>	<u>(93,336)</u>	<u>-</u>	<u>3,314,576</u>
Net Capital Assets	<u>\$ 5,892,242</u>	<u>\$ 1,302,176</u>	<u>\$ -</u>	<u>\$ 7,194,418</u>

Depreciation and Amortization has been charged to the Supporting Services program of the Network.

HIGHLINE ACADEMY NETWORK  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

**NOTE 5: LONG-TERM DEBT**

The following is a summary of the Network’s long-term debt transactions for the year ended June 30, 2023:

	Balance 6/30/2022	Additions	Payments	Balance 6/30/2023	Due In One Year
2018 Bonds	\$ 7,510,004	\$ -	\$ 7,510,004	\$ -	\$ -
2022 Bonds	-	15,260,000	-	15,260,000	-
2022 Bond Premium	-	535,514	13,388	522,126	-
Net Pension Liability	40,043	4,605,622	-	4,645,665	-
Net OPEB Liability	90,460	-	9,911	80,549	-
<b>Total</b>	<b>\$ 7,640,507</b>	<b>\$ 20,401,136</b>	<b>\$ 7,533,303</b>	<b>\$ 20,508,340</b>	<b>\$ -</b>

**Series 2018 Charter School Refunding Revenue Bonds**

In October 2018, the Public Finance Authority issued \$7,983,000 Charter School Refunding Revenue Bonds, Series 2018. Proceeds from the bonds were used to refinance the Series 2011A bonds, which were used to purchase the Network’s buildings and to provide funding for improvements. Interest accrued at rates ranging from 4.016% to 5.02% per year. Monthly principal and interest payment were due ranging in the amounts from \$33,396 to \$44,748. A balloon payment in the amount of \$5,923,676 was due on October 1, 2028.

The Network was obligated to make monthly lease payments to the Building Corporation for the use of the building. The Building Corporation was required to make equal loan payments to the Trustee for payment of the bonds.

The bonds had been secured by a pledge of certain rights to real estate property located in Denver Colorado (“pledged property”) and a pledge of the Network’s funds and revenues.

In the event of default, the bond trustee could have declared the principal amount of all bonds then outstanding and the interest accrued thereon to be immediately due and payable. The trustee could have also began foreclosure proceedings against all or a portion of the pledged property.

In November, 2022, the 2018 bonds were refinanced by issuing the 2022 Charter School Revenue Bonds.

HIGHLINE ACADEMY NETWORK  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

**NOTE 5:**     **LONG-TERM DEBT** *(Continued)*

**Series 2022 Charter School Revenue Bonds**

In November 2022, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$15,260,000 Charter School Revenue Bonds, Series 2022. Proceeds from the bonds were used to refinance the Series 2018 bonds, finance improvements to the School's educational facility, fund a bond reserve fund, and pay a portion of the costs associated with the issuance of the 2022 bonds.

Interest on the bonds accrues at rates ranging from 5.00% to 5.75% per year. Semi-annual interest payments are due on June 1 and December 1. Annual principal payments are due on December 1, beginning on December 1, 2024 through 2061.

The Network is obligated to make monthly lease payments to the Building Corporation for the use of the building. The Building Corporation is required to make equal loan payments to the Trustee for payment of the bonds.

The 2022 bonds maturing on and after December 1, 2033 are subject to optional redemption prior to maturity on December 1, 2032, and on any date thereafter at written direction of the Corporation, in whole or in part, at a redemption price equal to the principal amount of the Series 2022 bonds to be redeemed, plus accrued interest.

The Series 2022 bonds maturing on December 1, 2037 and thereafter are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof plus accrued interest thereon to the redemption date.

The bonds have been secured by a pledge of certain rights to real estate property located in Denver Colorado ("pledged property") and a pledge of the Network's funds and revenues.

In the event of default, the bond trustee may declare the principal amount of all bonds then outstanding and the interest accrued thereon to be immediately due and payable. The trustee may also begin foreclosure proceedings against all or a portion of the pledged property.

HIGHLINE ACADEMY NETWORK  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

**NOTE 5: LONG-TERM DEBT (Continued)**

Future debt service requirements are as follows:

<u>Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ -	\$ 834,175	\$ 834,175
2025	125,000	831,050	956,050
2026	130,000	824,675	954,675
2027	135,000	818,050	953,050
2028	140,000	811,175	951,175
2029-2033	830,000	3,939,125	4,769,125
2034-2038	1,070,000	3,696,214	4,766,214
2039-2043	1,390,000	3,375,175	4,765,175
2044-2048	1,805,000	2,958,194	4,763,194
2049-2053	2,350,000	2,415,999	4,765,999
2054-2058	3,095,000	1,669,656	4,764,656
2059-2062	4,190,000	579,887	4,769,887
Total	<u>\$ 15,260,000</u>	<u>\$ 22,753,375</u>	<u>\$ 38,013,375</u>

**Financial Covenants**

The School is required to maintain certain financial covenants relate to days cash on hand, maintaining emergency reserves, coverage ratio, and cash reserves. These balances are required to be tested on June 30<sup>th</sup> of each year, commencing June 20, 2023.

At June 20, 2023, the School has met all of its financial covenant requirements.

**NOTE 6: INTERFUND BALANCES AND TRANSFERS**

During the course of operations, the Network has activity between the funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds. While these balances are reported in the fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in the governmental activities (i.e. the governmental funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

At June 30, 2023, the North East Campus owed \$212 to the Southeast Campus for

HIGHLINE ACADEMY NETWORK  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

payments made by the South East Campus on the North East Campus' behalf.

**NOTE 7:** **LEASES**

The following is a summary of the School's lease transactions for the year ended June 30, 2023:

	Balance 6/30/2022	Additions	Payments	Balance 6/30/2023	Due In One Year
Copier Leases	\$ 106,705	\$ 121,963	\$ 27,622	\$ 201,046	\$ 40,269

**Copier Lease Agreements**

On June 18, 2022, the School entered into a lease agreement with Frontier Communications Corp for copiers, commencing on June 18, 2022. The balance of the lease liability at June 30, 2023 was \$88,108. The interest rate implied in the lease is calculated at 5%. The lease payment schedule requires the School to make equal monthly lease payments of \$1,921 beginning in July 2022 through September 2027.

On October 24, 2022, the School entered into a lease agreement with Frontier Business Products for copiers, commencing on February 1, 2023. The balance of the lease liability at June 30, 2023 was \$112,938. The interest rate implied in the lease is calculated at 5%. The lease payment schedule requires the School to make equal monthly lease payments of \$2,196 beginning in February 2023 through April 2028.

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ended June 30,	Principal	Interest	Total
2024	\$ 40,269	\$ 9,138	\$ 49,407
2025	42,330	7,077	49,407
2026	44,495	4,912	49,407
2027	46,771	2,636	49,407
2028	27,181	542	27,723
Total	\$ 201,046	\$ 24,305	\$ 225,351

Total rent expense for the year ended June 30, 2023 was \$34,034.

HIGHLINE ACADEMY NETWORK  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

**NOTE 8: DEFINED BENEFIT PENSION PLAN**

**Summary of Significant Accounting Policies**

*Pensions.* The School participates in the Denver Public Schools Division Trust Fund (DPS Division), a single-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 DPS Division 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.

**General Information about the Pension Plan**

*Plan description.* Eligible employees of the School are provided with pensions through the DPS Division—a single-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](http://www.copera.org/investments/pera-financial-reports).

*Benefits provided as of December 31, 2022.* 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 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.

HIGHLINE ACADEMY NETWORK  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

**NOTE 8:**     **DEFINED BENEFIT PENSION PLAN** (Continued)

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

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

- Highest average salary multiplied by 2.5% 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.

In all cases the service retirement benefit is limited to 100% of highest average salary and 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 of the DPS benefit structure, and eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, 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 DPS Division. 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.

HIGHLINE ACADEMY NETWORK  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

**NOTE 8:** **DEFINED BENEFIT PENSION PLAN** (Continued)

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

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

*Contributions provisions as of June 30, 2023.* Eligible employees of the School and the State are required to contribute to the DPS Division at a rate set by Colorado statute. The contribution requirements for the DPS Division are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 11.00% of their PERA-includable salary during the period of July 1, 2022 through June 30, 2023. Employer contribution requirements are summarized in the table below:

	July 1, 2022 Through December 31, 2022	January 1, 2023 Through June 30, 2023
Employer contribution rate	11.40%	11.40%
Amount of employer contribution apportioned to the DPS HCTF as specified in C.R.S. § 24-51-208(1)(f)	(1.02%)	(1.02%)
PCOP offset as specified in C.R.S. § 24-51-412 <sup>1</sup>	(11.72%)	(10.93%)
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.50%	5.50%
<b>Total employer contribution rate to the DPS Division</b>	<b>8.66%</b>	<b>9.45%</b>

<sup>1</sup>To conform with this presentation of contribution rates, the 2022 annual PCOP offset of 11.47% has been adjusted based on the portion of the PCOP offset used to satisfy employer contribution requirements.

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

Employer contributions are recognized by the DPS Division in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the DPS Division. Employer contributions recognized by the DPS Division from the School were \$752,453 for the year ended June 30, 2023.

HIGHLINE ACADEMY NETWORK  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

**NOTE 8:**     **DEFINED BENEFIT PENSION PLAN** (Continued)

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

For purposes of GASB 68 paragraph 15, a circumstance exists in which a nonemployer contributing entity is legally responsible for making contributions to the DPS Division 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 DPS Division based on the proportionate amount of annual payroll of the DPS Division to the total annual payroll of the DPS Division, State Division Trust Fund, School Division Trust Fund, and Judicial Division Trust Fund. House Bill (HB) 22-1029, instructed the State treasurer to issue an additional direct distribution to PERA in the amount of \$380 million (actual dollars), upon enactment. The July 1, 2023, payment is reduced by \$190 million (actual dollars) to \$35 million (actual dollars). The July 1, 2024, payment will not be reduced due to PERA's negative investment return in 2022. Senate Bill (SB) 23-056, enacted June 2, 2023, requires an additional direct distribution of approximately \$14.5 million (actual dollars), for a total of approximately \$49.5 million (actual dollars) to be contributed July 1, 2023.

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

The net pension liability for the DPS Division was measured as of December 31, 2022, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. Standard update procedures were used to roll-forward the TPL to December 31, 2022. The School's proportion of the net pension liability was based on the School's contributions to the DPS Division for the calendar year 2022 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2023 the School reported a liability of \$4,645,665 for its proportionate share of the net pension liability that reflected an increase 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:

HIGHLINE ACADEMY NETWORK  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

**NOTE 8: DEFINED BENEFIT PENSION PLAN** (Continued)

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

The School's proportionate share of the net pension liability	\$4,645,665
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the School	3,305,432
Total	\$7,951,097

At December 31, 2022, the proportion was 0.535%, which was a decrease of 0.1352% from its proportion measured as of December 31, 2021. For the year ended June 30, 2023, the School recognized pension expense of \$1,135,171 and revenue of \$483,668 for support from the State as a nonemployer contributing entity. 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	\$164,293	\$-
Changes of assumptions or other inputs	162,376	-
Net difference between projected and actual earnings on pension plan investments	1,759,704	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	613,137	1,140,190
Contributions subsequent to the measurement date	397,722	-
Total	\$3,097,232	\$1,140,190

\$397,722 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

HIGHLINE ACADEMY NETWORK  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

**NOTE 8:** **DEFINED BENEFIT PENSION PLAN** (Continued)

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

Year ended June 30,	
2024	\$154,483
2025	(142,154)
2026	527,254
2027	1,019,737

*Actuarial assumptions.* The TPL in the December 31, 2021, 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:	3.80%-11.50%
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 <sup>1</sup>	Financed by the AIR

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

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:

HIGHLINE ACADEMY NETWORK  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

**NOTE 8:**     **DEFINED BENEFIT PENSION PLAN** (Continued)

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

- **Males:** 112% 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 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, 2021, 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.

HIGHLINE ACADEMY NETWORK  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2023

**NOTE 8: DEFINED BENEFIT PENSION PLAN** (Continued)

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

The PERA Board first adopted the 7.25% long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020.

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

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

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 SB 18-200 and required adjustments resulting from the 2018 and 2020 AAP assessments. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

HIGHLINE ACADEMY NETWORK  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

**NOTE 8:**     **DEFINED BENEFIT PENSION PLAN** (Continued)

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

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200 and required adjustments resulting from the 2018 and 2020 AAP assessments. 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. 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.
- Employer contributions for the DPS Division are reduced by an amount equal to the principal payments plus interest necessary each year to finance the pension certificates of participation (PCOPs) issued in 1997 and 2008 and refinanced thereafter.
- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- HB 22-1029, effective upon enactment in 2022, required the State treasurer to issue, in addition to the regularly scheduled \$225 million (actual dollars) direct distribution, a warrant to PERA in the amount of \$380 million (actual dollars). The July 1, 2023, direct distribution is reduced by \$190 million (actual dollars) to \$35 million (actual dollars). The July 1, 2024, direct distribution will not be reduced from \$225 million (actual dollars) due to PERA's negative investment return in 2022.
- 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.

HIGHLINE ACADEMY NETWORK  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2023

**NOTE 8:** **DEFINED BENEFIT PENSION PLAN** (Continued)

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

- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the DPS Division’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.

*Sensitivity of the School’s proportionate share of the net pension liability to changes in the discount rate.* The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25%, 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 liability	\$7,862,417	\$4,645,665	\$1,994,079

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

HIGHLINE ACADEMY NETWORK  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

**NOTE 9: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**

**Summary of Significant Accounting Policies**

*OPEB.* The School participates in the Denver Public Schools Health Care Trust Fund (DPS HCTF), a single-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 DPS 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 DPS HCTF—a single-employer defined benefit OPEB plan administered by PERA. The DPS 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. 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](http://www.copera.org/investments/pera-financial-reports).

*Benefits provided.* The DPS 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 DPS HCTF and the Health Care Trust Fund (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.

HIGHLINE ACADEMY NETWORK  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

**NOTE 9:**     **DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN** (Continued)

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

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.

*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 DPS HCTF or the 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 DPS HCTF. PERA reporting agencies of the DPS Division are required to contribute at a rate of 1.02% of PERA-includable salary into the DPS HCTF.

HIGHLINE ACADEMY NETWORK  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

**NOTE 9:**     **DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN** (Continued)

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

Employer contributions are recognized by the DPS 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 DPS HCTF the School were \$84,710 for the year ended June 30, 2023.

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

At June 30, 2023 the School reported a liability of \$80,549 for its proportionate share of the net OPEB liability. The net OPEB liability for the DPS HCTF was measured as of December 31, 2022, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021. Standard update procedures were used to roll-forward the TOL to December 31, 2022. The School's proportion of the net OPEB liability was based on the School's contributions to the DPS HCTF for the calendar year 2022 relative to the total contributions of participating employers to the DPS HCTF.

At December 31, 2022, the School's proportion was 0.916%, which an increase of 0.0565% from its proportion measured as of December 31, 2021.

For the year ended June 30, 2023, the School recognized OPEB expense of \$15,357. At June 30, 2023, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

HIGHLINE ACADEMY NETWORK  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

**NOTE 9: 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)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$-	\$86,360
Changes of assumptions or other inputs	-	38,501
Net difference between projected and actual earnings on OPEB plan investments	45,668	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	69,312	1,198
Contributions subsequent to the measurement date	42,929	N/A
Total	\$157,909	\$126,059

\$42,929 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, 2024. 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	
2024	(\$4,101)
2025	(1,570)
2026	2,628
2027	7,503
2028	(10,344)
Thereafter	(5,195)

HIGHLINE ACADEMY NETWORK  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2023

**NOTE 9: 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)**

<i>Actuarial assumptions.</i> The TOL in the	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	3.80%-11.50%
Long-term investment rate of return, net of OPEB	7.25%
Discount rate	7.25%
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	6.50% in 2022 gradually decreasing to 4.50% in 2030
Medicare Part A premiums	3.75% in 2022, gradually
DPS benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

Beginning January 1, 2022, the per capita health care costs are developed by plan option; based on 2022 premium rates for the UnitedHealthcare Medicare Advantage Prescription Drug (MAPD) PPO plan #1, the UnitedHealthcare MAPD PPO plan #2, and the Kaiser Permanente MAPD HMO plan. Actuarial morbidity factors are then applied to estimate individual retiree and spouse costs by age, gender, and health care cost trend. This approach applies for all members and is adjusted accordingly for those not eligible for premium-free Medicare Part A for the PERA benefit structure.

HIGHLINE ACADEMY NETWORK  
NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 9: 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)

Age-Related Morbidity Assumptions		
Participant Age	Annual Increase	Annual Increase
65-69	3.0%	1.5%
70	2.9%	1.6%
71	1.6%	1.4%
72	1.4%	1.5%
73	1.5%	1.6%
74	1.5%	1.5%
75	1.5%	1.4%
76	1.5%	1.5%
77	1.5%	1.5%
78	1.5%	1.6%
79	1.5%	1.5%
80	1.4%	1.5%
81 and	0.0%	0.0%

Sample Age	MAPD PPO #1 with Medicare Part A		MAPD PPO #2 with Medicare Part A		MAPD HMO (Kaiser) with Medicare Part A	
	Retiree/Spouse		Retiree/Spouse		Retiree/Spouse	
	Male	Female	Male	Female	Male	Female
65	\$1,704	\$1,450	\$583	\$496	\$1,923	\$1,634
70	\$1,976	\$1,561	\$676	\$534	\$2,229	\$1,761
75	\$2,128	\$1,681	\$728	\$575	\$2,401	\$1,896

HIGHLINE ACADEMY NETWORK  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

**NOTE 9: 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)

Sample Age	MAPD PPO #1 without Medicare Part A		MAPD PPO #2 without Medicare Part A		MAPD HMO (Kaiser) without Medicare Part A	
	Retiree/Spouse		Retiree/Spouse		Retiree/Spouse	
	Male	Female	Male	Female	Male	Female
65	\$6,514	\$5,542	\$4,227	\$3,596	\$6,752	\$5,739
70	\$7,553	\$5,966	\$4,901	\$3,872	\$7,826	\$6,185
75	\$8,134	\$6,425	\$5,278	\$4,169	\$8,433	\$6,657

The 2022 Medicare Part A premium is \$499 (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, 2021, 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.

HIGHLINE ACADEMY NETWORK  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

**NOTE 9: 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	Medicare Part A
2022	6.50%	3.75%
2023	6.25%	4.00%
2024	6.00%	4.00%
2025	5.75%	4.00%
2026	5.50%	4.25%
2027	5.25%	4.25%
2028	5.00%	4.25%
2029	4.75%	4.50%
2030+	4.50%	4.50%

Mortality assumptions used in the December 31, 2021, valuation for the determination of the total pension liability for the DPS Division as shown below, reflect generational mortality and were applied, as applicable, in the determination of the TOL for the DPS HCTF, but developed on a headcount-weighted basis. Reporting agencies of the DPS Division participate in the DPS HCTF.

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.

HIGHLINE ACADEMY NETWORK  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

**NOTE 9:**     **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 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 following health care costs assumptions were updated and used in the roll-forward calculation for the DPS HCTF:

- Per capita health care costs in effect as of the December 31, 2021, valuation date for those PERACare enrollees under the PERA benefit structure who are expected to be age 65 and older and are not eligible for premium-free Medicare Part A benefits have been updated to reflect costs for the 2022 plan year.
- The December 31, 2021, valuation utilizes premium information as of January 1, 2022, as the initial per capita health care cost. As of that date, PERACare health benefits administration is performed by UnitedHealthcare. In that transition, the costs for the Medicare Advantage Option #2 decreased to a level that is lower than the maximum possible service-related subsidy as described in the plan provisions.
- The health care cost trend rates applicable to health care premiums were revised to reflect the then current expectation of future increases in those premiums. Medicare Part A premiums continued with the prior valuation trend pattern.

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.

HIGHLINE ACADEMY NETWORK  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

**NOTE 9:**     **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)

Effective for the December 31, 2022, measurement date, the timing of the retirement decrement was adjusted to middle-of-year within the valuation programming used to determine the TOL reflecting a recommendation from the 2022 actuarial audit report, dated October 14, 2022, summarizing the results of the actuarial audit performed on the December 31, 2021, actuarial valuation.

The actuarial assumptions used in the December 31, 2021, 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 at least every five years for PERA. 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.

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:

HIGHLINE ACADEMY NETWORK  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

**NOTE 9: 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)

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%
<b>Total</b>	<b>100.00%</b>	

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend
Initial PERACare Medicare trend rate <sup>1</sup>	5.25%	6.25%	7.25%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate <sup>1</sup>	3.00%	4.00%	5.00%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$78,506	\$80,549	\$82,227

<sup>1</sup>For the January 1, 2023, plan year.

HIGHLINE ACADEMY NETWORK  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

**NOTE 9: 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, 2022, 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 DPS 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 DPS 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.

HIGHLINE ACADEMY NETWORK  
 NOTES TO THE FINANCIAL STATEMENTS  
 June 30, 2023

**NOTE 9: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN** (Continued)

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

*Sensitivity of the School’s proportionate share of the net OPEB liability to changes in the discount rate.* The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25%, 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	\$136,317	\$80,549	\$33,039

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

**NOTE 10: TAXABLE PENSION CERTIFICATES OF PARTICIPATION (PCOPs)**

The Denver Public Schools District (the “District”) issued Taxable Pension Certificates of Participation (PCOPs) on July 17, 1997 to fully fund the unfunded actuarial accrued liability (UAAL) of the Plan. The Network contributed 8.20%, 8.51%, and 8.67% of covered payroll for the fiscal years ending June 30, 2023, 2022, and 2021, respectively, to the District to cover its obligation relating to the PCOPs.

For the year ended June 30, 2023, the Network contributed \$681,002 to the District for its PCOPs obligation.

HIGHLINE ACADEMY NETWORK  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

**NOTE 11: COMMITMENTS AND CONTINGENCIES**

**Claims and Judgments**

The Network 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 Network may be required to reimburse the grantor government. As of June 30, 2023 significant amounts of grant expenditures have not been audited but the Network believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Network.

**Tabor Amendment**

In November 1992, Colorado voters passed an amendment to the State Constitution, Article X, Section 20 (the “Tabor Amendment”), which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government.

The Tabor Amendment is complex and subject to judicial interpretations. The Network believes it has complied with the Amendment.

The Network has established a reserve, representing 3% of qualifying expenditures, as required by the Amendment. At June 30, 2023, the emergency reserve of \$511,603 was reported as a restriction of net position and fund balance in the Governmental Activities and General Fund, respectively.

**Facilities Use Agreement**

The Network entered into a Facilities Use Agreement (the “Agreement”) with the District for the North East Campus building. The Facilities Use Fee is calculated annually based on the number of students enrolled at the North East Campus at a rate of \$770 per student. The Facilities Use Fee covers ground maintenance, basic building maintenance, custodial staff and supplies, safety and security and facility insurance. The Network paid \$430,285 to the District during the fiscal year under the terms of the agreement.

HIGHLINE ACADEMY NETWORK  
NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

**NOTE 12:**     **CHANGE IN ACCOUNTING PRINCIPLES**

For the year ended June 30, 2023, the Network implemented Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA). GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). For the year ended June 30, 2023, the Network has evaluated its existing agreements and has determined that no changes to the School's financial statements are deemed necessary.

**REQUIRED SUPPLEMENTARY INFORMATION**

HIGHLINE ACADEMY NETWORK  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
Year Ended June 30, 2023

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2022 ACTUAL
<b>REVENUES</b>					
<b>Local Sources</b>					
Per Pupil Revenue	\$10,113,031	\$10,317,790	\$10,317,925	\$ 135	\$ 9,687,922
Mill Levy Override	2,264,152	2,755,821	2,755,833	12	2,321,335
Tuition and Fees	104,940	103,329	95,888	(7,441)	63,698
Contributions	55,436	162,936	122,859	(40,077)	191,454
Interest	1,100	269,000	282,285	13,285	3,486
Other	1,000,192	2,135,091	2,088,420	(46,671)	1,515,653
<b>State Sources</b>					
Capital Construction	230,529	285,554	285,839	285	231,633
PERA - On Behalf Contribution	53,209	486,000	483,668	(2,332)	166,152
Grants and Donations	330,435	387,614	379,454	(8,160)	431,957
<b>Federal Sources</b>					
Grants and Donations	1,214,876	1,296,062	1,471,099	175,037	1,218,577
<b>TOTAL REVENUES</b>	<u>15,367,900</u>	<u>18,199,197</u>	<u>18,283,270</u>	<u>84,073</u>	<u>15,831,867</u>
<b>EXPENDITURES</b>					
<b>Instruction</b>					
Salaries	6,277,611	7,471,532	7,487,401	(15,869)	5,905,622
Employee Benefits	1,426,690	1,637,119	1,568,213	68,906	1,449,569
Purchased Services	415,140	336,086	336,088	(2)	371,848
Supplies and Materials	387,828	450,640	393,247	57,393	446,556
Property	154,925	304,925	192,881	112,044	242,245
Other	175,123	205,238	40,934	164,304	27,989
<b>Total Instruction</b>	<u>8,837,317</u>	<u>10,405,540</u>	<u>10,018,764</u>	<u>386,776</u>	<u>8,443,829</u>
<b>Supporting Services</b>					
Salaries	1,668,879	1,739,011	1,545,848	193,163	2,134,467
Employee Benefits	682,731	1,215,757	1,184,042	31,715	713,461
Purchased Services	3,064,206	3,853,118	3,844,757	8,361	3,267,954
Supplies and Materials	87,500	127,000	131,101	(4,101)	86,801
Property	5,000	1,388,000	1,497,272	(109,272)	111,705
Other	43,000	70,000	57,058	12,942	20,547
<b>Debt Service</b>					
Principal	5,000	99,000	121,285	(22,285)	213,825
Interest	-	545,000	550,866	(5,866)	306,359
<b>Total Supporting Services</b>	<u>5,556,316</u>	<u>9,036,886</u>	<u>8,932,229</u>	<u>104,657</u>	<u>6,855,119</u>
<b>TOTAL EXPENDITURES</b>	<u>14,393,633</u>	<u>19,442,426</u>	<u>18,950,993</u>	<u>491,433</u>	<u>15,298,948</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>974,267</u>	<u>(1,243,229)</u>	<u>(667,723)</u>	<u>575,506</u>	<u>532,919</u>
<b>OTHER FINANCING SOURCES</b>					
Proceeds from Lease	-	-	121,963	121,963	106,705
Proceeds from Issuance of Debt	-	15,700,000	15,795,514	95,514	-
Payment to Escrow Agent	-	(7,500,000)	(7,440,333)	59,667	-
Transfers	-	(8,000)	-	8,000	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>8,192,000</u>	<u>8,477,144</u>	<u>285,144</u>	<u>106,705</u>
<b>NET CHANGE IN FUND BALANCES</b>	974,267	6,948,771	7,809,421	860,650	639,624
<b>FUND BALANCE, Beginning</b>	<u>5,525,401</u>	<u>5,525,401</u>	<u>5,568,985</u>	<u>43,584</u>	<u>4,929,361</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 6,499,668</u>	<u>\$12,474,172</u>	<u>\$13,378,406</u>	<u>\$ 904,234</u>	<u>\$ 5,568,985</u>

See the accompanying independent auditor's report.

HIGHLINE ACADEMY NETWORK  
SCHEDULE OF THE NETWORK'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
DENVER PUBLIC SCHOOLS DIVISION TRUST FUND PLAN

	Years Ended December 31,										
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013	
Proportion of the Net Pension Liability (Asset)	0.53500%	0.67062%	0.86449%	0.56674%	0.47570%	0.65520%	0.55500%	0.49880%	0.48720%	0.36480%	
Proportionate Share of the Net Pension Liability (Asset)	\$ 4,645,665	\$ 40,043	\$ 3,889,480	\$ 3,733,953	\$ 4,866,296	\$ 5,873,480	\$ 6,079,600	\$ 4,057,547	\$ 3,042,730	\$ 1,897,445	
State of Colorado Proportionate Share of the Net Pension Liability (Asset)	3,305,432	11,756	-	1,654,809	2,521,202	-	-	-	-	-	
Total Proportionate Share of the Net Pension Liability (Asset)	7,951,097	51,799	3,889,480	5,388,762	7,387,498	5,873,480	6,079,600	4,057,547	3,042,730	1,897,445	
Covered payroll	\$ 7,849,633	\$ 7,265,163	\$ 6,807,970	\$ 6,130,656	\$ 5,703,354	\$ 4,440,870	\$ 3,667,074	\$ 3,137,696	\$ 2,539,415	\$ 1,988,937	
Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	101.3%	0.7%	57.1%	87.9%	129.5%	132.3%	165.8%	129.3%	119.8%	95.4%	
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	81.93%	99.87%	90.14%	84.73%	75.69%	79.51%	74.10%	79.30%	83.90%	86.30%	

See the accompanying independent auditor's report.

HIGHLINE ACADEMY NETWORK  
SCHEDULE OF THE NETWORK'S CONTRIBUTIONS  
DENVER PUBLIC SCHOOLS DIVISION TRUST FUND PLAN

Years Ended June 30,

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contributions	\$ 752,463	\$ 604,576	\$ 530,932	\$ 428,211	\$ 364,834	\$ 245,323	\$ 175,423	\$ 102,414	\$ 138,635	\$ 103,377
Contributions in Relation to the Contractually Required Contributions	752,463	604,576	530,932	428,211	364,834	245,323	175,423	102,414	138,635	103,377
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 8,304,904	\$ 7,341,740	\$ 7,071,209	\$ 6,611,200	\$ 5,703,354	\$ 4,833,752	\$ 4,004,968	\$ 3,400,665	\$ 2,894,891	\$ 2,124,442
Contributions as a Percentage of Covered Payroll	9.06%	8.23%	7.51%	6.48%	6.40%	5.08%	4.38%	3.01%	4.79%	4.87%

See the accompanying independent auditor's report.

HIGHLINE ACADEMY NETWORK  
 SCHEDULE OF THE NETWORK'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
 DENVER PUBLIC SCHOOLS HEALTH CARE TRUST FUND PLAN

Years Ended December 31,

	2022	2021	2020	2019	2018	2017	2016
Proportion of the Net OPEB Liability (Asset)	0.91650%	0.85997%	0.86453%	0.81787%	0.72220%	0.65340%	0.55500%
Proportionate Share of the Net OPEB Liability (Asset)	\$ 80,549	\$ 90,460	\$ 197,907	\$ 301,280	\$ 326,219	\$ 332,979	\$ 302,507
Covered payroll	\$7,849,633	\$7,265,163	\$6,807,970	\$6,130,656	\$5,703,354	\$4,440,870	\$3,667,074
Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	1.0%	1.2%	2.9%	4.9%	5.7%	7.5%	8.2%
Plan Fiduciary Net position as a Percentage of the total OPEB Liability	85.60%	83.93%	65.43%	46.98%	34.72%	30.45%	33.64%

NOTE: Information for the prior three years was not available for this report.

See the accompanying independent auditor's report.

HIGHLINE ACADEMY NETWORK  
SCHEDULE OF THE NETWORK'S CONTRIBUTIONS  
DENVER PUBLIC SCHOOLS HEALTH CARE TRUST FUND PLAN

Years Ended June 30,

	2023	2022	2021	2020	2019	2018	2017
Contractually Required Contributions	\$ 84,710	\$ 74,886	\$ 72,126	\$ 67,434	\$ 58,175	\$ 49,304	\$ 40,851
Contributions in Relation to the Contractually Required Contributions	84,710	74,886	72,126	67,434	58,175	49,304	40,851
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$8,304,904	\$7,341,740	\$7,071,209	\$6,611,200	\$5,703,354	\$4,833,752	\$4,004,968
Contributions as a Percentage of Covered Payroll	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%

NOTE: Information for the prior three years was not available for this report.

See the accompanying independent auditor's report.

**COMBINING AND INDIVIDUAL FUND SCHEDULES**

HIGHLINE ACADEMY NETWORK

COMBINING BALANCE SHEET

June 30, 2023

	NORTH EAST CAMPUS	SOUTH EAST CAMPUS	BUILDING CORPORATION	TOTAL
<b>ASSETS</b>				
Cash and Investments	\$ 2,882,367	\$ 3,600,734	\$ -	\$ 6,483,101
Restricted Cash and Investments	-	-	7,501,341	7,501,341
Due From North East Campus	-	212	-	212
Accounts Receivable	281,128	130,633	-	411,761
Inventory	18,781	11,865	-	30,646
Prepaid Expenses	78,313	52,546	-	130,859
Deposits	10,000	94,000	-	104,000
<b>TOTAL ASSETS</b>	<b><u>\$ 3,270,589</u></b>	<b><u>\$ 3,889,990</u></b>	<b><u>\$ 7,501,341</u></b>	<b><u>\$ 14,661,920</u></b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts Payable	18,264	12,337	715,052	745,653
Retainage Payable	-	-	32,204	32,204
Due to South East Campus	212	-	-	212
Accrued Salaries	203,402	103,792	-	307,194
Unearned Revenue	36,000	162,251	-	198,251
<b>TOTAL LIABILITIES</b>	<b><u>257,878</u></b>	<b><u>278,380</u></b>	<b><u>747,256</u></b>	<b><u>1,283,514</u></b>
<b>FUND BALANCES</b>				
Nonspendable	107,094	158,411	-	265,505
Restricted for Emergencies	270,683	250,430	-	521,113
Restricted for Debt Service	-	-	6,754,085	6,754,085
Unassigned	2,634,934	3,202,769	-	5,837,703
<b>TOTAL FUND BALANCES</b>	<b><u>3,012,711</u></b>	<b><u>3,611,610</u></b>	<b><u>6,754,085</u></b>	<b><u>13,378,406</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 3,270,589</u></b>	<b><u>\$ 3,889,990</u></b>	<b><u>\$ 7,501,341</u></b>	<b><u>\$ 14,661,920</u></b>

See the accompanying independent auditor's report.

HIGHLINE ACADEMY NETWORK  
 COMBINING STATEMENT OF REVENUES, EXPENDITURES  
 AND CHANGES IN FUND BALANCES  
 Year Ended June 30, 2023

	NORTH EAST CAMPUS	SOUTH EAST CAMPUS	BUILDING CORPORATION	TOTAL
<b>REVENUES</b>				
Local Sources	\$ 7,703,618	\$ 7,047,440	\$ 912,152	\$ 15,663,210
State Sources	593,916	555,045	-	1,148,961
Federal Sources	994,451	476,648	-	1,471,099
<b>TOTAL REVENUES</b>	<b>9,291,985</b>	<b>8,079,133</b>	<b>912,152</b>	<b>18,283,270</b>
<b>EXPENDITURES</b>				
Current				
Instruction	5,521,762	4,497,002	-	10,018,764
Supporting Services	3,400,320	3,418,870	1,440,888	8,260,078
Debt Service				
Principal	9,026	18,596	93,663	121,285
Interest	1,954	4,458	544,454	550,866
<b>TOTAL EXPENDITURES</b>	<b>8,933,062</b>	<b>7,938,926</b>	<b>2,079,005</b>	<b>18,950,993</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>358,923</b>	<b>140,207</b>	<b>(1,166,853)</b>	<b>(667,723)</b>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Lease	121,963	-	-	121,963
Proceeds from Issuance of Debt	-	-	15,795,514	15,795,514
Payment to Escrow Agent	-	-	(7,440,333)	(7,440,333)
Transfers	-	477,827	(477,827)	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<b>121,963</b>	<b>477,827</b>	<b>7,877,354</b>	<b>8,477,144</b>
<b>NET CHANGE IN FUND BALANCES</b>	<b>480,886</b>	<b>618,034</b>	<b>6,710,501</b>	<b>7,809,421</b>
<b>FUND BALANCES, Beginning</b>	<b>2,531,825</b>	<b>2,993,576</b>	<b>43,584</b>	<b>5,568,985</b>
<b>FUND BALANCES, Ending</b>	<b>\$ 3,012,711</b>	<b>\$ 3,611,610</b>	<b>\$ 6,754,085</b>	<b>\$ 13,378,406</b>

See the accompanying independent auditor's report.

HIGHLINE ACADEMY NETWORK  
HIGHLINE ACADEMY NORTH EAST CAMPUS  
BUDGETARY COMPARISON SCHEDULE  
Year Ended June 30, 2023

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2022 ACTUAL
<b>REVENUES</b>					
Local Sources					
Per Pupil Revenue	\$ 4,980,623	\$ 5,071,566	\$ 5,071,632	\$ 66	\$ 4,743,630
Mill Levy Override	1,271,703	1,546,733	1,546,738	5	1,311,799
Tuition and Fees	49,350	52,605	49,369	(3,236)	30,722
Contributions	45,436	62,936	38,200	(24,736)	51,627
Interest	400	28,000	32,532	4,532	434
Other	730,192	965,670	965,147	(523)	783,208
State Sources					
Capital Construction	74,451	96,192	96,475	283	76,516
PERA - On Behalf Contribution	30,000	250,000	247,835	(2,165)	83,730
Grants and Donations	189,704	218,207	249,606	31,399	263,074
Federal Sources					
Grants and Donations	787,836	869,091	994,451	125,360	787,634
<b>TOTAL REVENUES</b>	<b>8,159,695</b>	<b>9,161,000</b>	<b>9,291,985</b>	<b>130,985</b>	<b>8,132,374</b>
<b>EXPENDITURES</b>					
Instruction					
Salaries	3,224,574	4,104,695	4,165,862	(61,167)	3,093,983
Employee Benefits	703,536	854,926	827,532	27,394	735,723
Purchased Services	202,686	159,343	159,345	(2)	177,295
Supplies and Materials	246,750	275,160	243,808	31,352	263,816
Property	84,925	114,925	116,861	(1,936)	120,952
Other	91,557	104,980	8,354	96,626	17,056
<b>Total Instruction</b>	<b>4,554,028</b>	<b>5,614,029</b>	<b>5,521,762</b>	<b>92,267</b>	<b>4,408,825</b>
Supporting Services					
Salaries	905,304	940,424	818,563	121,861	1,123,311
Employee Benefits	395,716	694,413	678,009	16,404	401,743
Purchased Services	1,503,974	1,710,902	1,735,036	(24,134)	1,572,020
Supplies and Materials	16,500	30,500	33,885	(3,385)	19,739
Property	5,000	5,000	121,963	(116,963)	5,000
Other	18,000	25,000	12,864	12,136	5,555
Debt Service					
Principal	5,000	2,500	9,026	(6,526)	-
Interest	-	-	1,954	(1,954)	-
<b>Total Supporting Services</b>	<b>2,849,494</b>	<b>3,408,739</b>	<b>3,411,300</b>	<b>(2,561)</b>	<b>3,127,368</b>
<b>TOTAL EXPENDITURES</b>	<b>7,403,522</b>	<b>9,022,768</b>	<b>8,933,062</b>	<b>89,706</b>	<b>7,536,193</b>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>756,173</b>	<b>138,232</b>	<b>358,923</b>	<b>220,691</b>	<b>596,181</b>
<b>OTHER FINANCING SOURCES</b>					
Lease Proceeds	-	-	121,963	121,963	-
<b>NET CHANGE IN FUND BALANCE</b>	<b>756,173</b>	<b>138,232</b>	<b>480,886</b>	<b>342,654</b>	<b>596,181</b>
FUND BALANCE, Beginning	2,531,825	2,531,825	2,531,825	-	1,935,644
<b>FUND BALANCE, Ending</b>	<b>\$ 3,287,998</b>	<b>\$ 2,670,057</b>	<b>\$ 3,012,711</b>	<b>\$ 342,654</b>	<b>\$ 2,531,825</b>

See the accompanying independent auditor's report.

HIGHLINE ACADEMY NETWORK  
HIGHLINE ACADEMY SOUTH EAST CAMPUS  
BUDGETARY COMPARISON SCHEDULE  
Year Ended June 30, 2023

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2022 ACTUAL
<b>REVENUES</b>					
<b>Local Sources</b>					
Per Pupil Revenue	\$ 5,132,408	\$ 5,246,224	\$ 5,246,293	\$ 69	\$ 4,944,292
Mill Levy Override	992,449	1,209,088	1,209,095	7	1,009,536
Tuition and Fees	55,590	50,724	46,519	(4,205)	32,976
Contributions	10,000	100,000	84,659	(15,341)	139,827
Interest	700	38,000	45,673	7,673	3,042
Other	270,000	461,421	415,201	(46,220)	210,932
<b>State Sources</b>					
Capital Construction	156,078	189,362	189,364	2	155,117
PERA - On Behalf Contribution	23,209	236,000	235,833	(167)	82,422
Grants and Donations	140,731	169,407	129,848	(39,559)	168,883
<b>Federal Sources</b>					
Grants and Donations	427,040	426,971	476,648	49,677	430,943
<b>TOTAL REVENUES</b>	<u>7,208,205</u>	<u>8,127,197</u>	<u>8,079,133</u>	<u>(48,064)</u>	<u>7,177,970</u>
<b>EXPENDITURES</b>					
<b>Instruction</b>					
Salaries	3,053,037	3,366,837	3,321,539	45,298	2,811,639
Employee Benefits	723,154	782,193	740,681	41,512	713,846
Purchased Services	212,454	176,743	176,743	-	194,553
Supplies and Materials	141,078	175,480	149,439	26,041	182,740
Property	70,000	190,000	76,020	113,980	121,293
Other	83,566	100,258	32,580	67,678	10,933
<b>Total Instruction</b>	<u>4,283,289</u>	<u>4,791,511</u>	<u>4,497,002</u>	<u>294,509</u>	<u>4,035,004</u>
<b>Supporting Services</b>					
Salaries	763,575	798,587	727,285	71,302	1,011,156
Employee Benefits	287,015	521,344	506,033	15,311	311,718
Purchased Services	1,560,232	1,722,216	1,682,095	40,121	1,695,934
Supplies and Materials	71,000	96,500	97,216	(716)	67,062
Property	-	370,000	362,047	7,953	106,705
Other	25,000	45,000	44,194	806	14,992
<b>Debt Service</b>					
Principal	-	2,500	18,596	(16,096)	-
Interest	-	-	4,458	(4,458)	-
<b>Total Supporting Services</b>	<u>2,706,822</u>	<u>3,556,147</u>	<u>3,441,924</u>	<u>114,223</u>	<u>3,207,567</u>
<b>TOTAL EXPENDITURES</b>	<u>6,990,111</u>	<u>8,347,658</u>	<u>7,938,926</u>	<u>408,732</u>	<u>7,242,571</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>218,094</u>	<u>(220,461)</u>	<u>140,207</u>	<u>360,668</u>	<u>(64,601)</u>
<b>OTHER FINANCING SOURCES</b>					
Proceeds from Lease	-	-	-	-	106,705
Transfers	-	470,000	477,827	7,827	-
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>-</u>	<u>470,000</u>	<u>477,827</u>	<u>7,827</u>	<u>106,705</u>
<b>NET CHANGE IN FUND BALANCE</b>	218,094	249,539	618,034	368,495	42,104
<b>FUND BALANCE, Beginning</b>	<u>2,993,576</u>	<u>2,993,576</u>	<u>2,993,576</u>	<u>-</u>	<u>2,951,472</u>
<b>FUND BALANCE, Ending</b>	<u>\$ 3,211,670</u>	<u>\$ 3,243,115</u>	<u>\$ 3,611,610</u>	<u>\$ 368,495</u>	<u>\$ 2,993,576</u>

See the accompanying independent auditor's report.

HIGHLINE ACADEMY NETWORK  
HIGHLINE ACADEMY SOUTH EAST BUILDING CORPORATION  
BUDGETARY COMPARISON SCHEDULE  
Year Ended June 30, 2023

	ORIGINAL AND FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2022 ACTUAL
<b>REVENUES</b>				
Local Sources				
Rental Income	\$ 708,000	\$ 708,072	\$ 72	\$ 521,513
Interest	203,000	204,080	1,080	10
TOTAL REVENUES	<u>911,000</u>	<u>912,152</u>	<u>1,152</u>	<u>521,523</u>
<b>EXPENDITURES</b>				
Current				
Purchased Services	420,000	427,626	(7,626)	-
Property	1,013,000	1,013,262	(262)	-
Debt Service				
Principal	94,000	93,663	337	213,825
Interest	545,000	544,454	546	306,359
TOTAL EXPENDITURES	<u>2,072,000</u>	<u>2,079,005</u>	<u>(7,005)</u>	<u>520,184</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(1,161,000)</u>	<u>(1,166,853)</u>	<u>(5,853)</u>	<u>1,339</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Proceeds from Issuance of Debt	15,700,000	15,795,514	95,514	-
Payment to Escrow Agent	(7,500,000)	(7,440,333)	59,667	-
Transfers	(478,000)	(477,827)	173	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>7,722,000</u>	<u>7,877,354</u>	<u>155,354</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	6,561,000	6,710,501	149,501	1,339
FUND BALANCE, Beginning	<u>-</u>	<u>43,584</u>	<u>43,584</u>	<u>42,245</u>
FUND BALANCE, Ending	<u>\$ 6,561,000</u>	<u>\$6,754,085</u>	<u>\$ 193,085</u>	<u>\$ 43,584</u>

See the accompanying independent auditor's report.