

AMERICAN LEGACY ACADEMY
BASIC FINANCIAL STATEMENTS
June 30, 2025

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FINANCIAL SECTION



JOHN CUTLER & ASSOCIATES

Board of Directors
American Legacy Academy
Windsor, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund, of American Legacy Academy (the "Academy") as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of American Legacy Academy as of June 30, 2025, 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 American Legacy Academy and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required budgetary and pension information on pages 42-47 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

John Luther & Associates, LLC

December 1, 2025

Management’s Discussion and Analysis

This section of the annual financial report for American Legacy School (the School) provides an overview of the School activities as of and for the fiscal year ended June 30, 2025. It should be read in conjunction with the financial statements, which immediately follow this section.

Financial Highlights

The year ending June 30, 2025, is the second year of operations for the School. The School shows assets exceed its liabilities by \$1,197,346 at year end. The School’s operations are funded primarily by tax revenue received under the State School Finance Act.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the School’s annual report. This report has three components: 1) management’s discussion and analysis (this section) and 2) the basic financial statements. The basic financial statements include two types of statements presenting different views of the School:

School-Wide Financial Statements

The School-Wide financial statements are designed to provide readers with a broad overview of the School’s finance, in a manner similar to a private-sector business.

The Statement of Net Position presents information on all of the School’s assets, liabilities, and deferred inflows and outflows of resources. The difference is reported as the net position. Over time increases or decreases in net position may serve as an indicator of whether the financial position of the School is improving or deteriorating.

The Statement of Activates presents information on how the School’s net position changed during the fiscal year. All changes in net position are reported when the underlying event occurs without regard to the timing of related cash flows. Accordingly, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

Governmental activities – Funding received from state and federal sources primarily support these activities. Services associated with the operation of the School fall into this category, including instruction, support services, unallocated depreciation and amortization and debt service – interest.

Fund Financial Statements

A “fund” is a collection of related accounts grouped to maintain control over resources that have been segregated for specific activities, projects, or objectives. The School, like other state and local governments, uses fund accounting to ensure and report compliance with finance related legal requirements.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the School-wide financial statements. However, unlike the School-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 School’s near-term financing requirements.

Because the focus of the governmental funds is narrower than that of the School-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the School-wide financial statements. By doing so, readers may better understand the long-term impact on the School'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.

Notes to Financial Statements

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

School-Wide Financial Analysis

The Statement of Net Position provides the perspective of the School as a whole. The table below provides a summary of both the School's and the combined net position as of June 30:

	2025	2024
Current assets	\$ 2,394,225	\$ 1,651,016
Long-term assets	854,924	694,705
Total Assets	3,249,149	2,345,721
Deferred Outflows of Resources	2,150,687	2,672,822
Liabilities:		
Liabilities - current	158,795	158,948
Liabilities - long term	4,010,794	4,071,802
Total Liabilities	4,169,589	4,230,750
Deferred Inflows of Resources	32,901	24,790
Net Position		
Net Investment in Capital Assets	372,292	3,928
Restricted for Emergencies	136,000	116,000
Unrestricted	689,054	643,075
Total Net Position	\$ 1,197,346	\$ 763,003

The unrestricted net position of governmental activities represents the accumulated results of life-to-date operation. These assets can be used to finance day-to-day operations without constraints, such as legislative or legal requirements. The results of the current year's operations for the School as a whole are reported in the Statement of Activities, which shows changes the net position.

The results of operations for the operations for the School are reported in the summarized Statement of Activities (below) which show the changes in net position for fiscal year ended June 30:

	2025	2024
Revenues:		
Per Pupil Revenue	\$ 4,521,555	\$ 3,855,503
Other	1,280,102	513,601
Unrestricted State Aid	29,832	6,631
Total Revenues	5,831,489	4,375,735
Expenses:		
Instruction	2,507,915	2,422,710
Support services	2,853,333	1,040,935
Interest and fiscal charges	35,898	35,402
Total Expenses	5,397,146	3,499,047
Changes in Net Position	\$ 434,343	\$ 876,688

A reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities is provided on page 4.

Governmental Fund Budget Analysis and Highlights

The Board of Directors of American Legacy Academy adopted an annual budget for the School. A budgetary comparison statement has been provided for the governmental funds to demonstrate compliance with the School's budget.

	Final Budget	Actual
Revenues		
Per Pupil	\$ 4,505,800	\$ 4,521,555
Other	1,090,000	1,280,102
Unrestricted State Aid	977,243	161,436
Total revenues	6,573,043	5,963,093
Expenditures		
Instruction	3,074,253	2,840,110
Support services	2,305,371	2,343,723
Interest and fiscal charges	35,862	35,898
Total expenditures	5,415,486	5,219,731
Excess of revenues over expenditures	\$ 1,157,557	\$ 743,362

Fund Analysis

The school uses Funds to help it control and manage for particular purposes. Looking at Funds helps the reader consider whether the School is being held accountable for the resources taxpayers and other provide to it and may give insight into the School's overall financial health.

As the School completed its first year of operations, the general fund reported a fund balance of \$1,080,082, and a student activity fund balance of \$1,155,348.

Capital Assets

Pursuant to the It is the policy of the School to capitalize all assets costing more than \$5,000 with and estimated useful life of three or more years, or a significant order of \$5,000 or more in the aggregate with items that will have lives of three years or more. This policy is in line with GASB Implementation Guide 2012-1. At this time, the School has capital assets net of accumulated depreciation and amortization of \$854,924 consisting of furniture, equipment and other, and building improvements. We present more detailed information about our capital assets in the notes to the financial statements.

Long-Term Obligations

At the end of this year, the School had \$3,816,434 in long-term obligations (excluding the amounts due within one year) resulting from the total OPEB liability, pension liability, and note payable. We present more detailed information about our long-term obligations in the notes to the financial statements.

Economic Factors and Next Year's Budget

The Administration and Board of Education consider many factors and make assumptions based on the best available information when setting the School's operating budget. Since such a significant portion of the School's revenue is dependent on State funding and the health of the State's School Fund, the actual revenue received depends on the State's ability to collect revenues to fund its committed appropriation to school districts. There appear to be pressures on that the revenue system in place can keep pace with spending pressures school districts statewide are experiencing from increases in retirement contributions, employee health insurance, general pay raises, and energy costs. The Board and Administration take all this into account when setting the budget and trying to maintain a sufficient fund balance which will allow us to address this ever changing situation.

Another important factor affecting the School's budget is our student count. State funding revenue is determined by multiplying the October student count by the State allowance per pupil. Based on preliminary counts for the 2025-2026 fiscal year, we are estimating enrollment to increase approximately 10% compared to the prior year.

As a result, it is critical that the School maintain an adequate fund balance in order to be able to react to these ever changing conditions and to provide for the fair and equitable treatment of both our students and employees.

Request for Information

The financial report is intended to provide a general overview of the finances of the School. Request for additional information to the Business Manager of American Legacy School, 1870 Marina Dr., Windsor, Colorado 80550.

BASIC FINANCIAL STATEMENTS

AMERICAN LEGACY ACADEMY

STATEMENT OF NET POSITION

As of June 30, 2025

	GOVERNMENTAL ACTIVITIES	
	2025	2024
ASSETS		
Cash and Investments	\$ 2,337,344	\$ 1,594,849
Accounts Receivable	56,881	53,660
Deposits	-	2,507
Capital Assets, Depreciated, Net of Accumulated Depreciation	854,924	694,705
TOTAL ASSETS	3,249,149	2,345,721
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	2,132,268	2,591,804
Related to OPEB	18,419	81,018
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,150,687	2,672,822
LIABILITIES		
Accounts Payable	25,787	28,492
Accrued Expenses	133,008	130,456
Noncurrent Liabilities		
Due in One Year	194,360	190,896
Due in More than One Year	288,272	482,632
Compensated Absences	34,800	17,249
Net Pension Liability	3,432,461	3,301,312
Net OPEB Liability	60,901	79,713
TOTAL LIABILITIES	4,169,589	4,230,750
DEFERRED INFLOWS OF RESOURCES		
Related to OPEB	32,901	24,790
TOTAL DEFERRED INFLOWS OF RESOURCES	32,901	24,790
NET POSITION		
Net Investment in Capital Assets	372,292	3,928
Restricted for Emergencies	136,000	116,000
Unrestricted	689,054	643,075
TOTAL NET POSITION	\$ 1,197,346	\$ 763,003

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

AMERICAN LEGACY ACADEMY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2025

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
					2025	2024
PRIMARY GOVERNMENT						
Governmental Activities						
Instructional	\$ 2,507,915	\$ -	\$ -	\$ -	\$ (2,507,915)	\$ (2,422,710)
Supporting Services	3,014,769	-	13,033	148,403	(2,853,333)	(1,040,935)
Interest on Long-Term Debt	35,898	-	-	-	(35,898)	(35,402)
Total Governmental Activities	<u>\$ 5,558,582</u>	<u>\$ -</u>	<u>\$ 13,033</u>	<u>\$ 148,403</u>	(5,397,146)	(3,499,047)
GENERAL REVENUES						
					4,521,555	3,855,503
					29,832	6,631
					1,280,102	513,601
					<u>5,831,489</u>	<u>4,375,735</u>
					434,343	876,688
					763,003	(113,685)
					<u>\$ 1,197,346</u>	<u>\$ 763,003</u>

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

AMERICAN LEGACY ACADEMY
BALANCE SHEET

ALL GOVERNMENTAL FUNDS
June 30, 2025

	SPECIAL REVENUE		TOTALS	
	GENERAL	STUDENT ACTIVITY	2025	2024
ASSETS				
Cash and Investments	\$ 1,182,892	\$ 1,154,452	2,337,344	1,594,849
Accounts Receivable	55,985	896	56,881	53,660
Prepaid Expense	-	-	-	2,507
	-	-	-	2,507
TOTAL ASSETS	\$ 1,238,877	\$ 1,155,348	\$ 2,394,225	1,651,016
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 25,787	-	25,787	28,492
Accrued Expenses	133,008	-	133,008	130,456
	-	-	-	-
TOTAL LIABILITIES	158,795	-	158,795	158,948
FUND BALANCES				
Nonspendable	-	-	-	2,507
Restricted for Emergencies	136,000	-	136,000	116,000
Committed	522,212	-	522,212	800,000
Unassigned	421,870	1,155,348	1,577,218	573,561
	-	-	-	-
TOTAL FUND BALANCES	1,080,082	1,155,348	2,235,430	1,492,068
TOTAL LIABILITIES AND FUND BALANCES	\$ 1,238,877	\$ 1,155,348		
Amounts reported for governmental activities in the statement of net position are different because:				
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.			854,924	694,705
Long-term liabilities are not due and payable in the current period and are not reported in the funds. This includes loans payable (\$482,632) and compensated absences of (\$34,800).			(517,432)	(690,777)
Long-term liabilities and related assets related to pensions are not due and payable in the current period, and therefore, are not reported in the funds. This includes net pension liability (\$3,432,461), net OPEB liability (\$60,901), deferred outflows related to pensions and OPEB \$2,150,687, and deferred inflows related to pensions and OPEB (\$32,901).			(1,375,576)	(732,993)
Net position of governmental activities			\$ 1,197,346	\$ 763,003

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

AMERICAN LEGACY ACADEMY

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
Year Ended June 30, 2025

	GENERAL FUND	SPECIAL REVENUE		TOTALS	
		STUDENT ACTIVITY	2025	2024	
REVENUES					
Local Sources	\$ 4,534,986	\$ 1,278,671	\$ 5,813,657	5,319,697	
State Sources and Federal Sources	149,436	-	149,436	151,350	
TOTAL REVENUES	4,684,422	1,278,671	5,963,093	5,471,047	
EXPENDITURES					
Instruction	1,956,535	-	1,956,535	2,075,011	
Supporting Services	2,457,276	534,321	2,991,597	1,632,960	
Capital Outlay	44,805	-	44,805	646,047	
Debt Service					
Principal	190,896	-	190,896	172,949	
Interest	35,898	-	35,898	35,402	
TOTAL EXPENDITURES	4,685,410	534,321	5,219,731	4,562,369	
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(988)	744,350	743,362	908,678	
OTHER FINANCING SOURCES (USES)					
Proceeds from Issuance of Debt	-	-	-	543,793	
NET CHANGE IN FUND BALANCES	(988)	744,350	743,362	1,452,471	
FUND BALANCES, Beginning	1,081,070	410,998	1,492,068	39,597	
FUND BALANCES, Ending	\$ 1,080,082	\$ 1,155,348	\$ 2,235,430	1,492,068	

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

AMERICAN LEGACY ACADEMY

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2025

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

Net change in fund balances - total governmental funds	\$ 743,362
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount capital outlay, \$342,277, exceeded depreciation expense (\$182,058) for the year.	160,219
Repayment of long-term debt and related costs are reported as an expenditure in the governmental funds and decrease fund balance. For the Academy as a whole, however, these costs and payments reduce the liabilities or are capitalized in the statement of net position and do not result in an expense in the statement of activities. This amount includes loan principal payment \$190,896 and change in compensated absences, (\$17,551).	173,345
Deferred Charges related to pensions are not recognized in the governmental funds. However, in the government-wide statements these amounts are capitalized and amortized.	<u>(642,583)</u>
Change in net position of governmental activities	<u><u>\$ 434,343</u></u>

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

AMERICAN LEGACY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

American Legacy Academy (the “Academy”) was organized in 2023, pursuant to the Colorado Charter Schools Act to form and operate a charter school in of the State of Colorado. The Academy receives their primary funding from the Weld County School District RE-4 (the “District”).

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

Reporting Entity

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

Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include 1) charges to students or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted intergovernmental revenues not properly included among program revenues are reported instead as general revenues.

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

AMERICAN LEGACY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

The Academy reports the following major governmental fund:

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

Student Activity Fund - This fund accounts for the transactions of student organizations and clubs.

AMERICAN LEGACY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

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

Assets, Liabilities and Fund Balance/Net Position

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 inflow of resources, represents an acquisition of net position and fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

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

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

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net assets in the government-wide financial statements. Depreciation has been provided over the following estimated useful lives of the capital assets using the straight-line method: buildings and improvements 15 – 35 years; equipment 5 years.

Long-term Debt – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are recognized in the current period. 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.

AMERICAN LEGACY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

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

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

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

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

- Nonspendable – This classification includes amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact. The Academy does not report any resources as nonspendable as of June 30, 2025.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Academy has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies. The Academy also reports funds as restricted for debt service and capital construction as required by bond covenants.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Academy had \$522,212 of committed resources as of June 30, 2025.

AMERICAN LEGACY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The Academy would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources.

Compensated Absences

The Academy's policy allows employees to accumulate paid time off (PTO). Instructional staff who are asked to return for the following school year will be able to roll over any unused PTO up to a total of no more than thirty (30) days accrued. Any accrued PTO in excess of thirty (30) days is forfeited and not available for use or cash-out. Upon termination of employment, financial compensation is paid for these unused compensated absences. A liability has been recorded in the government-wide financial statements for the accrued compensated absences.

Comparative Data

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

AMERICAN LEGACY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

All appropriations lapse at fiscal year-end.

NOTE 3: CASH AND INVESTMENTS

Cash and Investments at June 30, 2025, consisted of the following:

Deposits \$ 2,337,344

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, 2025, State regulatory commissioners have indicated that all financial institutions holding deposits for the Academy are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held.

The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The Academy has no policy regarding custodial credit risk for deposits.

At June 30, 2025, the Academy had deposits with financial institutions with a carrying amount of \$2,337,344. The bank balances with the financial institutions were \$2,551,537. Of these balances, \$2,150,645 was covered by federal depository insurance and \$400,892 was covered by collateral held by authorized escrow agents in the financial institution's name (PDPA).

AMERICAN LEGACY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

NOTE 3: CASH AND INVESTMENTS (Continued)

Investments

Interest Rate Risk

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

Credit Risk

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

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

The Academy has no policy for managing credit risk or interest rate risk.

Fair Value

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

The Academy has no investments as of June 30, 2025.

AMERICAN LEGACY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

NOTE 4: CAPITAL ASSETS

Capital Assets activity for the year ended June 30, 2025 is summarized below.

	Balance <u>June 30, 2024</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2025</u>
Governmental Activities				
Capital Assets, Depreciated				
Buildings and Improvements	\$ 48,779	\$ 297,472	\$ -	\$ 346,251
Machinery and Equipment	-	44,805		44,805
Furniture and Other	<u>775,029</u>	<u>-</u>	<u>-</u>	<u>775,029</u>
Total Capital Assets, Depreciated	<u>823,808</u>	<u>342,277</u>	<u>-</u>	<u>1,166,085</u>
Accumulated Depreciation				
Buildings and Improvements	2,906	21,992	-	24,898
Machinery and Equipment	-	7,992		7,992
Furniture and Other	<u>126,197</u>	<u>152,074</u>	<u>-</u>	<u>278,271</u>
Total Accumulated Depreciation	<u>129,103</u>	<u>182,058</u>	<u>-</u>	<u>311,161</u>
Total Capital Assets, Depreciated, Net	<u>694,705</u>	<u>160,219</u>	<u>-</u>	<u>854,924</u>
Net Capital Assets	<u>\$ 694,705</u>	<u>\$ 160,219</u>	<u>\$ -</u>	<u>\$ 854,924</u>

Depreciation was charged to the Supporting Services activity of the Academy.

NOTE 5: LONG-TERM DEBT

Following is a summary of the Academy's long-term debt transactions for the year ended June 30, 2025:

	Balance <u>June 30, 2024</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>June 30, 2025</u>	Due In <u>One Year</u>
Notes Payable	\$ 201,939	-	57,610	144,329	63,092
Loan Payable	24,596	-	16,192	8,404	8,404
Lease Payable	446,993	-	117,094	329,899	122,864
Compensated Absences	<u>17,249</u>	<u>17,551</u>	<u>-</u>	<u>34,800</u>	<u>-</u>
Total	<u>\$690,777</u>	<u>\$ 17,551</u>	<u>\$ 190,896</u>	<u>\$ 517,432</u>	<u>\$ 194,360</u>

AMERICAN LEGACY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

NOTE 5: LONG-TERM DEBT

Notes Payable

In February 2023, the Academy obtained promissory notes in the amount of \$319,933 to finance various start-up costs. The Academy paid off the balance of the \$73,829 note in December 2023. The Academy is required to make equal monthly loan payments for repayment of the remainder note at an interest rate of 9.125% per annum through July 2027.

Loan Payable

In January 2024, the Academy entered into a loan agreement to finance various start-up costs. The Academy is required to make equal monthly loan payments at an interest rate of 4.99% per annum through December 2025.

Lease Payable

In January 2024, the Academy entered into a lease agreement with Zion Credit Corporation for the purchase of equipment and school materials. The Academy is required to make equal monthly lease payments at an interest rate of 6.81% per annum through January 2028.

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 194,361	\$ 23,907	\$ 218,268
2027	198,015	11,726	209,741
2028	<u>90,256</u>	<u>1,399</u>	<u>91,655</u>
Total	\$ <u>482,632</u>	\$ <u>37,032</u>	\$ <u>519,664</u>

AMERICAN LEGACY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

NOTE 6: DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

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

Benefits provided as of December 31, 2024. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

AMERICAN LEGACY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

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 the service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100% 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 under the PERA benefit structure who began membership before January 1, 2007, and all eligible benefit recipients of the DPS benefit structure will receive the maximum annual increase (AI) or AI cap of 1.00% unless adjusted by the AAP. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the lesser of an annual increase of the 1.00% AI cap or the average increase of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed a determined increase that would exhaust 10% of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned AI cap by up to 0.25% based on the parameters specified in C.R.S. § 24-51-413.

AMERICAN LEGACY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

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

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

Contributions provisions as of the Academy: Eligible employees of, the Academy and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413.

Eligible employees are required to contribute 11.00% of their PERA-includable salary during the period of July 1, 2024 through June 30, 2025. Employer contribution requirements are summarized in the following table:

	July 1, 2024 Through June 30, 2025
Employer contribution rate	11.40%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02%)
Amount apportioned to the SCHDTF	10.38%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.50%
Total employer contribution rate to the SCHDTF	20.38%

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the Academy is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from School were \$338,628 for the year ended June 30, 2025.

AMERICAN LEGACY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

NOTE 6: 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 SCHDTF and is considered to meet the definition of a special funding situation.

As specified in C.R.S. § 24-51-414, the State is required to contribute a \$225 million direct distribution each year to PERA starting on July 1, 2018. For 2024, a portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund.

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

The net pension liability for the SCHDTF was measured as of December 31, 2024, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2023. Standard update procedures were used to roll-forward the TPL to December 31, 2024. The Academy's proportion of the net pension liability was based on the Academy's contributions to the SCHDTF for the calendar year 2024 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2025, the Academy reported a liability of \$3,432,461 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 Academy as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with Academy were as follows:

The Academy's proportionate share of the net pension liability	\$3,432,461
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the Academy.	282,882
Total	\$3,715,343

AMERICAN LEGACY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

At December 31, 2024, the Academy's proportion was 0.01989%, which was an increase of 0.00122% from its proportion measured as of December 31, 2023. For the year ended June 30, 2025, the Academy recognized pension expense of \$959,145 and revenue of \$29,832 for support from the State as a nonemployer contributing entity.

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

At June 30, 2025, the Academy 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	\$194,375	N/A
Changes of assumptions or other inputs	25,734	N/A
Net difference between projected and actual earnings on pension plan investments	64,761	N/A
Changes in proportion and differences between contributions recognized and proportionate share of contributions	1,676,228	N/A
Contributions subsequent to the measurement date	171,170	N/A
Total	\$2,132,268	N/A

\$171,170 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, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2026	\$720,766
2027	\$673,517
2028	\$566,806
2029	-
2030	-
Thereafter	-

AMERICAN LEGACY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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

Actuarial assumptions. The December 31, 2023, actuarial valuation used the following actuarial cost method and key actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation:	3.40%-11.00%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (compounded annually)	1.00%
PERA benefit structure hired after 12/31/06 ¹	Financed by the AIR

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

All mortality assumptions are developed on a benefit-weighted basis and apply generational mortality. Note that in all categories, displayed as follows, the mortality tables are generationally projected using scale MP-2019.

	Mortality Table	Adjustments, as Applicable
Pre-Retirement	PubT-2010 Employee	N/A
Post-Retirement (Retiree), Non-Disabled	PubT-2010 Healthy Retiree	Males: 112% of the rates prior to age 80/ 94% of the rates age 80 and older Females: 83% of the rates prior to age 80/ 106% of the rates age 80 and older
Post-Retirement (Beneficiary), Non-Disabled	Pub-2010 Contingent Survivor	Males: 97% of the rates for all ages Females: 105% of the rates for all ages
Disabled	PubNS-2010 Disabled Retiree	99% of the rates for all ages

AMERICAN LEGACY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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

The actuarial assumptions used in the December 31, 2023, valuation were based on the 2020 experience analysis, dated October 28, 2020, for the period January 1, 2016, through December 31, 2019. Revised economic and demographic assumptions were adopted by the PERA Board on November 20, 2020.

Based on the 2024 experience analysis, dated January 3, 2025, for the period January 1, 2020, to December 31, 2023, revised actuarial assumptions were adopted by PERA's Board on January 17, 2025, and were effective as of December 31, 2024. The following assumptions were reflected in the roll forward calculation of the total pension liability from December 31, 2023, to December 31, 2024.

Salary increases, including wage inflation: 4.00%-13.40%

Salary scale assumptions were altered to better reflect actual experience.

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

The estimated administrative expense as a percentage of covered payroll was increased from 0.40% to 0.45%.

The adjustments for credibility applied to the Pub-2010 mortality tables for active and retired lives, including beneficiaries, were updated based on the experience. All mortality assumptions are developed on a benefit-weighted basis.

AMERICAN LEGACY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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

Note that in all categories, displayed as follows, the mortality tables are generationally projected using the 2024 adjusted MP-2021 projection scale.

	Mortality Table	Adjustments, as Applicable
Pre-Retirement	PubT-2010 Employee	N/A
Post-Retirement (Retiree), Non-Disabled	PubT-2010 Healthy Retiree	Males: 106% of the rates for all ages Females: 86% of the rates prior to age 85/ 115% of the rates age 85 and older
Post-Retirement (Beneficiary), Non-Disabled	Pub-2010 Contingent Survivor	Males: 92% of the rates for all ages Females: 100% of the rates for all ages
Disabled	PubNS-2010 Disabled Retiree	95% of the rates for all ages

The long-term expected return on plan assets is monitored on an ongoing basis and reviewed as part of periodic experience studies prepared every four years, and asset/liability studies, performed every three to five years for PERA. The most recent analyses were outlined in the 2024 Experience Study report dated January 3, 2025.

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

The PERA Board first adopted the 7.25% long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the November 15, 2019, meeting, and again at the Board's September 20, 2024, meeting.

AMERICAN LEGACY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	51.00%	5.00%
Fixed Income	23.00%	2.60%
Private Equity	10.00%	7.60%
Real Estate	10.00%	4.10%
Alternatives	6.00%	5.20%
Total	100.00%	

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in 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.
- 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.

AMERICAN LEGACY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE 6: **DEFINED BENEFIT PENSION PLAN** (Continued)

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

- Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

AMERICAN LEGACY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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

Sensitivity of the Academy's proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.25%) or 1-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	\$4,653,622	\$3,432,461	\$2,409,568

Pension plan fiduciary net position. Detailed information about the SCHDTF's FNP is available in PERA's ACFR which can be obtained at www.copera.org/forms-resources/financial-reports-and-studies.

NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

Summary of Significant Accounting Policies

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

AMERICAN LEGACY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

General Information about the OPEB Plan

Plan description. Eligible employees of the Academy are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended, and sets forth a framework that grants authority to the PERA Board to contract, self-insure, and authorize disbursements necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. 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/forms-resources/financial-reports-and-studies.

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

General Information about the OPEB Plan (Continued)

PERA Benefit Structure

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

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

DPS Benefit Structure

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

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

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

General Information about the OPEB Plan (Continued)

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the School were \$16,948 for the year ended June 30, 2025.

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

At June 30, 2025, the Academy reported a liability of \$60,901 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2024, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2023. Standard update procedures were used to roll-forward the TOL to December 31, 2024. The Academy's proportion of the net OPEB liability was based on the Academy's contributions to the HCTF for the calendar year 2024 relative to the total contributions of participating employers to the HCTF.

At December 31, 2024, the Academy's proportion was .01274%, which was an increase of 0.00157% from its proportion measured as of December 31, 2023.

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

NOTE 7: 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)

For the year ended June 30, 2025, the Academy recognized OPEB expense of \$68,846. At June 30, 2025, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	N/A	\$13,434
Changes of assumptions or other inputs	\$698	19,467
Net difference between projected and actual earnings on OPEB plan investments	206	N/A
Changes in proportion and differences between contributions recognized and proportionate share of contributions	8,948	190
Contributions subsequent to the measurement date	8,567	N/A
Total	\$18,419	\$32,901

\$8,567 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, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30	
2026	(\$8,122)
2027	(\$5,139)
2028	(\$4,406)
2029	(\$2,326)
2030	(\$1,444)
Thereafter	(\$1,612)

AMERICAN LEGACY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

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

Actuarial assumptions. The December 31, 2023, actuarial valuation used the following actuarial cost method and key actuarial assumptions and other inputs:

	<u>State Division</u>	<u>School Division</u>	<u>Local Government Division</u>	<u>Judicial Division</u>
Actuarial cost method			Entry age	
Price inflation			2.30%	
Real wage growth			0.70%	
Wage inflation			3.00%	
Salary increases, including wage inflation				
Members other than Safety Officers	3.30%-10.90%	3.40%-11.00%	3.20%-11.30%	2.80%-5.30%
Safety Officers	3.20%-12.40%	N/A	3.20%-12.40%	N/A
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation			7.25%	
Discount rate			7.25%	
Health care cost trend rates				
PERA benefit structure:				
Service-based premium subsidy			0.00%	
PERACare Medicare plans			16.00% in 2024, then 6.75% in 2025, gradually decreasing to 4.50% in 2034	
MAPD PPO #2			105.00% in 2024, then 8.55% in 2025, gradually decreasing to 4.50% in 2034	
Medicare Part A premiums			3.50% in 2024, gradually increasing to 4.50% in 2033	
DPS benefit structure:				
Service-based premium subsidy			0.00%	
PERACare Medicare plans			N/A	
Medicare Part A premiums			N/A	

AMERICAN LEGACY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

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

As of the December 31, 2024, measurement date, the FNP and related disclosure components for the HCTF reflect additional payments related to the disaffiliation of Tri-County Health Department (Tri-County Health) as a PERA-affiliated employer, effective December 31, 2022. The additional employer disaffiliation payment allocations to the HCTF and Local Government Division Trust Fund were \$0.020 million and \$0.486 million, respectively.

Each year the per capita health care costs are developed by plan option. As of the December 31, 2023, actuarial valuation, costs are based on 2024 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 were 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.

Age-Related Morbidity Assumptions

Participant Age	Annual Increase (Male)	Annual Increase (Female)
65-68	2.2%	2.3%
69	2.8%	2.2%
70	2.7%	1.6%
71	3.1%	0.5%
72	2.3%	0.7%
73	1.2%	0.8%
74	0.9%	1.5%
75-85	0.9%	1.3%
86 and older	0.0%	0.0%

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

NOTE 7: 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 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	\$1,710	\$1,420	\$585	\$486	\$1,897	\$1,575
70	\$1,921	\$1,589	\$657	\$544	\$2,130	\$1,763
75	\$2,122	\$1,670	\$726	\$571	\$2,353	\$1,853

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	\$6,536	\$5,429	\$4,241	\$3,523	\$7,063	\$5,866
70	\$7,341	\$6,073	\$4,764	\$3,941	\$7,933	\$6,563
75	\$8,110	\$6,385	\$5,262	\$4,143	\$8,763	\$6,900

The 2024 Medicare Part A premium is \$505 per month.

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

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.

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

NOTE 7: 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)

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. PERACare Medicare plan rates are applied where members have no premium-free Part A and where those premiums are already exceeding the maximum subsidy. MAPD PPO #2 has a separate trend because the first year rates are still below the maximum subsidy and to reflect the estimated impact of the Inflation Reduction Act for that plan option.

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

Year	PERACare Medicare Plans ¹	MAPD PPO #21	Medicare Part A Premiums
2024	16.00%	105.00%	3.50%
2025	6.75%	8.55%	3.75%
2026	6.50%	8.10%	3.75%
2027	6.25%	7.65%	4.00%
2028	6.00%	7.20%	4.00%
2029	5.75%	6.75%	4.25%
2030	5.50%	6.30%	4.25%
2031	5.25%	5.85%	4.25%
2032	5.00%	5.40%	4.25%
2033	4.75%	4.95%	4.50%
2034+	4.50%	4.50%	4.50%

¹ Increase in 2024 trend rates due to the effect of the Inflation Reduction Act.

Mortality assumptions used in the December 31, 2023, valuation for the Division Trust Funds as shown in the following table, reflect generational mortality and were applied, as applicable, in the December 31, 2023, valuation for the HCTF, but developed using a headcount-weighted basis. Note that in all categories, displayed as follows, the mortality tables are generationally projected using scale MP-2019. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

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NOTES TO THE FINANCIAL STATEMENTS

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NOTE 7: 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)

Pre-Retirement	Mortality Table	Adjustments, as Applicable
State and Local Government Divisions (members other than Safety Officers)	PubG-2010 Employee	N/A
Safety Officers	PubS-2010 Employee	N/A
School Division	PubT-2010 Employee	N/A
Judicial Division	PubG-2010(A) Above-Median Employee	N/A
Post-Retirement (Retiree), Non-Disabled	Mortality Table	Adjustments, as Applicable
State and Local Government Divisions (members other than Safety Officers)	PubG-2010 Healthy Retiree	Males: 94% of the rates prior to age 80/ 90% of the rates age 80 and older Females: 87% of the rates prior to age 80/ 107% of the rates age 80 and older
Safety Officers	PubS-2010 Healthy Retiree	N/A
School Division	PubT-2010 Healthy Retiree	Males: 112% of the rates prior to age 80/ 94% of the rates age 80 and older Females: 83% of the rates prior to age 80/ 106% of the rates age 80 and older
Judicial Division	PubG-2010(A) Above-Median Healthy Retiree	N/A
Post-Retirement (Beneficiary), Non-Disabled	Mortality Table	Adjustments, as Applicable
All Beneficiaries	Pub-2010 Contingent Survivor	Males: 97% of the rates for all ages Females: 105% of the rates for all ages
Disabled	Mortality Table	Adjustments, as Applicable
Members other than Safety Officers	PubNS-2010 Disabled Retiree	99% of the rates for all ages
Safety Officers	PubS-2010 Disabled Retiree	N/A

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NOTES TO THE FINANCIAL STATEMENTS

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NOTE 7: 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 following health care costs assumptions were updated and used in the roll-forward calculation for the HCTF:

- Per capita health care costs in effect as of the December 31, 2023, 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 were updated to reflect costs for the 2024 plan year.
- The health care cost trend rates applicable to health care premiums were revised to reflect the current expectation of future increases in those premiums. A separate trend rate assumption set was added for MAPD PPO #2 as the first-year rate is still below the maximum subsidy and also the assumption set reflects the estimated impact of the Inflation Reduction Act for that plan option.
- The Medicare health care plan election rate assumptions were updated effective as of the December 31, 2023, valuation date based on an experience analysis of recent data.

The actuarial assumptions used in the December 31, 2023, valuations were based on the 2020 experience analysis, dated October 28, 2020, and November 4, 2020, for the period January 1, 2016, through December 31, 2019. Revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020.

Based on the 2024 experience analysis, dated January 3, 2025, for the period January 1, 2020, to December 31, 2023, revised actuarial assumptions were adopted by PERA's Board on January 17, 2025, and were effective as of December 31, 2024. The following assumptions were reflected in the roll forward calculation of the total OPEB liability from December 31, 2023, to December 31, 2024.

	State Division	School Division	Local Government Division	Judicial Division
Salary increases, including wage inflation:				
Members other than Safety Officers	2.70%-13.30%	4.00%-13.40%	3.40%-13.00%	2.30%-4.70%
Safety Officers	3.20%-16.30%	N/A	3.20%-16.30%	N/A

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NOTES TO THE FINANCIAL STATEMENTS
June 30, 2025

NOTE 7: 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 following health care costs assumptions were used in the roll forward calculation for the HCTF:

- Salary scale assumptions were altered to better reflect actual experience.
- Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.
- Participation rates were reduced.
- MAPD premium costs are no longer age graded.

Plan	With Medicare Part A	Without Medicare Part A
MAPD PPO #1	\$1,824	\$6,972
MAPD PPO #2	624	4,524
MAPD HMO (Kaiser)	2,040	7,596

The adjustments for credibility applied to the Pub-2010 mortality tables for active and retired lives, including beneficiaries, were updated based on the experience. Note that in all categories, the mortality tables are generationally projected using the 2024 adjusted MP-2021 project scale. These assumptions updated for the Division Trust Funds, were also applied in the roll forward calculations for the HCTF using a headcount-weighted basis. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

NOTE 7: 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)

Pre-Retirement	Mortality Table	Adjustments, as Applicable
State and Local Government Divisions (members other than Safety Officers)	PubG-2010 Employee	N/A
Safety Officers	PubS-2010 Employee	N/A
School Division	PubT-2010 Employee	N/A
Judicial Division	PubG-2010(A) Above-Median Employee	N/A
Post-Retirement (Retiree), Non-Disabled	Mortality Table	Adjustments, as Applicable
State and Local Government Divisions (members other than Safety Officers)	PubG-2010 Healthy Retiree	Males: 90% of the rates for all ages Females: 85% of the rates prior to age 85/ 105% of the rates age 85 and older
Safety Officers	PubS-2010 Healthy Retiree	N/A
School Division	PubT-2010 Healthy Retiree	Males: 106% of the rates for all ages Females: 86% of the rates prior to age 85/ 115% of the rates age 85 and older
Judicial Division	PubG-2010(A) Above-Median Healthy Retiree	N/A
Post-Retirement (Beneficiary), Non-Disabled	Mortality Table	Adjustments, as Applicable
All Beneficiaries	Pub-2010 Contingent Survivor	Males: 92% of the rates for all ages Females: 100% of the rates for all ages
Disabled	Mortality Table	Adjustments, as Applicable
Members other than Safety Officers	PubNS-2010 Disabled Retiree	95% of the rates for all ages
Safety Officers	PubS-2010 Disabled Retiree	N/A

The actuarial assumptions pertaining to per capita health care costs and their related trend rates are analyzed annually and updated, as appropriate, by the PERA Board's actuary.

The long-term expected return on plan assets is monitored on an ongoing basis and reviewed as part of periodic experience studies prepared every four years, and asset/liability studies, performed every three to five years for PERA. The most recent analyses were outlined in the 2024 Experience Study report dated January 3, 2025.

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NOTES TO THE FINANCIAL STATEMENTS

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NOTE 7: 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)

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

The PERA Board first adopted the 7.25% long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the November 15, 2019, meeting, and again at the Board's September 20, 2024, meeting. 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	51.00	%	5.00%
Fixed Income	23.00	%	2.60%
Private Equity	10.00	%	7.60%
Real Estate	10.00	%	4.10%
Alternatives	6.00	%	5.20%
Total	100.00	%	

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

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NOTES TO THE FINANCIAL STATEMENTS

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NOTE 7: 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 Academy's proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following table presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate ¹	5.75%	6.75%	7.75%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial MAPD PPO#2 trend rate ¹	7.55%	8.55%	9.55%
Ultimate MAPD PPO#2 trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate ¹	2.75%	3.75%	4.75%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$59,261	\$60,901	\$62,758

¹For the January 1, 2025, plan year.

Discount rate. The discount rate used to measure the TOL was 7.25%. The basis for the projection of liabilities and the FNP used to determine the discount rate was an actuarial valuation performed as of December 31, 2023, and the financial status of the HCTF as of the current measurement date (December 31, 2024). 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, 2024, 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.

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NOTE 7: 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)

- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.
- As of the December 31, 2024, measurement date, the FNP and related disclosure components for the HCTF reflect additional payments related to the disaffiliation of Tri-County Health as a PERA-affiliated employer, effective December 31, 2022. The additional employer disaffiliation payment allocations to the HCTF and Local Government Division Trust Fund were \$0.020 million and \$0.486 million, respectively.

Based on the above assumptions and methods, the FNP for the HCTF 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 did 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 Academy's proportionate share of the net OPEB liability to changes in the discount rate. The following table 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 1-percentage-point lower (6.25%) or 1-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	\$74,636	\$60,901	\$49,061

OPEB plan fiduciary net position. Detailed information about the HCTF's FNP is available in PERA's ACFR which can be obtained at www.copera.org/forms-resources/financial-reports-and-studies..

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2025

NOTE 8: COMMITMENTS AND CONTINGENCIES

Claims and Judgments

The Academy participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Academy may be required to reimburse the grantor government. As of June 30, 2025, significant amounts of grant expenditures have not been audited, but the Academy believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Academy.

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The Academy believes it has complied with the Amendment.

As required by the Amendment, the Academy has established a reserve for emergencies. At June 30, 2025, the reserve of \$136,000 was recorded as a restriction of fund balance in the General Fund.

NOTE 9: SUBSEQUENT EVENTS

Potential subsequent events were considered through December 1, 2025. It was determined that no events were required to be disclosed through this date.

REQUIRED SUPPLEMENTARY INFORMATION

AMERICAN LEGACY ACADEMY

BUDGETARY COMPARISON SCHEDULE
 GENERAL FUND
 Year Ended June 30, 2025

	2025			VARIANCE Positive (Negative)	2024 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Local Sources					
Per Pupil Operating Revenue	\$ 4,910,205	\$ 4,505,800	\$ 4,521,555	\$ 15,755	\$ 3,855,503
Charges for Services	-	-	-	-	-
Grants and Donations	800,000	800,000	12,000	(788,000)	950,593
Other Revenue	-	-	1,431	1,431	-
State and Federal Sources					
Grants and Donations	188,140	177,243	149,436	(27,807)	151,350
TOTAL REVENUES	5,898,345	5,483,043	4,684,422	(798,621)	4,957,446
EXPENDITURES					
Salaries	1,803,193	1,785,207	1,798,937	(13,730)	1,430,318
Employee Benefits	664,693	738,562	631,884	106,678	485,176
Purchased Services	2,099,988	1,927,964	1,778,525	149,439	1,477,088
Supplies and Materials	504,230	284,495	195,371	89,124	116,892
Property	-	-	44,805	(44,805)	646,047
Other	159,582	52,500	9,094	43,406	7,157
Debt Service					
Principal	183,189	190,896	190,896	-	172,949
Interest	43,569	35,862	35,898	(36)	35,402
TOTAL EXPENDITURES	5,458,444	5,015,486	4,685,410	330,076	4,371,029
EXCESS OF REVENUES OVER EXPENDITURES	439,901	467,557	(988)	(468,545)	586,417
OTHER FINANCING SOURCES (USES)					
Proceeds from Issuance of Debt	-	-	-	-	543,793
NET CHANGE IN FUND BALANCES	439,901	467,557	(988)	(468,545)	1,130,210
FUND BALANCE, Beginning	1,081,070	1,081,070	1,081,070	-	(49,140)
FUND BALANCE, Ending	\$ 1,520,971	\$ 1,548,627	\$ 1,080,082	\$ (468,545)	\$ 1,081,070

See the accompanying independent auditors' report.

AMERICAN LEGACY ACADEMY

STUDENT ACTIVITY FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended June 30, 2025

	2025				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Variance- Positive (Negative)	2024 ACTUAL
REVENUES					
Contributions	\$ 50,000	\$ 1,090,000	\$ 1,278,671	\$ 188,671	\$ 513,601
TOTAL REVENUES	50,000	1,090,000	1,278,671	188,671	513,601
EXPENDITURES					
Supplies and Materials	-	-	84,832	(84,832)	191,340
Purchased Services	-	-	152,017	(152,017)	-
Capital Outlay	300,000	350,000	297,472	52,528	-
Other	50,000	50,000	-	50,000	-
Reserves	-	-	-	-	-
TOTAL EXPENDITURES	350,000	400,000	534,321	(134,321)	191,340
EXCESS OF REVENUES UNDER EXPENDITURES	(300,000)	690,000	744,350	54,350	322,261
CHANGE IN FUND BALANCE	(300,000)	690,000	744,350	54,350	322,261
FUND BALANCE, Beginning	300,000	410,998	410,998	-	88,737
FUND BALANCE, Ending	\$ -	\$ 1,100,998	\$ 1,155,348	\$ 54,350	\$ 410,998

See the accompanying independent auditors' report.

AMERICAN LEGACY ACADEMY

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

Years Ended December 31,

	<u>2023</u>	<u>2024</u>
School's proportionate share of the Net Pension Liability	0.019%	0.020%
School's Net Pension Liability	\$ 3,301,312	\$ 3,432,461
State of Colorado Proportionate of the Net Pension Liability associated with the School	<u>70,835</u>	<u>282,882</u>
Total portion of the Net Pension Liability associated with the School	<u>3,372,147</u>	<u>3,715,343</u>
School's covered payroll	\$ 617,092	\$ 1,541,017
School's proportionate share of the Net Pension Liability as a percentage of its covered payroll	546.5%	241.1%
Plan fiduciary net position as a percentage of the total pension liability	64.74%	67.17%

See the accompanying independent auditors' report.

AMERICAN LEGACY ACADEMY

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
SCHOOL DIVISION TRUST FUND

Years Ended June 30,

	<u>2024</u>	<u>2025</u>
Statutorily required contributions	\$ 272,366	\$ 338,628
Contributions in relation to the Statutorily required contributions	<u>272,366</u>	<u>338,628</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
School's covered payroll	\$ 1,336,433	\$ 1,661,564
Contributions as a percentage of covered payroll	20.38%	20.38%

See the accompanying independent auditors' report.

AMERICAN LEGACY ACADEMY

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

Years Ended December 31,

	<u>2023</u>	<u>2024</u>
School's proportionate share of the Net OPEB Liability	0.011%	0.013%
School's proportionate share of the Net OPEB Liability	\$ 79,713	\$ 60,901
School's covered payroll	\$ 617,092	\$ 1,541,017
School's proportionate share of the Net OPEB Liability as a percentage of its covered payroll	12.9%	4.0%
Plan fiduciary net position as a percentage of the total OPEB liability	46.16%	59.83%

See the accompanying independent auditors' report.

AMERICAN LEGACY ACADEMY

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
HEALTH CARE TRUST FUND

Years Ended June 30,

	<u>2024</u>	<u>2025</u>
Statutorily required contributions	\$ 13,631	\$ 16,948
Contributions in relation to the Statutorily required contributions	<u>13,631</u>	<u>16,948</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
School's covered payroll	\$ 1,336,433	\$ 1,661,564
Contributions as a percentage of covered payroll	1.02%	1.02%

See the accompanying independent auditors' report.