LINCOLN ACADEMY

BASIC FINANCIAL STATEMENTS

June 30, 2020

TABLE OF CONTENTS

FINANCIAL SECTION

JOHN CUTLER & ASSOCIATES

Board of Directors
Lincoln Academy
Arvada, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Lincoln Academy, component unit of Jefferson County School District No. R-1, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements of Lincoln Academy, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Lincoln Academy, as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, schedule of the school's proportionate share, and schedule of the school's contributions on pages 40-44 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

John Cutler & Associates, LLC

November 11, 2020

Management Discussion and Analysis

As administrators of Lincoln Academy, we offer readers of our financial statements, this narrative overview and analysis of the financial activities of Lincoln Academy for the fiscal year ending June 30, 2020.

Financial Highlights

The year ending June 30, 2020 is the twenty-third year of operations for Lincoln Academy. The liabilities of Lincoln Academy exceeded its assets at the close of the most recent fiscal year by $(7,157,381) (net position), an increase of $4,655,741 from June 30, 2019. Although positive results from operations increased fund balances, implementation of the Governmental Accounting Standards Board Statement No. 68 (GASB No. 68) to record Unfunded Pension Liabilities reduced the ending position by $10,327,886 with a total pension liability of $9,434,303 (page 21).

During 19-20, Lincoln Academy paid down $178,000 in principal from a $1.35 million loan from CSDC. Along with the monthly payments, an additional amount of $80,053.64 was disbursed as a one-time payment. This marked the final payments on the short term loan and Lincoln Academy was able to close out the debt obligation in June 2020.

Lincoln received a partial capital contribution from Jefferson County following the tax-payer approval of bond issuances of $1,841,421.

The General Fund reported an ending balance of $3,170,505 as of June 30, 2020, an increase of $285,920 from the prior year.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to Lincoln Academy's basic financial statements. This management report also contains supplementary information in addition to the basic financial statements to give the reader a more detailed view of Lincoln Academy's financial performance. Lincoln Academy's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

The financial statements are presented in a way that provides readers with a broad overview of the finances of Lincoln Academy.

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

Lincoln Academy uses a grouping of related fund accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Lincoln Academy uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of Lincoln Academy's funds are governmental funds.

Government fund financial statements focus on near-term inflows and outflows of spendable resources, as well on balances of spendable resources available at the end of the fiscal year.

Lincoln Academy maintains one individual government fund; the General Fund. Financial information for the governmental funds is presented separately in the Balance Sheet and in the "Statement of Revenues. Expenditures, and Changes in Fund Balance on pages 3 and 4 of the audit report.

Lincoln Academy adopts an annual appropriated budget for its General Fund, which is approved by the Board of Directors. Material adjustments to the budget are approved by the Board and recorded in Board meeting minutes.

This discussion and analysis are intended to serve as an introduction to Lincoln Academy's basic financial statements. This management report also contains supplementary information in addition to the basic financial statements to give the reader a more detailed view of Lincoln Academy's financial performance.

Lincoln Academy's Net Position

	Governmental Activities	
	2020	**2019**
ASSETS		
Cash and Investments	2,637,549	2,311,306
Restricted Cash and Investments	999,022	1,002,153
Accounts Receivable	16,439	16,439
Capital Assets, Net	11,241,566	9,576,708
Total Assets	14,894,576	12,906,606
DEFFERRED OUTFLOW OF RESOURCES		
Deferred Loss on Refunding	121,452	126,732
Related to Pensions	1,388,818	3,441,435
Related to OPEB	37,720	27,331
Total Deferred Outflows	1,547,990	3,595,498
LIABILITIES		
Current Liabilities	580,214	547,235
Noncurrent Liabilities	6,591,732	7,134,471
Net Pension Liability	9,434,303	11,263,180
Net OPEB Liability	463,882	562,529
TOTAL LIABILITIES	17,070,131	19,507,415
DEFFERRED INFLOW OF RESOURCES		
Related to Pensions	6,437,771	8,798,413
Related to OPEB	92,045	9,399
	6,529,816	8,807,812
NET POSITION		
Net Investment in Capital Assets	4,568,564	2,356,754
Restricted for Emergencies	204,456	204,283
Restricted for Debt Service	794,566	797,870
Restricted for Capital Projects	-	-
Unrestricted	-12,724,967	-15,172,029
TOTAL NET POSITION	-7,157,381	-11,813,122

Lincoln Academy's Change in Net Assets

For the Years Ended June 30, 2020 and June 30, 2019

	6/30/20	6/30/19
Program Revenue:		
Charges for Services	237,762	432,481
Operating Grants and Contributions	193,604	537,411
Capital Grants and Contributions	205,791	-210,644
Total Program Revenue	**637,157**	**759,248**
General Revenue:		
Per Pupil Operation Revenue	6,151,890	5,572,004
Mill Levy Override	1,338,759	1,260,252
Interest	9,331	687
Other	18,471	22,552
Unrestricted State Aid	37,851	7,912
Capital Contribution from the District	1,841,421	0
Total General Revenue	**9,397,723**	**6,863,407**
Total Revenue	**10,034,880**	**7,622,655**
Expenses:		
Current:		
Instruction	2,039,666	4,366,184
Supporting Services	3,025,947	2,133,013
Interest and Fiscal Charges	313,526	358,283
Total Expenses	**5,379,139**	**6,857,480**
Increase (Decrease) in Net Assets	**4,655,741**	**765,175**
Beginning Net Assets, June 30 as Restated	**-11,813,122**	**-12,578,297**
Ending Net Assets, June 30	**-7,157,381**	**-11,813,122**

Government Funds

Unassigned fund balance is a useful measure of a school's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, Lincoln Academy's government funds reported an ending fund balance of $3,170,505. Of the funds, $204,456 is restricted in the General Fund as an emergency reserve related to the TABOR amendment and $794,566 is restricted for future debt service obligations. Lincoln's unassigned and available funds for future use would be $2,171,483.

General Fund Budgetary Highlights

The Lincoln Academy Board of Directors approved an initial budget in June 2019 based on enrollment projections for the 2019-20 school year. In December, after enrollment stabilized and final numbers were available, the budget was revised. The revised budget was approved by the Board, projecting a net margin of ($107,625). It is important to note that the school's administration managed the fiscal budget and ended the year with an actual positive cash margin of $285,920.

Financial Reporting for Pension Plan

GASB 68 was enacted in 2015 to support the accounting and reporting of public employee pension plans for governmental institutions. This new standard effectively reports the Net Pension Liability for both current and future periods as projected based on current rates and employees with the goal of improving the usefulness of information to the public and investing segments. This new reporting standard does not impact current required pension funding levels for Lincoln nor suggest that Lincoln is underfunded. Please refer to Note 7, pg. 17 in the audited financial statements for additional information. A recent Colorado General Assembly legislation *(SB) 18-200* will be adjusting PERA liabilities to reduce the amount of the unfunded liability.

For the year ending June 30, 2020, Lincoln Academy reported a $7.2M liability related to its proportional share of the net pension liability. This liability has decreased significantly in the audited school year due to an adjustment in accrual methodology which established a higher investment earning rate.

The Year Ahead

For the school year ending June 30, 2021, Lincoln Academy will be challenged fiscally due to anticipated reduction in both PPR and Mill Levy funding due to the COVID impact on the economy. The state's focus on educational support has improved the PPR outlook along with a stronger than expected 3rd Q of 2020 since the completion of the budget. Lincoln Academy is expecting to receive over $300,000 in CARES funding to support new expenses directly related to COVID-19.

In addition to using 5B Jefferson County funds, the school has planned a drawdown of cash reserves by a minimum of $440,000 in order to complete significant HVAC upgrades (including improved filters to reduce COVID transmissions), repairs to the 5th and 6th grade building roof as well as a safety improvement to our drive lane and main entry sidewalk. The Lincoln administrative team will continue to review expenses and adhere to our conservative financial management strategy. Lincoln Academy anticipates our school to continue to deliver exceptional education while maintaining financial stability.

Requests for Information

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

Cindie Poulter
Business Manager
7180 Oak Street
Arvada, CO 80004
303 467 - 5363 x 7206
cpoulter@jeffco.k12.co.us

Janelle Johnson
Principal
7180 Oak Street
Arvada, CO 80004
303 467 - 6353 x 7203
Janelle.Johnson@jeffco.k12.co.us

Jeff Baucum
Board Treasurer
7180 Oak Street
Arvada, CO 80004
303 467 - 5363
JeffBaucum@LincolnAcademy.net

BASIC FINANCIAL STATEMENTS

LINCOLN ACADEMY

STATEMENT OF NET POSITION
As of June 30, 2020

	Governmental Activities	
	2020	2019
ASSETS		
Cash and Investments	$ 2,637,549	$ 2,311,306
Restricted Cash and Investments	999,022	1,002,153
Deferred Charges	16,439	16,439
Capital Assets, Not Depreciated	4,542,194	2,927,651
Capital Assets, Depreciated, Net of Accumulated Depreciation	6,699,372	6,649,057
TOTAL ASSETS	14,894,576	12,906,606
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Refunding	121,452	126,732
Related to Pensions	1,388,818	3,441,435
Related to OPEB	37,720	27,332
TOTAL DEFERRED OUTFLOWS OF RESOURCES	1,547,990	3,595,499
LIABILITIES		
Accounts Payable	120,016	137,080
Accrued Salaries	349,659	289,478
Accrued Interest	97,709	101,922
Unearned Revenues	12,830	18,755
Noncurrent Liabilities		
Due in One Year	170,000	457,421
Due in More Than One Year	6,421,732	6,677,050
Net Pension Liability	9,434,303	11,263,180
Net OPEB Liability	463,882	562,529
TOTAL LIABILITIES	17,070,131	19,507,415
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	6,437,771	8,798,413
Related to OPEB	92,045	9,399
TOTAL DEFERRED INFLOWS OF RESOURCES	6,529,816	8,807,812
NET POSITION		
Net Investment in Capital Assets	4,568,564	2,356,754
Restricted for Emergencies	204,456	204,283
Restricted for Debt Service	794,566	797,870
Unrestricted	(12,724,967)	(15,172,029)
TOTAL NET POSITION	$ (7,157,381)	$ (11,813,122)

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

LINCOLN ACADEMY

STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

		PROGRAM REVENUES			Net (Expense) Revenue and Change in Net Position	
			Operating	Capital	Governental Activities	
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Grants and Contributions	Grants and Contributions	2020	2019
PRIMARY GOVERNMENT						
Governmental Activities						
Instruction	$ 2,039,666	$ 237,762	$ 193,604	$ -	$ (1,608,300)	$ (3,304,821)
Supporting Services	3,025,947	-	-	205,791	(2,820,156)	(2,435,128)
Interest on Long-Term Debt	313,526	-	-	-	(313,526)	(358,283)
Total Governmental Activities	$ 5,379,139	$ 237,762	$ 193,604	$ 205,791	(4,741,982)	(6,098,232)
		GENERAL REVENUES				
		Per Pupil Revenue			6,151,890	5,572,004
		Mill Levy Override			1,338,759	1,260,252
		Interest			9,331	687
		Other			18,471	22,552
		Unrestricted State Aid			37,851	7,912
		SPECIAL ITEM				
		Capital Contribution from the District			1,841,421	-
		TOTAL GENERAL REVENUES			9,397,723	6,863,407
		CHANGE IN NET POSITION			4,655,741	765,175
		NET POSITION, Beginning			(11,813,122)	(12,578,297)
		NET POSITION, Ending			$ (7,157,381)	$ (11,813,122)

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

LINCOLN ACADEMY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	TOTALS 2020	TOTALS 2019
ASSETS		
Cash and Investments	$ 2,637,549	$ 2,311,306
Restricted Cash and Investments	999,022	1,002,153
Deposits	16,439	16,439
TOTAL ASSETS	$ 3,653,010	$ 3,329,898
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	$ 120,016	$ 137,080
Accrued Salaries and Benefits	349,659	289,478
Unearned Revenues	12,830	18,755
TOTAL LIABILITIES	482,505	445,313
FUND BALANCES		
Restricted for Emergencies	204,456	204,283
Restricted for Debt Service	794,566	797,870
Restricted for Construction	1,841,421	-
Unassigned	330,062	1,882,432
TOTAL FUND BALANCES	3,170,505	2,884,585
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.	11,241,566	9,576,708
Long-term liabilities and related assets are not due and payable in the current period and, therefore, are not reported in the funds. This amount is comprised of the building lease ($6,645,000) and accrued interest ($97,709), and bond discount $53,268, and deferred loss on refunding $121,452.	(6,567,989)	(7,109,661)
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 liability includes net pension liability ($9,434,303), net OPEB liability ($463,882), deferred outflows related to pensions and OPEB $1,426,538 and deferred inflows related to pensions and OPEB ($6,529,816).	(15,001,463)	(17,164,754)
Net position of governmental activities	$ (7,157,381)	$ (11,813,122)

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

LINCOLN ACADEMY

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2020

	GENERAL FUND	
	2020	2019
REVENUES		
Local Sources	$ 7,765,178	$ 7,309,003
State Sources	390,430	397,211
TOTAL REVENUES	8,155,608	7,706,214
EXPENDITURES		
Current		
Instruction	3,677,892	4,572,286
Supporting Services	3,134,764	1,915,939
Capital Outlay	201,834	252,055
Debt Service		
Principal	545,055	612,491
Interest	310,143	355,893
TOTAL EXPENDITURES	7,869,688	7,708,664
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	285,920	(2,450)
FUND BALANCES, Beginning	2,884,585	2,887,035
FUND BALANCES, Ending	$ 3,170,505	$ 2,884,585

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

LINCOLN ACADEMY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Net Changes in Fund Balances - Total Governmental Funds	$ 285,920
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay $2,043,255 exceeded depreciation expense $378,397, for the current year.	1,664,858
Some expenses reported in the statement of activities do not require current financial resources and are not reported in the funds. These include bond payments of $165,000, loan payments of $380,055 amortization of bond discount ($2,316) and amortization of loss on refunding ($1,067).	541,672
Deferred charges related to pensions are not recognized in the govermental funds. However, for the government-wide funds that amount is capitalized and amortized.	2,163,291
Change in Net Position of Governmental Activities	$ 4,655,741

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

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

The Lincoln Academy (the "Academy") was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Jefferson County School District No. R-1 of the State of Colorado.

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.

The Academy includes the Lincoln Academy Building Corporation (the "Building Corporation") within its reporting entity. The Building Corporation was formed to support and assist the Academy to perform its function and to carry out its purpose, specifically to assist in the financing of the Academy's facilities. The Building Corporation is included in the Academy's General Fund. Separate financial statements are not available for this entity. The Academy is a component unit of Jefferson County School District No. R-1.

Government-Wide and Fund Financial Statements

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

NOTE 1: ***<u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u>*** (Continued)

Government-Wide and Fund Financial Statements

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to students or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted intergovernmental revenues not properly included among program revenues are reported instead as general revenues. Major individual governmental funds are reported in separate columns in the fund financial statements.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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.

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

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

The Academy reports the following major governmental funds:

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

Assets, Liabilities and Fund Balance/Net Position

Investments – Investments are recorded at fair value.

Capital Assets – Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the 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. Capital Assets are depreciated using the straight line method over an estimated useful life of 30 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. 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.

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

NOTE 1: ***<u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u>*** (Continued)

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

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

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

- <u>Net Investment in Capital Assets</u> includes the Academy's capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds that are attributable to the acquisition, construction, or improvement of those assets.

- <u>Restricted Net Position</u> includes assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. The Academy typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.

- <u>Unrestricted Net Position</u> typically includes unrestricted liquid assets. The Board has the authority to revisit or alter this designation.

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:

- <u>Restricted</u> – 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 and funds held in the Building Corporation as being restricted because their use is restricted by State Statute for declared emergencies, and debt service.

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

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

- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Academy did not have any committed resources as of June 30, 2020.

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

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

Compensated Absences

The Academy's policy allows full time administrative employees to accumulate sick leave at a rate ranging from 9 to 10 days per year, depending on the employee's position. Accrued sick leave in excess of one year is paid in June of each year at a rate of $100 per day. Upon termination of employment, full time administrative employees are paid for their accrued sick leave. Due to immateriality, the amount was not reported as a liability on the Academy's statement of net position. Should the amount become material in future years, a liability will be recorded on the Academy's financial statements.

Risk Management

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

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

Comparative Data

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

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

Budgets and Budgetary Accounting

A budget is adopted for 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***

A reconciliation of the cash and investment components on the balance sheet to the cash and investments categories in this footnote are as follows:

Petty Cash	$ 700
Pooled Cash with the District	2,841,305
Investments	794,566
Total Cash and Investments	**$ 3,636,571**

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

Cash and Investments are reported in the financial statements as follows:

Cash and Investments	$ 2,637,549
Restricted Cash and Investments	999,022
Total	**$ 3,636,571**

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, 2020, 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.

The Academy has no deposits at June 30, 2020.

Pooled Cash with the District

Cash deposits are pooled with the District cash and investments which were held by several banking institutions. Pooled investments represent investments in local government investment pools or in money market funds. At June 30, 2020 the Academy's balance in equity in both restricted and unrestricted pooled cash of the District totaled $2,841,305.

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

Investments

Interest Rate Risk

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

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 and securities of the World Bank
- General obligation and revenue bonds of U.S. local government entities
- Certain certificates of participation
- Certain securities lending agreements
- Bankers' acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

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

Interest Rate and Credit Risk Policies

The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, or a formal policy to limit credit risk. However, they follow state statutes regarding investments.

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

Investments (Continued)

Fair Value

The District 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

State statutes limit investments in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by a nationally recognized statistical rating organization ("NRSROs").

At June 30, 2020, the School had $794,566 invested in money market funds. The funds invest only in U.S. Treasury obligations and is rated AAAm by Standard and Poor's. These investments were valued with Level 1 inputs.

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

Restricted Cash and Investments

Cash and Investments of $794,566 are restricted in the Building Corporation Fund for project costs and bond reserves. Cash in the amount of $204,456 is also restricted in the General Fund as an emergency reserve related to the TABOR amendment.

NOTE 4: ***CAPITAL ASSETS***

Capital Assets activity for the year ended June 30, 2020 is summarized below.

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
Governmental Activities				
Capital Assets, not depreciated				
Land	$ 2,685,452	$ -	$ -	$ 2,685,452
Construction in Progress	242,199	1,856,742	242,199	1,856,742
Total Capital Assets, not depreciated	2,927,651	1,856,742	242,199	4,542,194
Capital Asset, depreciated				
Building	8,241,149	422,322	-	8,663,471
Machinery and Equipment	92,371	6,390	-	98,761
Vehicles	12,500	-	-	12,500
Total Capital Assets, depreciated	8,346,020	428,712	-	8,774,732
Accumulated Depreciation				
Building	1,614,128	373,490	-	1,987,618
Machinery and Equipment	80,335	2,407	-	82,742
Vehicles	2,500	2,500	-	5,000
Total Accumulated Depreciation	1,696,963	378,397	-	2,075,360
Capital Assets, depreciated, net	6,649,057	50,315	-	6,699,372
Total Capital Assets	$ **9,576,708**	$ **1,907,057**	$ **(242,199)**	$ **11,241,566**

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

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

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from August to July but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, as of June 30, 2020, were $349,659. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements of the General Fund.

NOTE 6: *LONG-TERM DEBT*

Following is a summary of the Academy's long-term debt transactions for the year ended June 30, 2020:

	Balance June 30, 2019	Additions	Payments	Balance June 30, 2020	Due In One Year
Series 2013 Bonds	$ 6,810,000	$ -	$ 165,000	$ 6,645,000	$ 170,000
Series 2013 Discount	(55,584)	-	(2,316)	(53,268)	-
Note Payable	380,055	-	380,055	-	-
Total	**$ 7,134,471**	**$ -**	**$ 542,739**	**$ 6,591,732**	**$ 170,000**

2013 Bonds Payable

In April, 2013, the Colorado Educational and Facilities Authority (CECFA) issued $5,690,000 Charter School Revenue Bonds, Series 2013A and $1,965,000 Charter School Refunding Revenue Bonds Series 2013B. Series 2013A was issued to purchase the Corporation's new facility. The bonds accrue interest at rates ranging from 3.5% to 5.0%. Series 2013B was issued to fully refund the 2005 Charter School Revenue Refunding Bonds. Series 2013B accrues interest ranging from 2.335% to 4.55% Interest payments are due semi-annually on March 1 and September 1. Principal payments are due annually on March 1, through 2043 for Series 2013A and 2026 for Series 2013B.

The Academy is obligated under a lease agreement to make monthly lease payments to the Building Corporation for use of the facilities. The Building Corporation is obligated under the loan agreement to make similar payments to the trustee, for payment of the bonds.

Note Payable

In October 2016, the Academy entered into a loan agreement with CSDCPC TRCS, LLC in the amount of $1,350,000. The purpose of the loan was to assist the Academy in the acquisition, construction and completion of improvements and installation of modular buildings and other equipment. The loan accrues 5.4% interest. Principal and Interest payments are due monthly on the last day of the month. The loan is secured by real property owned by the Academy. The loan was paid in full in June 2020.

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

Future debt service requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
2021	$ 170,000	$ 293,128	$ 463,128
2022	180,000	285,393	465,393
2023	190,000	277,203	467,203
2024	195,000	268,558	463,558
2025	205,000	259,685	464,685
2026 – 2030	1,180,000	1,167,620	2,347,620
2031 – 2035	1,435,000	914,100	2,349,100
2036 – 2040	1,795,000	560,500	2,355,500
2041 – 2043	1,295,000	122,825	1,417,825
Total	**$ 6,645,000**	**$ 4,149,010**	**$ 10,794,010**

NOTE 7: ***DEFINED BENEFIT PENSION PLAN***

Summary of Significant Accounting Policies

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

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to certain benefit provisions. Some, but not all, of these changes were in effect as of June 30, 2020.

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

General Information about the Pension Plan

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

Benefits provided as of December 31, 2019. 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 percent and then multiplied by years of service credit.

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

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

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.

- $15 times the first 10 years of service credit plus $20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

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

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

General Information about the Pension Plan (Continued)

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

As of December 31, 2019, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S., once certain criteria are met. Pursuant to SB 18-200, the annual increase for 2019 is 0.00 percent for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007, and all benefit recipients of the DPS benefit structure will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S. § 24-51-413.

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

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

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

Contributions provisions as of June 30, 2020: Eligible employees of, the School and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413.

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

General Information about the Pension Plan (Continued)

Eligible employees are required to contribute 8.75 percent of their PERA-includable salary during the period of July 1, 2019 through June 30, 2020. Employer contribution requirements are summarized in the table below:

	July 1, 2019 Through June 30, 2020
Employer contribution rate	10.40%
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	9.38%
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	**19.38%**

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

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

Subsequent to the SCHDTF's December 31, 2019, measurement date, HB 20-1379 *Suspend Direct Distribution to PERA Public Employees Retirement Association for 2020-21 Fiscal Year*, was passed into law during the 2020 legislative session and signed by Governor Polis on June 29, 2020. This bill suspends the July 1, 2020, $225 million direct distribution allocated to the State, School, Judicial, and DPS Divisions, as required under Senate Bill 18-200.

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from The School were $783,918 for the year ended June 30, 2020.

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

General Information about the Pension Plan (Continued)

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

The net pension liability for the SCHDTF was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total pension liability to December 31, 2019. The School's proportion of the net pension liability was based on the School's contributions to the SCHDTF for the calendar year 2019 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2020, the School reported a liability of $9,434,303 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the School as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the School were as follows:

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

The School's proportionate share of the net pension liability	$ 9,434,303
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the School.	$ 1,196,621
Total	**$ 10,630,924**

At December 31, 2019, the School's proportion was 0.0631 percent, which was a decrease of 0.00046 percent from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the School recognized pension income of $1,352,984 and revenue of $37,851 for support from the State as a nonemployer contributing entity.

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

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

At June 30, 2020, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 514,176	N/A
Changes of assumptions or other inputs	$ 269,335	$ 4,279,310
Net difference between projected and actual earnings on pension plan investments	N/A	$ 1,117,587
Changes in proportion and differences between contributions recognized and proportionate share of contributions	$ 206,139	$ 1,040,874
Contributions subsequent to the measurement date	$ 399,168	N/A
Total	**$ 1,388,818**	**$ 6,437,771**

$399,168 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, 2021. 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,	
2021	($ 3,023,869)
2022	($ 2,094,059)
2023	$ 49,977
2024	($ 380,170)

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

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

Actuarial assumptions. The total pension liability in the December 31, 2018 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

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

[1] For 2019, the annual increase was 0.00 percent.

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

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

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

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

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

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

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

The actuarial assumptions used in the December 31, 2018, valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the SCHDTF, 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 percentage and then adding expected inflation.

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

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

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income – Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	**100.00%**	

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 rate of return assumption of 7.25 percent.

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 percent.

- 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 the additional 0.50 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

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

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

- 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 the additional 0.50 percent, resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- As specified in law, the State provides an annual direct distribution of $225 million, which commenced 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 fiduciary net position, 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 fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

- The projected benefit payments reflect the lowered annual increase cap, from 1.50 percent to 1.25 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020.

- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates the SCHDTF's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

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

The discount rate determination does not use the municipal bond rate, and therefore, the discount rate is 7.25 percent.

There was no change in the discount rate from the prior measurement date.

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	$ 12,511,906	$ 9,434,303	$ 6,850,387

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

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

Summary of Significant Accounting Policies

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

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

General Information about the OPEB Plan

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

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

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

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

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

General Information about the OPEB Plan (Continued)

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

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

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

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

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

General Information about the OPEB Plan (Continued)

Contributions. Pursuant to Title 24, Article 51, Section 208(1) (f) of the C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02 percent of PERA-includable salary into the HCTF. Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the School were $40,372 for the year ended June 30, 2020.

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

At June 30, 2020, the School reported a liability of $463,882 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2019. The School's proportion of the net OPEB liability was based on the School's contributions to the HCTF for the calendar year 2019 relative to the total contributions of participating employers to the HCTF.

At December 31, 2019, the School's proportion was 0.04127 percent, which was a decrease of 0.00008 percent from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the School recognized OPEB expense of $14,343.

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

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

At June 30, 2020, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 1,539	$ 77,949
Changes of assumptions or other inputs	$ 3,848	N/A
Net difference between projected and actual earnings on OPEB plan investments	N/A	$ 7,743
Changes in proportion and differences between contributions recognized and proportionate share of contributions	$ 11,234	$ 6,353
Contributions subsequent to the measurement date	$ 21,009	N/A
Total	**$ 37,720**	**$ 92,045**

$26,151 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, 2021. 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,	
2021	($ 15,555)
2022	($ 15,879)
2023	($ 13,637)
2024	($ 16,585)
2025	($ 12,907)
Thereafter	($ 771)

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

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

Actuarial assumptions. The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.60 percent in 2019, gradually decreasing to 4.50 percent in 2029
Medicare Part A premiums	3.50 percent in 2019, gradually increasing to 4.50 percent in 2029
DPS benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

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

The actuarial assumptions used in the December 31, 2018, valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as discussed below.

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

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

In determining the additional liability for PERACare enrollees who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following monthly costs/premiums are assumed for 2019 for the PERA Benefit Structure:

Medicare Plan	Cost for Members Without Medicare Part A	Premiums for Members Without Medicare Part A
Medicare Advantage/Self-Insured Prescription	$601	$240
Kaiser Permanente Medicare Advantage HMO	605	237

The 2019 Medicare Part A premium is $437 per month.

In determining the additional liability for PERACare enrollees in the PERA Benefit Structure who are age sixty-five or older and who are not eligible for premium-free Medicare Part A, the following chart details the initial expected value of Medicare Part A benefits, age adjusted to age 65 for the year following the valuation date:

Medicare Plan	Cost for Members Without Medicare Part A
Medicare Advantage/Self-Insured Prescription	$562
Kaiser Permanente Medicare Advantage HMO	571

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

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

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

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2018, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

Year	PERACare Medicare Plans	Medicare Part A Premiums
2019	5.60%	3.50%
2020	8.60%	3.50%
2021	7.30%	3.50%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	3.75%
2025	5.30%	4.00%
2026	5.10%	4.00%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029+	4.50%	4.50%

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

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

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

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

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

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

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

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

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

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

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

The following health care costs assumptions were updated and used in the measurement of the obligations for the HCTF:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2019 plan year.

- The morbidity assumptions were updated to reflect the assumed standard aging factors.

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

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

- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the HCTF, 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 percentage and then adding expected inflation.

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S. Equity – Large Cap	21.20%	4.30%
U.S. Equity – Small Cap	7.42%	4.80%
Non U.S. Equity – Developed	18.55%	5.20%
Non U.S. Equity – Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income – Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	**100.00%**	

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

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

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 rate of return assumption of 7.25 percent.

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	4.60%	5.60%	6.60%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	**$ 452,863**	**$ 463,882**	**$ 476,616**

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2019, 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 3.50 percent.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.

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

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

- 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.

- Benefit payments and contributions were assumed to be made at the middle of the year.

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	**$ 524,512**	**$ 463,882**	**$ 412,031**

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

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

Claims and Judgments

The Academy participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Academy may be required to reimburse the grantor government. As of June 30, 2020, 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, 2020, the reserve of $204,456 was recorded as a reservation of fund balance in the General Fund. The District also holds $204,456 in pooled cash on behalf of the Academy for this reserve.

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

The net position of the governmental activities is in a deficit position of $7.157.381 due to the Academy including its Net Pension Liability per the requirements of GASB Statement No. 68.

NOTE 11: ***SUBSEQUENT EVENTS***

Potential subsequent events were considered through November 11, 2020. It was determined that the following event is required to be disclosed through this date.

Covid-19

As a result of the coronavirus pandemic (COVID-19), economic uncertainties may have economic implications on the financial position, results of operations and cash flows of the Acdemy. The duration of these uncertainties and the ultimate financial effects cannot be estimated at this time.

REQUIRED SUPPLEMENTARY INFORMATION

LINCOLN ACADEMY

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2020

	2020				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2019 ACTUAL
REVENUES					
Local Sources					
Per Pupil Revenue	$ 6,134,629	$ 6,141,666	$ 6,151,890	$ 10,224	$ 5,572,004
Mill Levy Override	1,287,635	1,287,635	1,338,759	51,124	1,260,252
Charges for Services	320,652	300,237	237,762	(62,475)	432,481
Donations	6,500	6,500	8,965	2,465	21,027
Other	40,400	34,400	27,802	(6,598)	23,239
State Sources					
Grants and Donations	290,392	294,353	390,430	96,077	397,211
TOTAL REVENUES	8,080,208	8,064,791	8,155,608	90,817	7,706,214
EXPENDITURES					
Salaries	4,343,126	4,335,926	4,187,965	147,961	3,770,764
Employee Benefits	1,294,828	1,259,502	1,214,456	45,046	1,067,692
Purchased Services	1,333,170	1,342,123	1,186,530	155,593	1,175,239
Supplies and Materials	279,606	280,056	223,705	56,351	474,530
Property	55,000	180,500	201,834	(21,334)	252,055
Debt Service					
Principal	436,991	463,319	545,055	(81,736)	612,491
Interest	338,153	311,826	310,143	1,683	355,893
Contingency Reserve	-	2,085,617	-	2,085,617	-
TOTAL EXPENDITURES	8,080,874	10,258,869	7,869,688	2,389,181	7,708,664
NET CHANGE IN FUND BALANCE	(666)	(2,194,078)	285,920	2,479,998	(2,450)
FUND BALANCE, Beginning	-	2,884,585	2,884,585	-	2,887,035
FUND BALANCE, Ending	$ (666)	$ 690,507	$ 3,170,505	$ 2,479,998	$ 2,884,585

See the accompanying independent auditors' report.

LINCOLN ACADEMY

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

Years Ended December 31,

	2013	2014	2015	2016	2017	2018	2019
School's proportionate share of the Net Pension Liablility	0.0510%	0.0534%	0.0591%	0.0610%	0.0687%	0.0636%	0.0631%
School's proportionate share of the Net Pension Liablility	$ 6,498,334	$ 7,235,543	$ 8,933,027	$ 18,154,879	$ 22,220,588	$ 11,263,180	$ 9,434,303
State of Colorado's Proportionate Share of the Net Pension Liability associated with the School	$ -	$ -	$ -	$ -	$ -	$ 1,540,083	$ 1,196,621
Total portion of the Net Pension Liability associated with the School	$ 6,498,334	$ 7,235,543	$ 8,933,027	$ 18,154,879	$ 22,220,588	$ 12,803,263	$ 10,630,924
School's covered payroll	$ 2,120,532	$ 2,277,130	$ 2,632,144	$ 3,004,450	$ 3,204,976	$ 3,487,340	$ 3,702,501
School's proportionate share of the Net Pension Liablility as a percentage of its covered payroll	306.4%	317.7%	339.4%	604.3%	693.3%	367.1%	287.1%
Plan fiduciary net position as a percentage of the total pension liability	64.07%	62.80%	59.18%	43.10%	43.96%	57.01%	64.52%

Notes:

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

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

See the accompanying independent auditors' report.

LINCOLN ACADEMY

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
SCHOOL DISTRICT TRUST FUND

Years Ended June 30,

	2014	2015	2016	2017	2018	2019	2020
Statutorily required contributions	$ 385,625	$ 440,350	$ 540,515	$ 582,839	$ 628,072	$ 697,646	$ 783,918
Contributions in relation to the Statutorily required contributions	385,625	440,350	540,515	582,839	628,072	697,646	783,918
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School's covered payroll	$ 2,204,736	$ 2,402,608	$ 2,868,448	$ 3,117,939	$ 3,279,616	$ 3,591,870	$ 3,993,291
Contributions as a percentage of covered payroll	17.49%	18.33%	18.84%	18.69%	19.15%	19.42%	19.63%

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

See the accompanying independent auditors' report.

LINCOLN ACADEMY

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

Years Ended December 31,

	2016	2017	2018	2019
School's proportionate share of the Net OPEB Liability	0.0381%	0.0390%	0.0413%	0.0413%
School's proportionate share of the Net OPEB Liability	$ 470,436	$ 507,424	$ 562,529	$ 463,882
School's covered payroll	$ 3,004,450	$ 3,204,976	$ 3,487,340	$ 3,702,501
School's proportionate share of the Net OPEB Liability as a percentage of its covered payroll	604.3%	604.3%	604.3%	798.2%
Plan fiduciary net position as a percentage of the total OPEB Liability	16.72%	17.53%	17.03%	24.49%

Notes:

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

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

See the accompanying independent auditors' report.

LINCOLN ACADEMY

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
HEALTH CARE TRUST FUND

Years Ended June 30,

	2017	2018	2019	2020
Statutorily required contributions	$ 31,803	$ 33,452	$ 36,637	$ 40,732
Contributions in relation to the Statutorily required contributions	31,803	33,452	36,637	40,732
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
School's covered payroll	$ 3,117,939	$ 3,279,616	$ 3,591,870	$ 3,993,291
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%

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

See the accompanying independent auditors' report.