

American Academy
(A Component Unit of Douglas County District RE.1)

Financial Statements

June 30, 2021



American Academy
(A Component Unit of Douglas County School District RE.1)
Table of Contents
June 30, 2021

Independent Auditors' Report	1
Management's Discussion and Analysis	i
Basic Financial Statements	
<i>Government-wide Financial Statements</i>	
Statement of Net Position	3
Statement of Activities	4
<i>Governmental Fund</i>	
Balance Sheet	5
Statement of Revenues, Expenditures and Changes in Fund Balance	6
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities	7
<i>Notes to Financial Statements</i>	8
Required Supplementary Information	
Schedule of Proportionate Share of the Net Pension Liability and Contributions.....	37
Schedule of Proportionate Share of the Net OPEB Liability and Contributions.....	39
Budgetary Comparison Schedule - General Fund.....	40
<i>Notes to Required Supplementary Information</i>	41



**HINKLE &
COMPANY**
Strategic PC
Business Advisors

Independent Auditors' Report

Board of Directors
American Academy
Castle Pines, Colorado

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, and each major fund of the American Academy, a component unit of Douglas County School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the basic financial statements of the American 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.

Auditors' 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 auditors' 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 preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, and each major fund of the American Academy as of June 30, 2021, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information listed in the table of contents 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 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.

Hick & Company, PC

Greenwood Village, Colorado
October 28, 2021.



MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Required Supplementary Information (RSI)

June 30, 2021

The following Management Discussion and Analysis (MD&A) of American Academy financial performance provides a general review of financial activities for the fiscal year ended June 30, 2021. The intent of this narrative overview and analysis is to review the school's financial performance as a whole. Readers should also review Financial Statements, including the Notes to Financial Statements, to expand understanding of the school's financial performance.

American Academy is a high-performing Core Knowledge, pre-kindergarten through eighth grade, public charter school with a special emphasis on science, technology, engineering and math (STEM) and an outstanding visual and performing arts program. For more information on the school, you can visit online at www.aak8.org.

Financial Highlights

The period from July 1, 2020 through June 30, 2021 marks the fifteenth year of operation for American Academy. During 2017/18, American Academy opened a third campus serving students kindergarten through sixth grade. As of June 30, 2021, fund balance for combined campus operations had increased approximately 4% from prior year to reach \$5,804,873. When including GASB Statement No. 68 and related campus facilities, combined total net position as was (\$46,067,116).

Funding provided in the Colorado State School Finance Act is the primary support received for basic school operations. Tax revenue for the year July 1, 2020 – June 30, 2021 decreased by 2% from \$20,637,584 compared with \$20,168,262. The American Academy – Castle Pines, Lincoln Meadows and Motsenbocker campuses currently operate near capacity serving 878, 772 and 882 students, respectively, in 2020/21.

The American Academy - Lincoln Meadows campus opened to serve students in 2017/18 and began operations with 618 students in grades kindergarten through sixth grade. This campus will grow by one grade level per year until the full kindergarten through eighth grade program is established. The American Academy – Lincoln Meadows campus will operate an educational program that mirrors the structure at the Castle Pines and Motsenbocker campuses. In addition, the Lincoln Meadows campus also offers a KindiePrep program that emulates the Motsenbocker campus structure providing service to 126 students during 2020/21.

Overview of Financial Statements

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Required Supplementary Information (RSI)

June 30, 2021

Government-Wide Financial Statements

Government-wide financial statements are prepared to provide interested parties with a broad overview of American Academy's financial reporting in similar format to a private-sector business. The statement of net position presents information related to assets and liabilities, and deferred inflows and outflows, and remaining net position. With historical data, increases or decreases in net position may serve as a useful indicator of whether the financial position of the school is weakening or improving.

The statement of activities, or income statement, presents information showing how American Academy's net position changed during the year. Change to net position is reported at the primary occurrence, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future periods (for example, salaries and benefits earned but unpaid as of fiscal year end).

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of American Academy, liabilities and deferred inflows exceeded assets and deferred outflows by \$46,067,116 at the close of the most recent fiscal year. The negative balance is due primarily to the adoption of GASB Statement No. 68 & 75, resulting in a net pension/OPEB liability of \$37,904,849, representing the school's proportionate share of the plan's net pension liability.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives, as designated by Colorado state statute. American Academy monitors these funds to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements, except that the focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources.

American Academy adopts an annual budget for the general fund. A budgetary comparison has been provided to demonstrate compliance with the budget as part of the required supplementary information included in the audited financial statements.

The AA Building Corporation II is considered to be a blended component unit of American Academy and is reported as a special revenue fund. Information is presented in the statement of net position, statement of revenues, expenses and changes in net position and the statement of cash flows.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Required Supplementary Information (RSI)

June 30, 2021

Notes to Financial Statements

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

Government-Wide Financial Analysis

Table I: Net Position

	2021 Governmental Activities	2020 Governmental Activities	2020 Business Type Activities
ASSETS			
Capital Assets, Net	\$ 49,014,887		\$ 50,343,105
Other Assets	\$ 11,445,698	\$ 8,007,993	\$ 4,374,238
Total Assets	\$ 60,460,585	\$ 8,007,993	\$ 54,717,343
DEFERRED OUTFLOWS OF RESOURCES, as restated			
Pensions, Net of Accumulated Amortization	\$ 14,412,431	\$ 7,663,606	
OPEB, Net of Accumulated Amortization	\$ 351,303	\$ 356,454	
Loss on Debt Refunding	\$ 916,306		\$ 1,068,920
Total Deferred Outflows	\$ 15,680,040	\$ 8,020,060	\$ 1,068,920
LIABILITIES			
Long Term Liabilities	\$ 64,620,902	\$ 286,286	\$ 64,589,748
Net Pension Liability	\$ 36,575,767	\$ 30,883,959	\$ -
Net OPEB Liability	\$ 1,329,082	\$ 1,518,578	\$ -
Other Liabilities	\$ 4,048,493	\$ 2,609,020	\$ 233,565
Total Liabilities	\$ 106,574,244	\$ 35,297,843	\$ 64,823,313
DEFERRED INFLOWS OF RESOURCES, as restated			
Pensions, Net of Accumulated Amortization	\$ 14,199,228	\$ 18,205,682	\$ -
OPEB, Net of Accumulated Amortization	\$ 1,434,269	\$ 1,768,259	\$ -
Total Deferred Inflows	\$ 15,633,497	\$ 19,973,941	\$ -
NET POSITION			
Net Investment in Capital Assets	\$ 14,221,172	\$ -	\$ (14,246,643)
Non-spendable	\$ 188,971		
Restricted for Debt Service	\$ 4,207,682	\$ -	\$ 3,921,157
Restricted for Repair & Replace		\$ -	
Restricted for Emergencies	\$ 900,000	\$ 900,000	
Unrestricted	(65,584,941)	(40,143,731)	\$ 1,288,436
Total Net Position	\$ (46,067,116)	\$ (39,243,731)	\$ (9,037,050)

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Required Supplementary Information (RSI)

June 30, 2021

For the year ended June 30, 2021, the governmental activities net position of American Academy was recognized as (\$46,067,116) due to the adoption of GASB Statement No. 68 & 75 that created a net pension liability/OPEB of \$37,904,849. Including the net pension liability, the school acknowledged (\$65,584,941) in unrestricted funds and \$900,000 to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. For the Building Corp., \$14,221,172 was the net investment in capital assets, \$4,207,682 was restricted for debt service. The Foundation recognized total net position of \$57,199 in unrestricted funds.

Table II: Change in Net Position

	2021	2020	2021	2020
	Governmental Activities	Governmental Activities	Foundation	Foundation
REVENUES				
General Revenues				
Per Pupil Revenues	\$ 20,168,262	\$ 20,637,584		
District Mill Levy	\$ 3,045,561	\$ 2,961,528		
Capital Construction Funding	\$ 779,400	\$ 706,188		
Grants and Contributions not restricted to specific programs	\$ 1,279,913	\$ 731,590	\$ 16,651	\$ 11,588
Investment Earnings	\$ 72,655	\$ 127,023		\$ 30
Other	\$ 803,882	\$ 72,004		
Transfers		\$ 9,206		\$ (9,206)
Total Revenue	\$ 26,149,673	\$ 25,245,123	\$ 16,651	\$ 2,412
Charges for Services				
Charges for Services	\$ 4,913,125	\$ 3,185,113		
Op. Grants and Contributions	\$ 205,745	\$ 1,287,819		
	\$ 5,118,870	\$ 4,472,932		
EXPENSES				
Instruction	\$ 9,925,545	\$ 7,094,818		
Supporting Services	\$ 19,129,333	\$ 8,532,597		
Building Corporation		\$ 5,853,395		
Foundation			\$ 2,050	\$ 6,228
Prior Period Adjustments				
Total Expenses	\$ 29,054,878	\$ 21,480,810	\$ 2,050	\$ 6,228
Change in Net Position	\$ 2,213,665	\$ 8,237,245	\$ 14,601	\$ (3,816)
Net Position, Beginning, as restated	\$ (48,280,781)	\$ (56,518,026)	\$ 42,598	\$ 46,414
Net Position, Ending	\$ (46,067,116)	\$ (48,280,781)	\$ 57,199	\$ 42,598

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Required Supplementary Information (RSI)

June 30, 2021

Fund Financial Analysis

General Fund

During 2020/21, PPR funding decreased 2% overall due state level decrease directly impacted by Covid-19. Mill Levy revenue increased 3% due to the student count decrease; the voter approved Mill Levy override also contributed significantly to this increase. Contributions decreased 75% compared with the prior year due to timing of distributions from the PTO organizations that support each campus and the unknown future due to Covid-19. Tuition and fees increased 24% compared with prior year as a result of reimbursements due to going remote for Covid-19 from FY 20. Facility Rental income increased by 84%.

Expenditures - Total expenditures for the period of July 1, 2020 – June 30, 2021 were \$28,200,656, a 5% decrease from prior year. Salaries recognized a 10% increase and benefit costs a 22% decrease as a result of hiring to accommodate third campus staffing and modest raises for all employees. Salaries also increased relative to the increased income for American Academy Extracurricular programs. Benefits decreased as a result of re-negotiated benefit plans combined with annual increases to statutory contributions to the Public Employees' Retirement Association of Colorado (PERA) and increases to health, dental and vision premiums for employees along with plan utilization rates.

Purchased services decreased 14% to support operations at the three campus locations; The decrease was due to adjustments in the decrease in state aid. Materials and supplies decreased 10%; property expenditures decreased 14%; and other expenses decreased 33%.

Net Change in Fund Balance – As of June 30th, 2021 the American Academy General Fund recorded net change in fund balance of \$208,966.

AA Building Corporation II

During 2020/21, the AA Building Corporation II continued to hold the debt issuance for the American Academy campus facility issuances.

Revenues – Total gross revenues for the period of July 1, 2020 – June 30, 2021 were \$2,832,282. This included investment income, contributions and lease payments from the General Fund based on the facility purchase agreements.

Expenses - Total expenses for the period of July 1, 2020 – June 30, 2021 were \$3,071,549. Interest expense was recognized as \$2,863,832. Depreciation expense was \$1,524,921 for this fiscal year; purchased service costs totaled \$11,006 for cash management fees and the site lease expense.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Required Supplementary Information (RSI)

June 30, 2021

Change in Net Position – As of June 30th, 2021 AA Building Corporation II recorded a decrease in net position of (\$42,556) and ending net position of (\$4,331,682). It is anticipated that the negative balance will be eliminated over time as debt is paid.

Analysis of Significant Budget Variations: General Fund

The adopted budget for the American Academy General Fund was approved April of 2019 for the 2020/21 school year. The adopted budget is reviewed in detail by school administration and the Board of Directors in the spring with specific effort to correlate the budget with the strategic plan for the subsequent school year. Assumptions such as projected student count, per pupil revenue and hiring decisions are not finalized at the time the adopted budget is approved. American Academy reviewed and revised all key revenue and expense considerations for the final budget adoption in the fall of 2020.

The actual activity for 2020/21 acknowledged variances from the final budget amounts approved for all major budget categories. Salaries were 99% of budget (\$149,031 less than budget); benefits were 93% (\$372,561 less than budget); purchased services were 99% (\$81,398 less than budget); materials and supplies were 87% (\$124,429 more than budget); property was 96% (\$44,727 less than budget); and other objects were 87% (\$38,198 less than budget). There are no known variations that are expected to have a significant effect on future services or liquidity.

Capital Assets and Debt Administration

Capital assets - American Academy's capital assets as of June 30, 2021 amount to \$49,014,887 net of accumulated depreciation. These assets account for land, buildings and equipment and furniture for the Castle Pines, Motsenbocker and Lincoln Meadows facilities.

Long-term debt - As of June 30, 2021, American Academy had outstanding debt of \$64,620,902. This amount includes the balances of the CECFA issuance for Castle Pines, Motsenbocker and Lincoln Meadows and the technology leases in place to support the school One-to-One computer program.

Additional information on capital assets and long-term debt is provided in Notes 4 and 5 to the financial statements.

Economic Factors and Next Year's Budget

The primary factor driving the budget for American Academy is the future of the Colorado state budget and related Per Pupil Revenue (PPR) for K-12 education. American Academy regularly reviews projected plans for PPR funding and budget impact. Many budget scenarios and operation plans have been developed to analyze options to respond to state decisions. Student count changes across the three campus locations, facility financing costs and additional considerations specific to the new facility growth were all considered in the strategic budgeting projections for 2020/21 through 2024/25.

MANAGEMENT'S DISCUSSION AND ANALYSIS (MD&A)

Required Supplementary Information (RSI)

June 30, 2021

Requests for Information

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

American Academy
6971 Mira Vista Lane
Castle Pines, CO 80108

Basic Financial Statements

American Academy
(A Component Unit of Douglas County School District RE.1)
Statement of Net Position
June 30, 2021

	Governmental Activities	Component Unit Foundation
Assets		
Cash and Investments	\$ 6,942,014	\$ 57,199
Restricted Cash and Investments	4,207,682	-
Accounts Receivable	107,031	-
Prepaid Expenses	188,971	-
Capital Assets, <i>Not Being Depreciated</i>	3,657,167	-
Capital Assets, <i>Net of Accumulated Depreciation</i>	45,357,720	-
Total Assets	60,460,585	57,199
Deferred Outflows of Resources		
Pensions, <i>Net of Accumulated Amortization</i>	14,412,431	-
OPEB, <i>Net of Accumulated Amortization</i>	351,303	-
Loss on Debt Refunding, <i>Net of Accumulated Amortization</i>	916,306	-
Total Deferred Outflows of Resources	15,680,040	-
Liabilities		
Accounts Payable	68,375	-
Accrued Salaries and Benefits	1,099,303	-
Unearned Revenues	141,465	-
Accrued Interest Payable	2,739,350	-
Noncurrent Liabilities		
Due Within One Year	290,358	-
Due in More Than One Year	64,330,544	-
Net Pension Liability	36,575,767	-
Net OPEB Liability	1,329,082	-
Total Liabilities	106,574,244	-
Deferred Inflows of Resources		
Pensions, <i>Net of Accumulated Amortization</i>	14,199,228	-
OPEB, <i>Net of Accumulated Amortization</i>	1,434,269	-
Total Deferred Inflows of Resources	15,633,497	-
Net Position		
Net Investment in Capital Assets	14,221,172	-
Nonspendable		
Prepaid Expenditures	188,971	-
Restricted for:		
Emergencies	900,000	-
Debt Service	4,207,682	-
Unrestricted	(65,584,941)	57,199
Total Net Position	\$ (46,067,116)	\$ 57,199

American Academy
(A Component Unit of Douglas County School District RE.1)
Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position	Component Unit Foundation
		Charges for Services	Operating Grants and Contributions		
Primary Government					
<i>Governmental Activities</i>					
Instruction	\$ 9,925,545	\$ 1,997,156	\$ 205,745	\$ (7,722,644)	\$ -
Supporting Services	19,129,333	2,915,969	-	(16,213,364)	-
Total Governmental Activities	\$ <u>29,054,878</u>	\$ <u>4,913,125</u>	\$ <u>205,745</u>	<u>(23,936,008)</u>	-
Component Unit					
Foundation	\$ <u>2,050</u>	\$ -	\$ -	-	<u>(2,050)</u>
General Revenues					
Per Pupil Revenue				20,168,262	-
District Mill Levy				3,045,561	-
Capital Construction				779,400	-
Grants and Contributions Not Restricted to Specific Programs				1,279,913	16,651
Investment Income				72,655	-
Other				803,882	-
Total General Revenues and Transfers				<u>26,149,673</u>	<u>16,651</u>
Change in Net Position				2,213,665	14,601
Net Position, Beginning of year				<u>(48,280,781)</u>	<u>42,598</u>
Net Position, End of year				\$ <u>(46,067,116)</u>	\$ <u>57,199</u>

American Academy
(A Component Unit of Douglas County School District RE.1)
Balance Sheet
Governmental Fund

	General	Building	Total
Assets			
Cash and Investments	\$ 6,942,014	\$ -	\$ 6,942,014
Restricted Cash and Investments	-	4,207,682	4,207,682
Accounts Receivable	107,031	-	107,031
Prepaid Expenditures	64,971	124,000	188,971
 Total Assets	 \$ 7,114,016	 \$ 4,331,682	 \$ 11,445,698
Liabilities and Fund Balance			
<i>Liabilities</i>			
Accounts Payable	\$ 68,375	\$ -	\$ 68,375
Accrued Salaries and Benefits	1,099,303	-	1,099,303
Unearned Revenues	141,465	-	141,465
Total Liabilities	1,309,143	-	1,309,143
 <i>Fund Balance</i>			
Nonspendable			
Prepaid Expenditures	64,971	124,000	188,971
Restricted for			
Emergencies	900,000	-	900,000
Debt Service	-	4,207,682	4,207,682
Unrestricted, Unassigned	4,839,902	-	4,839,902
Total Fund Balance	5,804,873	4,331,682	10,136,555
 Total Liabilities and Fund Balance	 \$ 7,114,016	 \$ 4,331,682	 \$ 11,445,698

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Total Fund Balance of the Governmental Fund	\$ 10,136,555
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	49,014,887
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds:	
Loss on Debt Refunding, Net of Accumulated	916,306
Accrued Interest Payable	(2,739,350)
Capital leases	(468,537)
Long Term Debt	(64,152,365)
Net pension liability	(36,575,767)
Pension-related deferred outflows of resources	14,412,431
Pension-related deferred inflows of resources	(14,199,228)
Net OPEB liability	(1,329,082)
OPEB-related deferred outflows of resources	351,303
OPEB-related deferred inflows of resources	(1,434,269)
Total Net Position of Governmental Activities	\$ (46,067,116)

American Academy
(A Component Unit of Douglas County School District RE.1)
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2021

	General	Building	Total
Revenues			
Local Sources	\$ 26,331,364	\$ 2,832,282	\$ 29,163,646
State Sources	985,145	-	985,145
Federal Sources	1,119,752	-	1,119,752
Total Revenues	28,436,261	2,832,282	31,268,543
Expenditures			
Instruction	13,609,537	-	13,609,537
Supporting Services	14,591,119	207,709	14,798,828
Debt Service			
Interest	-	2,863,832	2,863,832
Total Expenditures	28,200,656	3,071,541	31,272,197
Excess of Revenues Over Expenditures	235,605	(239,259)	(3,654)
Other Financing Sources			
Transfers In (Out)	(196,703)	196,703	-
Lease proceeds	170,064	-	170,064
Total Other Financing Sources (Uses)	(26,639)	196,703	170,064
Net Change in Fund Balance	208,966	(42,556)	166,410
Fund Balance, Beginning of year	5,595,907	4,374,238	9,970,145
Fund Balance, End of year	\$ 5,804,873	\$ 4,331,682	\$ 10,136,555

American Academy
(A Component Unit of Douglas County School District RE.1)
 Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
 of the Governmental Fund to the Statement of Activities
 For the Year Ended June 30, 2021

**Amounts Reported for Governmental Activities in the
 Statement of Activities are Different Because:**

Net Change in Fund Balance of the Governmental Fund	\$	166,410
<p>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.</p>		
Capital Outlays		196,703
Depreciation		(1,524,921)
<p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities. Repayments of debt principal are expenditures in governmental funds, but they reduce long-term liabilities in the statement of net position and do not affect the statement of activities.</p>		
Capital lease payments		622,130
Capital lease proceeds		(170,064)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This includes changes in the following:</p>		
Amortization of Loss on Refunding		(152,614)
Change in accrued interest		(2,505,785)
Amortization of Bond Premium		
Net pension liability		(5,691,808)
Pension-related deferred outflows of resources		6,748,826
Pension-related deferred inflows of resources		4,006,454
Net OPEB liability		189,496
OPEB-related deferred outflows of resources		(5,151)
OPEB-related deferred inflows of resources		333,989
		333,989
Change in Net Position of Governmental Activities	\$	2,213,665

American Academy
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2021

Note 1: Summary of Significant Accounting Policies

The American Academy (the Academy) was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Douglas County School District (the District). The Academy began operations in the Fall of 2005, and currently operates three campuses in Castle Pines and Parker, Colorado.

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the Academy's more significant accounting policies.

Reporting Entity

The financial reporting entity consists of the Academy, organizations for which the Academy is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the Academy. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are part of the Academy. 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 there is a potential for the organization to provide benefits to, or impose financial burdens on, the Academy.

The Academy includes the American Academy Foundation (the Foundation) and the AA Building Corporation II (the Corporation) within its reporting entity. The Foundation was formed exclusively to support the educational program of the Academy through grant applications and other fundraising activities, and for the purpose of holding title to real and personal property and to make same available for use by the Academy and to otherwise provide facilities, equipment, and other physical plant and related support to the Academy. The Corporation was organized exclusively for charitable and educational purposes, but primarily to finance the acquisition and construction of the Academy's education facilities. The Foundation currently performs fundraising activities and is discretely presented in the Academy's financial statements. The Corporation is blended into the financial statements as a Special Revenue Fund. The Foundation and the Corporation do not issue separate financial statements.

The Academy is a component unit of the District. The Academy's charter was authorized by the District and the majority of the Academy's funding is provided by the District.

American Academy
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the Academy and its component units. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The *primary government* is reported separately from the legally separate *component unit* for which the Academy is financially accountable.

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

Major individual funds are reported as 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. Available means collected within the current year or soon enough thereafter to pay liabilities of the current year, not to exceed 60 days. Intergovernmental revenues, grants, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the Academy. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

American Academy
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2021

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 fund:

General Fund - This fund is the general operating fund of the Academy. It is currently used to account for all financial activities of the Academy.

Special Revenue Fund - This fund is used to account for the financial activities of the Building Corporation, including facilities acquisition and construction, and the related debt service.

Assets, Liabilities and Fund Balance/Net Position

Cash Equivalents - For purposes of the statement of cash flows, cash equivalents include investments with original maturities of three months or less.

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

Prepaid Expenses - Certain payments to vendors reflect costs applicable to future years and are reported as prepaid expenses.

Deposits - The Academy has provided a deposit for utilities, refundable after three years of service.

Capital Assets - Capital assets, which include land, buildings, and equipment, are reported in the government-wide financial statements and the proprietary fund in the fund financial statements. Capital assets are defined as assets with an initial, individual cost of \$5,000 or more 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 the acquisition value on the date of donation.

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net position in the government-wide financial statements and the proprietary fund in the fund financial statements. Depreciation has been provided over the following estimated useful lives of the capital assets using the straight-line method.

Buildings and Improvements	40 - 45 years
Equipment and Furniture	3 - 10 years

American Academy
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

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

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, are reported as a liability of the General Fund.

Unearned Revenues - Unearned revenues represent resources received by the Academy before it has a legal claim to them, including tuition and fees.

Long-Term Debt - In the government-wide financial statements and the proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Debt premiums, discounts, and accounting losses resulting from debt refunding's are deferred and amortized over the life of the debt using the straight-line method. In the governmental fund financial statements, 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 are reported as other financing uses. Issuance costs are reported as current expenses or expenditures.

Compensated Absences - The Academy's policy allows employees to use eight days of personal leave during each school year. Employees are compensated for any unused leave prior to the end of the fiscal year, at the rate of \$100 per day. Therefore, no liability for compensated absences is reported in the financial statements.

Pensions - The Academy participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position (FNP), and additions to and deductions from the FNP of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Employer contributions are recognized when the compensation is payable to the employees. 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. Most of these changes were in effect as of 2021.

American Academy
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

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

Postemployment Benefits Other Than Pensions (OPEB) - The Academy participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado (PERA). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position (FNP), and additions to and deductions from the FNP of the HCTF's 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.

Net Position/Fund Balance - In the government-wide and fund financial statements, net position and fund balance are restricted when constraints placed on the use of resources are externally imposed. The Board of Directors is authorized to establish a fund balance commitment through passage of a resolution and may assign fund balances to a specific purpose through an informal action.

The Academy has not established a formal policy for its use of restricted and unrestricted fund balances. However, if both restricted and unrestricted fund balances are available for a specific purpose, the Academy uses restricted fund balance first, followed by committed, assigned and unassigned fund balances.

Risk Management

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The Academy purchases commercial insurance for these risks of loss.

Implementation of New Accounting Pronouncements

For the year ended June 30, 2021, the Academy Implemented GASB Statement No. 80 - *Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*. This statement changes Building Corporations of the Academy from a Proprietary Fund to a Special Revenue fund and will be a blended component unit of the Academy.

Prior Period Adjustments

The Building Corporation is part of the Academy for financial reporting purposes because its resources are entirely for the direct benefit of the Academy and is blended into the Academy's financial statements as a Special Revenue Fund. Separate financial statements are not available.

American Academy
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2021

Note 1: Summary of Significant Accounting Policies (Continued)

Prior Period Adjustments (Continued)

The financial impact for the changes in fund effects on the financial statement opening balances of the Special Revenue Fund are summarized as follows:

Building Corporation Fund	As Originally Stated Balance 06/30/20	Capital Assets Adjustments	Loan Payable Adjustments	Interest Payable Adjustments	As Restated Balance 06/30/20
Balance Sheet					
Assets					
Cash	\$ 4,154,722	\$ -	\$ -	\$ -	\$ 4,154,722
Accounts Receivable	91,516	-	-	-	91,516
Prepaid Expense	128,000	-	-	-	128,000
Capital Assets	50,343,105	(50,343,105)	-	-	-
Loss on Debt Refunding, Net	1,068,920	-	(1,068,920)	-	-
Liabilities					
Interest Payable	233,565	-	-	(233,565)	-
Loan Payable	64,589,748	-	(64,589,748)	-	-
Fund Balance	<u>\$ (9,037,050)</u>	<u>\$ (50,343,105)</u>	<u>\$ 63,520,828</u>	<u>\$ 233,565</u>	<u>\$ 4,374,238</u>

Subsequent Events

We have evaluated subsequent events through October 28, 2021, the date the financial statements were available to be issued.

Note 2: Deposits and Investments

At June 30, 2021, cash and investments consisted of the following:

Petty Cash	\$ 200
Deposits	1,924,752
Investments	<u>9,281,943</u>
Total	<u>\$ 11,206,895</u>

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

Cash and Investments	\$ 6,942,014
Restricted Cash and Investments	4,207,682
Foundation Cash	<u>57,199</u>
Total	<u>\$ 11,206,895</u>

American Academy
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2021

Note 2: Deposits and Investments (Continued)

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The 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 uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2021, the Academy had bank deposits of \$1,999,340 collateralized with securities held by the financial institution's agent but not in the Academy's name.

Investments

The Academy is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk.

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

Interest Rate Risk - State statutes generally limit investments to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years.

Credit Risk - State statutes limit certain investments to those with specified ratings from nationally recognized statistical rating organizations, depending on the type of investment.

Concentration of Credit Risk - State statutes do not limit the amount the Academy may invest in one issuer of investment securities, except for corporate securities.

American Academy
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2021

Note 2: Deposits and Investments (Continued)

Investments (Continued)

Local Government Investment Pool - At June 30, 2021, the Academy and the Corporation had \$5,074,261 and \$4,207,682, respectively, invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment trust established for local government entities in Colorado to pool surplus funds for investment purposes. The Colorado Division of Securities administers and enforces the requirements of creating and operating Colotrust. Colotrust operates in conformity with the Securities and Exchange Commission's Rule 2a-7. Colotrust is measured at the net asset value per share, with each share valued at \$1. Colotrust is rated AAAM by Standard and Poor's. Investments of Colotrust are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

Restricted Cash and Investments

At June 30, 2021, the Corporation had investments of \$4,207,682 restricted for future debt service.

Note 3: Capital Assets

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

Governmental Activities	Balance 6/30/20	Additions	Deletions	Balance 6/30/21
<i>Capital Assets, Not Being Depreciated</i>				
Land	\$ 3,657,167	\$ -	\$ -	\$ 3,657,167
Total Capital Assets, Not Being Depreciated	3,657,167	-	-	3,657,167
<i>Capital Assets, Being Depreciated</i>				
Buildings and Improvements	54,487,916	162,120	-	54,650,036
Equipment and Furniture	2,014,726	34,583	-	2,049,309
Total Capital Assets, Being Depreciated	56,502,642	196,703	-	56,699,345
<i>Less Accumulated Depreciation</i>				
Building and Improvements	(8,849,837)	(1,376,728)	-	(10,226,565)
Equipment and Furniture	(966,867)	(148,193)	-	(1,115,060)
Total Accumulated Depreciation	(9,816,704)	(1,524,921)	-	(11,341,625)
Total Capital Assets, Being Depreciated, net	46,685,938	(1,328,218)	-	45,357,720
Governmental Activities Capital Assets, net	\$ 50,343,105	\$ (1,328,218)	\$ -	\$ 49,014,887

American Academy
 (A Component Unit of Douglas County School District RE.1)
 Notes to Financial Statements
 June 30, 2021

Note 4: Long-Term Debt

Governmental Activities

Following is a summary of long-term debt transactions for the governmental activities for the year ended June 30, 2021.

	<u>Balance 6/30/20</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 6/30/21</u>	<u>Due Within One Year</u>
Governmental Activities					
Series 2020 Revenue Bonds	\$ 55,040,000	\$ -	\$ -	\$ 55,040,000	\$ 100,000
Premium	9,549,748	-	(437,383)	9,112,365	-
Capital Leases	483,220	170,064	(184,747)	468,537	190,358
Total	<u>\$ 65,072,968</u>	<u>\$ 170,064</u>	<u>\$ (622,130)</u>	<u>\$ 64,620,902</u>	<u>\$ 290,358</u>

The Academy has entered into several lease agreements directly with the vendor to purchase laptop computers and related technology equipment. Monthly payments are required by the lease agreements, with terms of three years. The equipment does not qualify for capitalization under the Academy's policies.

Future minimum lease payments to maturity are as follows:

<u>Year Ended June 30,</u>	
2022	199,860
2023	147,916
2024	93,038
Total Minimum Lease Payments	440,814
Less: Interest Portion	27,723
Present Value of Minimum Lease Payments	<u>\$ 468,537</u>

On May 26, 2020, CECFA issued \$55,040,000 Charter School Revenue Bonds, Series 2020. Bond proceeds were used to refund the Charter School Revenue Bonds, Series 2015, and Series 2016. Proceeds of the refunded bonds were loaned to the Corporation to construct education facilities. The Corporation is required to make equal loan payments to the trustee, for payment of the bonds. The 2020 bonds bear interest payable semiannually on June 1 and December 1 of each year. Principal is payable annually beginning December 1, 2021, with a balloon payment of \$3,245,000 due at maturity on December 1, 2055.

American Academy
 (A Component Unit of Douglas County School District RE.1)
 Notes to Financial Statements
 June 30, 2021

Note 4: Long-Term Debt (Continued)

Business-Type Activities

Future debt service requirements for the bonds are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 100,000	\$ 2,739,350	\$ 2,839,350
2023	300,000	2,729,350	3,029,350
2024	685,000	2,704,725	3,389,725
2025	720,000	2,669,600	3,389,600
2026	760,000	2,632,600	3,392,600
2027 - 2031	4,400,000	12,538,750	16,938,750
2032 - 2036	5,580,000	11,342,425	16,922,425
2037 - 2041	7,110,000	9,769,000	16,879,000
2042 - 2046	9,055,000	7,758,125	16,813,125
2047 - 2051	11,570,000	5,192,250	16,762,250
2052 - 2055	14,760,000	1,916,250	16,676,250
Total	<u>\$ 55,040,000</u>	<u>\$ 61,992,425</u>	<u>\$ 117,032,425</u>

Note 5: Defined Benefit Pension Plan

General Information

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

Benefits Provided - 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 under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is 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:

American Academy
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2021

Note 5: Defined Benefit Pension Plan (Continued)

General Information (Continued)

- a) Highest average salary multiplied by 2.5% and then multiplied by years of service credit.
- b) 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 annualized into a monthly benefit based on life expectancy and other actuarial factors.

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

- a) Highest average salary multiplied by 2.5% and then multiplied by years of service credit.
- b) \$15 times the first 10 years of service credit plus \$20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

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

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

As of December 31, 2020, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S., once certain criteria are met. Pursuant to SB 18-200, eligible benefit recipients under the PERA benefit structure who began 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. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the lessor of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25 percent based on the parameters specified in C.R.S. § 24-51-413.

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

American Academy
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2021

Note 5: Defined Benefit Pension Plan (Continued)

General Information (Continued)

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

Contributions Provisions as of June 30, 2021 - Eligible employees, the Academy and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 10.00% of their PERA-includable salary during the period of July 01, 2020 through June 30, 2021. The Academy's contribution rate was 20.90% of covered salaries for July 01, 2020 through June 30, 2021. However, a portion of the Academy's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 6). Contribution rates for the SCHDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-208(1)(f).

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. House Bill (HB) 20-1379 suspended the \$225 million (actual dollars) direct distribution payable on July 1, 2020, for the State's 2020-21 fiscal year.

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the Academy is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the Academy were \$2,714,672, for the year ended June 30, 2021.

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 at December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll forward the total pension liability to December 31, 2020. The Academy's proportion of the net pension liability was based on School's contributions to the SCHDTF for the calendar year 2020 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

Due to the aforementioned suspension of the July 1, 2020, direct distribution payment, the nonemployer contributing entity's proportion is zero percent. Pursuant to C.R.S. § 24-51-414, the direct distribution payment from the State of Colorado is to recommence annually starting on July 1, 2021. For purposes of GASB 68 paragraph 15, a circumstance exists in which a nonemployer contributing entity is legally responsible for making contributions to the SCHDTF and is considered to meet the definition of a special funding situation.

American Academy
 (A Component Unit of Douglas County School District RE.1)
 Notes to Financial Statements
 June 30, 2021

Note 5: 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, 2021, the Academy reported a liability of \$36,575,767, for its proportionate share of the net pension liability. The amount recognized by the Academy as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the Academy were as follows:

Academy's proportionate share of net pension liability	\$ 36,575,767
The State's proportionate share of net pension liability as a nonemployer contributing entity associated with the Academy	<u>-</u>
Proportionate share of the net pension liability	<u>\$ 36,575,767</u>

At December 31, 2020 the Academy's proportion was 0.2419354963%, which was an increase of 0.0352125562% from its proportion measured at December 31, 2019.

For the year ended June 30, 2021, the Academy recognized pension benefit of \$2,338,328. There was no support from the State as a nonemployer contributing entity.

At June 30, 2021, the Academy 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
Differences between expected and actual experience	\$ 2,009,657	\$ -
Changes of assumptions and other inputs	3,518,476	6,148,073
Net difference between projected and actual earnings on plan investments		8,051,155
Changes in proportion	7,276,229	-
Contributions subsequent to the measurement date	<u>1,608,069</u>	<u>-</u>
Total	<u>\$ 14,412,431</u>	<u>\$ 14,199,228</u>

American Academy
 (A Component Unit of Douglas County School District RE.1)
 Notes to Financial Statements
 June 30, 2021

Note 5: Defined Benefit Pension Plan (Continued)

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

School contributions subsequent to the measurement date of \$1,608,069 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30,</u>	
2022	\$ (2,895,529)
2023	3,236,182
2024	(465,408)
2025	<u>(1,270,111)</u>
Total	<u>\$ (1,394,866)</u>

Actuarial Assumptions - The actuarial valuation as of December 31, 2019, determined the total pension liability using the following actuarial assumptions and other inputs.

Actuarial cost method	Entry age
Price inflation	2.4%
Real wage growth	1.1%
Wage inflation	3.5%
Salary increases, including wage inflation	3.5% - 9.7%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
Hired prior to 1/1/2007	1.25%
Hired after 12/31/2006	Financed by AIR

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

Post-retirement non-disabled mortality assumptions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, with certain adjustments, 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.

American Academy
 (A Component Unit of Douglas County School District RE.1)
 Notes to Financial Statements
 June 30, 2021

Note 5: Defined Benefit Pension Plan (Continued)

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

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

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

The actuarial assumptions used in the December 31, 2019, valuation were based on the results of the 2016 experience analysis for the 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.

Based on the 2020 experience analysis, dated October 28, 2020, for the period January 1, 2016, through December 31, 2019, revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculation of the total pension liability from December 31, 2019, to December 31, 2020.

Actuarial cost method	Entry age
Price inflation	2.3%
Real wage growth	0.7%
Wage inflation	3.0%
Salary increases, including wage inflation	3.4% - 11%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
Hired prior to 1/1/2007	1.25%
Hired after 12/31/2006	Financed by AIR

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

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

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

Post-retirement non-disabled mortality assumptions were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows:

American Academy
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2021

Note 5: Defined Benefit Pension Plan (Continued)

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

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

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

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

Disabled mortality assumptions were based upon the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages with generational projection using scale MP-2019.

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

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020. As a result of the November 20, 2020, PERA Board meeting, the following economic assumptions were changed, effective December 31, 2020:

- Price inflation assumption decreased from 2.40 percent per year to 2.30 percent per year.
- Real rate of investment return assumption increased from 4.85 percent per year, net of investment expenses to 4.95 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50 percent per year to 3.00 percent per year.

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

American Academy
 (A Component Unit of Douglas County School District RE.1)
 Notes to Financial Statements
 June 30, 2021

Note 5: Defined Benefit Pension Plan (Continued)

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

The PERA Board first adopted the 7.25 percent long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

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

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%

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

American Academy
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2021

Note 5: 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. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded. HB 20-1379 suspended the \$225 million (actual dollars) direct distribution payable on July 1, 2020, for the State's 2020-21 fiscal year.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

American Academy
 (A Component Unit of Douglas County School District RE.1)
 Notes to Financial Statements
 June 30, 2021

Note 5: Defined Benefit Pension Plan (Continued)

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

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 49,892,342	\$ 36,575,767	\$ 25,478,672

Pension Plan Fiduciary Net Position - Detailed information about the SCHDTF's FNP is available in PERA's Annual Report which can be obtained at www.copera.org/investments/pera-financial-reports.

Note 6: Postemployment Healthcare Benefits

General Information

Plan Description - Eligible employees of the Academy are provided with postemployment benefits other than pensions (OPEB) through the HCTF, a cost-sharing multiple-employer defined benefit OPEB plan administered by the Public Employees' Retirement Association of Colorado (PERA). The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (CRS), 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. PERA issues a publicly available comprehensive annual financial report (Annual report) that can be obtained at www.copera.org/investments/pera-financial-reports.

American Academy
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2021

Note 6: Postemployment Healthcare Benefits (Continued)

General Information (Continued)

Benefits Provided - The HCTF provides a healthcare 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.

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

American Academy
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2021

Note 6: Postemployment Healthcare Benefits (Continued)

General Information (Continued)

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

DPS Benefit Structure - The maximum service-based premium subsidy is \$230 per month for retirees who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for retirees who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum 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.

Contributions - Pursuant to Title 24, Article 51, Section 208(1)(f) of the CRS, as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the Academy Judicial Division are required to contribute at a rate of 1.02% of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the Academy is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the Academy was \$139,283, for the year ended June 30, 2021.

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

At June 30, 2021, the Academy reported a liability of \$1,329,082, for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured at December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2020.

American Academy
 (A Component Unit of Douglas County School District RE.1)
 Notes to Financial Statements
 June 30, 2021

Note 6: Postemployment Healthcare Benefits (Continued)

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

The Academy's proportion of the net OPEB liability was based on the Academy's contributions to the HCTF for the calendar year ended December 31, 2020, relative to the contributions of all participating employers to the HCTF. At December 31, 2020, the Academy's proportion was 0.1398702376%, which was an increase of 0.0047651576% from its proportion measured at December 31, 2019.

For the year ended June 30, 2021, the Academy recognized OPEB benefit of \$379,110. At June 30, 2021, the Academy 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
Differences between expected and actual experience	\$ 3,530	\$ 292,197
Changes of assumptions and other inputs	9,932	81,498
Net difference between projected and actual earnings on plan investments		54,307
Changes in proportion	255,335	1,006,267
Contributions subsequent to the measurement date	82,506	-
Total	\$ 351,303	\$ 1,434,269

Academy contributions subsequent to the measurement date of \$82,506 will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

<u>Year Ended June 30,</u>			
2022		\$	(507,455)
2023			(499,852)
2024			(71,691)
2025			(61,760)
2026			(23,097)
Thereafter			(1,617)
Total		\$	(1,165,472)

American Academy
 (A Component Unit of Douglas County School District RE.1)
 Notes to Financial Statements
 June 30, 2021

Note 6: Postemployment Healthcare Benefits (Continued)

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

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

Actuarial cost method	Entry age
Price inflation	2.4%
Real wage growth	1.1%
Wage inflation	3.5%
Salary increases, including wage inflation	3.5%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates:	
<i>PERA Benefit Structure</i>	
Service-based premium subsidy	0.0%
PERACare Medicare plans	
8.1% in 2020, gradually decreasing to 4.5% in 2029	
Medicare Part A premiums:	
3.5% in 2020, gradually increasing to 4.5% in 2029	
<i>DPS Benefit Structure</i>	
Service-based premium subsidy	0.0%
PERACare Medicare plans	N/A
Medicare Part A premiums:	N/A

In determining the additional liability for PERACare enrollees who are age 65 or older and who are not eligible for premium-free Medicare Part A in the December 31, 2019, valuation, the following monthly costs/premiums (actual dollars) are assumed for 2020 for the PERA Benefit Structure:

- Medicare Advantage/Self-Insured Rx - Monthly Cost of \$558, Monthly Premium of \$227, Monthly Costs Adjusted to Age 65 of \$550.
- Kaiser Permanente Medicare Advantage HMO - Monthly Cost of \$621, Monthly Premium of \$232, Monthly Costs Adjusted to Age 65 of \$586.

The 2020 Medicare Part A premium is \$458 (actual dollars) per month.

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

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

American Academy
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2021

Note 6: Postemployment Healthcare Benefits (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, 2019, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

Mortality assumptions used in the December 31, 2019, valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below 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.

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

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females: Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

The actuarial assumptions used in the December 31, 2019, valuation were based on the results of the 2016 experience analysis for the period January 1, 2012, through December 31, 2015, as well as the October 28, 2016, actuarial assumptions workshop and were adopted by PERA's Board during the November 18, 2016, Board meeting.

American Academy
 (A Component Unit of Douglas County School District RE.1)
 Notes to Financial Statements
 June 30, 2021

Note 6: Postemployment Healthcare Benefits (Continued)

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

Based on the 2020 experience analysis, dated October 28, 2020, and November 4, 2020, for the period of January 1, 2016, through December 31, 2019, revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculation of the total OPEB liability from December 31, 2019, to December 31, 2020.

Actuarial cost method	Entry age
Price inflation	2.3%
Real wage growth	0.7%
Wage inflation	3.0%
Salary increases, including wage inflation	3.4% - 11.0%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%

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

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

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

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

Post-retirement non-disabled mortality assumptions for the School Division were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows:

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

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

The mortality tables described above are generational mortality tables on a head-count weighted basis.

American Academy
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2021

Note 6: Postemployment Healthcare Benefits (Continued)

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

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

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2020 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

Actuarial assumptions pertaining to per capita health care costs and their related trend rates are analyzed and updated annually by the Board's actuary, as discussed above.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020. As a result of the November 20, 2020, PERA Board meeting, the following economic assumptions were changed, effective December 31, 2020:

- Price inflation assumption decreased from 2.40 percent per year to 2.30 percent per year.
- Real rate of investment return assumption increased from 4.85 percent per year, net of investment expenses to 4.95 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50 percent per year to 3.00 percent per year.

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

The PERA Board first adopted the 7.25 percent long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized, as presented previously (see Note 5).

American Academy
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2021

Note 6: Postemployment Healthcare Benefits (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 nominal rate of return assumption of 7.25 percent.

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2020, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the HCTF's FNP was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% 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%.

American Academy
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2021

Note 6: Postemployment Healthcare Benefits (Continued)

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

Sensitivity of the Academy's proportionate share of Net OPEB Liability to Changes in the Discount Rate - The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate, as follows:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 1,522,488	\$ 1,329,082	\$ 1,163,832

Sensitivity of the Academy's proportionate share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the net OPEB liability using the current healthcare cost trend rates, ranging from 2.5% to 9.1%, as well as if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates, as follows:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Proportionate share of the net OPEB liability	\$ 1,294,730	\$ 1,329,082	\$ 1,369,072

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

Note 7: Commitments and Contingencies

Claims and Judgments

The Academy participates in a number of federal and state programs that are fully or partially funded by revenues received from other governmental entities. Expenditures financed by these revenues are subject to audit by the appropriate government. If expenditures are disallowed due to noncompliance with program regulations, the Academy may be required to reimburse the other government. At June 30, 2021, significant amounts of related expenditures have not been audited but management believes that disallowed expenditures, if any based on subsequent audits will not have a material effect on the overall financial position of the Academy.

American Academy
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2021

Note 7: Commitments and Contingencies (Continued)

TABOR Amendment

In November 1992, Colorado voters passed the TABOR Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The Amendment is subject to many interpretations, but the Academy believes it is in substantial compliance with the Amendment. As required by the Amendment, the Academy has established a reserve for emergencies. At June 30, 2021, the reserve was reported as restricted fund balance in the General Fund, in the amount of \$900,000.

Site Lease

On November 13, 2012, the Corporation entered into a site lease agreement with the District to use land owned by the District for a second campus. The Corporation prepaid the full amount of the lease in the amount of \$160,000. During the year ended June 30, 2021, the Corporation recognized lease expense of \$4,000, and the remaining balance of \$124,000 was reported as prepaid expenses of the Corporation. The lease agreement matures on December 31, 2052.

Current Economic Conditions

During the year ended June 30, 2021, the United States of America and State of Colorado declared an emergency associated with the COVID-19 pandemic. Along with significant declines in financial markets, the public health emergency creates uncertain economic conditions. The Academy has adapted and made changes to operations due to potential impacts on health and safety. Should these conditions persist, the Academy could be negatively impacted.

Required Supplementary Information

American Academy
(A Component Unit of Douglas County School District RE.1)
 Required Supplementary Information
 Schedule of Proportionate Share of the Net Pension Liability and Contributions
 Public Employees' Retirement Association of Colorado School Division Trust Fund
 June 30, 2021

	12/31/20	12/31/19
Proportionate Share of the Net Pension Liability		
Academy's Proportion of the Net Pension Liability	0.2419354963%	0.2067229401%
Academy's Proportionate Share of the Net Pension Liability	\$ 36,575,767	\$ 30,883,959
Academy's Covered-Employee Payroll	\$ 12,931,459	\$ 12,121,407
Academy's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	283%	255%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67%	65%
	6/30/21	6/30/20
Academy Contributions		
Statutorily Required Contribution	\$ 2,714,672	\$ 2,399,450
Contributions in Relation to the Statutorily Required Contribution	<u>(2,714,672)</u>	<u>(2,399,450)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>
Academy's Covered-Employee Payroll	\$ 13,655,245	\$ 12,381,034
Contributions as a Percentage of Covered-Employee Payroll	19.88%	19.38%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

(Continued)

American Academy
(A Component Unit of Douglas County School District RE.1)
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and Contributions
Public Employees' Retirement Association of Colorado School Division Trust Fund
June 30, 2021
(Continued)

	<u>12/31/18</u>	<u>12/31/17</u>	<u>12/31/16</u>	<u>12/31/15</u>	<u>12/31/14</u>
Proportionate Share of the Net Pension Liability					
Academy's Proportion of the Net Pension Liability	0.1926996280%	0.1875008081%	0.1557198217%	0.1660490161%	0.1423417169%
Academy's Proportionate Share of the Net Pension Liability	34,121,427	\$ 60,631,098	\$ 46,363,813	\$ 25,396,025	\$ 19,292,084
Academy's Covered-Employee Payroll	9,388,013	\$ 8,649,121	\$ 6,964,480	\$ 7,236,367	\$ 5,963,170
Academy's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	363%	701%	666%	351%	324%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	57%	44%	43%	59%	63%
	<u>6/30/19</u>	<u>6/30/18</u>	<u>6/30/17</u>	<u>6/30/16</u>	<u>6/30/15</u>
Academy Contributions					
Statutorily Required Contribution	\$ 1,965,540	\$ 1,825,718	\$ 1,377,714	\$ 1,290,913	\$ 1,073,514
Contributions in Relation to the Statutorily Required Contribution	<u>(1,965,540)</u>	<u>(1,825,718)</u>	<u>(1,377,714)</u>	<u>(1,290,913)</u>	<u>(1,073,514)</u>
Contribution Deficiency (Excess)	<u>-</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Academy's Covered-Employee Payroll	10,253,577	\$ 9,668,678	\$ 7,493,251	\$ 7,267,833	\$ 6,351,023
Contributions as a Percentage of Covered-Employee Payroll	19.17%	18.88%	18.39%	17.76%	16.90%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

American Academy
(A Component Unit of Douglas County School District RE.1)
 Required Supplementary Information
 Schedule of Proportionate Share of the Net OPEB Liability and Contributions
 Public Employees' Retirement Association of Colorado Health Care Trust Fund
 June 30, 2021

	12/31/20	12/31/19	12/31/18	12/31/17
Proportionate Share of the Net OPEB Liability				
Academy's Proportion of the Net OPEB Liability	0.1398702376%	0.1351050800%	0.1252557738%	0.1065363811%
Academy's Proportionate Share of the Net OPEB Liability	\$ 1,329,082	\$ 1,518,578	\$ 1,906,804	\$ 1,384,547
Academy's Covered Payroll	\$ 12,931,459	\$ 12,121,407	\$ 9,388,013	\$ 8,649,121
Academy's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	10%	13%	20%	15%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	33%	24%	18%	18%
	6/30/21	6/30/20	6/30/19	6/30/18
Academy Contributions				
Statutorily Required Contribution	\$ 139,283	\$ 126,287	\$ 81,123	\$ 98,645
Contributions in Relation to the Statutorily Required Contribution	<u>(139,283)</u>	<u>(126,287)</u>	<u>(81,123)</u>	<u>(98,645)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
Academy's Covered Payroll	\$ 13,655,245	\$ 12,381,034	10,253,577	\$ 9,668,678
Contributions as a Percentage of Covered Payroll	1.02%	1.02%	0.79%	0.92%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

American Academy
(A Component Unit of Douglas County School District RE.1)
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
<i>Local Sources</i>				
Per Pupil Revenue	\$ 19,203,326	\$ 20,098,865	\$ 20,168,262	\$ 69,397
District Mill Levy	2,897,768	3,045,561	3,045,561	-
Contributions	770,100	120,000	160,161	40,161
Tuition and Fees	3,135,211	2,057,580	1,997,156	(60,424)
Facility Rental	100,000	140,000	148,731	8,731
Investment Income	75,100	8,000	7,611	(389)
Other	792,960	865,000	803,882	(61,118)
Total Local Sources	<u>26,974,465</u>	<u>26,335,006</u>	<u>26,331,364</u>	<u>(3,642)</u>
<i>State Sources</i>				
Capital Construction	539,531	779,400	779,400	-
Grants	110,000	110,000	205,745	95,745
Total State Sources	<u>649,531</u>	<u>889,400</u>	<u>985,145</u>	<u>95,745</u>
<i>Federal Sources</i>				
Grants	-	1,200,000	1,119,752	(80,248)
Total Federal Sources	<u>-</u>	<u>1,200,000</u>	<u>1,119,752</u>	<u>(80,248)</u>
Total Revenues	<u>27,623,996</u>	<u>28,424,406</u>	<u>28,436,261</u>	<u>11,855</u>
Expenditures				
Salaries	13,171,430	14,825,000	14,675,969	149,031
Employee Benefits	4,357,851	5,025,000	4,652,439	372,561
Purchased Services	7,641,820	6,950,000	6,868,602	81,398
Supplies	1,189,400	1,000,000	955,273	44,727
Property	1,160,500	925,000	800,571	124,429
Other	372,700	286,000	247,802	38,198
Total Expenditures	<u>27,893,701</u>	<u>29,011,000</u>	<u>28,200,656</u>	<u>810,344</u>
Excess of Revenues Over (Under) Expenditures	(269,705)	(586,594)	235,605	822,199
Other Financing Sources				
Capital Outlay	-	-	-	-
Transfers out	-	-	(196,703)	(196,703)
Lease proceeds	300,000	600,000	170,064	(429,936)
Total Financing Sources	<u>300,000</u>	<u>600,000</u>	<u>(26,639)</u>	<u>(626,639)</u>
Net Change in Fund Balance	30,295	13,406	208,966	195,560
Fund Balance, Beginning of year	<u>5,504,016</u>	<u>5,595,907</u>	<u>5,595,907</u>	<u>-</u>
Fund Balance, End of year	<u>\$ 5,534,311</u>	<u>\$ 5,609,313</u>	<u>\$ 5,804,873</u>	<u>\$ 195,560</u>

American Academy
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2021

Note 1: Schedule of Proportionate Share of the Net Pension Liability and Contributions

The Public Employees' Retirement Association of Colorado (PERA) School Division Trust Fund's net pension liability and associated amounts are measured annually at December 31, based on an actuarial valuation as of the previous December 31. The Academy's contributions and related ratios represent cash contributions and any related accruals that coincide with the Academy's fiscal year ending on June 30.

Changes in Assumptions and Other Inputs

For the year ended June 30, 2021, the total pension liability was determined by an actuarial valuation as of December 31, 2019. The following revised economic and demographic assumptions were effective as of December 31, 2019.

- Investment rate of return assumption of 7.25% per year, compounded annually. This assumption did not change from the prior year.
- Price inflation assumption of 2.4% per year. This assumption did not change from the prior year.
- Real rate of investment return assumption of 4.85% per year, net of investment expenses. The rate reflected in the roll-forward calculation of the collective total pension liability to the measurement date was 7.25%. This assumption did not change from prior year.
- Wage inflation assumption of 3.5% per year. This assumption did not change from the prior year.
- Healthy and disabled mortality assumptions are based on the RP-2014 Mortality Tables.

Note 2: Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

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

Management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1, for their approval. The budget includes proposed expenditures and the means of financing them.

Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Board of Directors.

All annual appropriations lapse at fiscal year-end.