

ADDENBROOKE CLASSICAL ACADEMY

BASIC FINANCIAL STATEMENTS

June 30, 2020

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FINANCIAL SECTION



JOHN CUTLER & ASSOCIATES

Board of Directors
Addenbrooke Classical Academy
Lakewood, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

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

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, schedule of the school's proportionate share, and schedule of the school's contributions on pages 38-42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

John Cutler & Associates, LLC

December 1, 2020

Addenbrooke Classical Academy Management's Discussion and Analysis

As management of Addenbrooke Classical Academy (ACA or the School), we offer readers of Addenbrooke Classical Academy's financial statements our narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2020.

Financial Highlights

The year ended June 30, 2020 is the seventh year of operations for ACA. As of June 30, 2020, net position decreased by \$(592,184) to \$(12,981,772). The negative balance is the result of the implementation of regulations under the Governmental Accounting Standards Board Statement (GASB) Number 68 and 75. Further information about GASB 68 and 75 is provided in Notes 7 and 8 of the financial statements.

The operations of the School are funded primarily by tax revenue received under the Colorado School Finance Act in Per Pupil Revenue. Such revenue for the year was \$6,616,386. At the close of the fiscal year, Addenbrooke Classical Academy's governmental fund(s) reported an ending fund balance of \$6,445,900, an increase of \$4,025,518 from prior year. This increase is the result of the issuance of the 2020 bond.

Overview of Financial Statements

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

Government-Wide Financial Statements

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

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

The statement of activities presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected grant expenses and earned but unpaid salary and benefits).

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

Fund Financial Statements

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

Governmental Funds

The School has two governmental funds, the General Fund and a fund for the activity of the Addenbrooke Classical Academy Building Corporation. The purpose of the Building Corporation is to provide a mechanism to issue debt on behalf of the Academy.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the School's near-term financing requirements.

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

The School adopts annually appropriated budgets for any governmental funds. A budgetary comparison schedule for the School's governmental funds has been provided herein.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This information is provided in pages 6-37.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the School's financial position. In the case of Addenbrooke Classical Academy, liabilities exceeded assets resulting in a net position of \$(12,981,772) in FY 2019-2020. Again, this is directly related to the Pension Plan and the Defined Benefit Other Post Employment Benefit (OPEB) liabilities reporting requirements under GASB 68 and 75. Of the School's total net position, \$221,843 is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. Accordingly, these funds are not available to satisfy the school's general operating expenses.

Addenbrooke Classical Academy's Net Position Governmental Activities

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
ASSETS		
Cash and Investments	\$ 2,163,429	\$ 1,823,755
Restricted Cash and Investments	5,400,452	930,807
Capital Assets, Not Depreciated	7,446,291	5,495,295
Capital Assets, Net of Accum Depreciation	13,127,300	11,205,223
Total Assets	28,137,478	19,455,080
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions and OPEB	<u>1,174,950</u>	<u>3,047,893</u>
LIABILITIES		
Accounts Payable	784,928	51,058
Accrued Salaries	333,059	283,122
Deferred Revenue	-	-
Accrued Interest Payable	65,100	66,413
Noncurrent Liabilities		
Due in More than One Year	25,285,000	17,710,000
Net Pension/OPEB Liability	9,535,536	10,297,064
Total Liabilities	36,003,623	28,407,657
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions and OPEB	<u>6,290,577</u>	<u>7,669,272</u>
NET POSITION		
Investment in Capital Assets	(4,776,509)	(725,895)
Restricted for Emergencies	221,843	240,211
Restricted for Debt Service	892,532	690,396
Restricted for Construction	-	-
Unrestricted	<u>(13,540,615)</u>	<u>(13,778,868)</u>
Total Net Position	<u><u>\$ (12,981,772)</u></u>	<u><u>\$ (13,573,956)</u></u>

The largest portion of the School's assets is in capital assets, at 73% of total assets in 2020.

Addenbrooke Classical Academy's Change in Net Position Governmental Activities

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Program Revenue:		
Charges for Services	\$ 342,931	\$466,974
Operating Grants and Contributions	161,101	158,789
Capital Grants and Contributions	<u>221,546</u>	<u>227,814</u>
Total Program Revenue	<u>725,578</u>	<u>853,577</u>
 General Revenue:		
Per Pupil Revenue	6,616,386	6,026,198
Mill Levy Override	1,393,456	1,368,066
Donations	2,906	7,583
Other	<u>52,793</u>	<u>81,798</u>
Total General Revenue	<u>8,065,541</u>	<u>7,483,645</u>
 Total Revenue	 <u>8,791,119</u>	 <u>8,337,222</u>
 Expenses:		
Current:		
Instruction	3,711,321	5,051,165
Supporting Services	3,815,632	4,366,012
Interest and Other Fiscal Charges	<u>1,357,073</u>	<u>810,739</u>
Total Expenses	<u>8,884,026</u>	<u>10,227,916</u>
 Increase/(Decrease) in Net Position	 592,184	 (1,890,694)
 Net Position, Beginning	 <u>(13,573,956)</u>	 <u>(11,683,262)</u>
 Net Position, Ending	 <u>\$ (12,981,772)</u>	 <u>\$ (13,573,956)</u>

The largest portion of the School's revenues came from per pupil revenue – 75%, respectively in 2020.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the School's governmental funds, which includes the school's General Fund and a fund to report the activity of the Addenbrooke Classical Academy Building Corporation, reported an ending fund balance of \$6,445,900, an increase of \$4,025,518 from prior year.

General Fund Budgetary Highlights

The School approves a final general fund budget in May based on enrollment projections for the school year. In October, after enrollment stabilizes, adjustments are made to the budget. At year-end, the School had some variances between its final budgeted and actual activities. Overall, the School recognized \$(427,334) less revenue than expected and spent \$21,287,666 more than planned, when compared to the final budget. Overspending was related to planned campus improvements. One budget amendment was made during FY 2019-2020.

Capital Assets & Long-Term Debt

The School has invested in capital assets in the form of land, construction, and building improvements for the school's educational facility, as well as equipment purchased in support of the school's educational program. Depreciation expenses for capital assets are booked under Supporting Services of the School's operations.

The School has long-term debt obligations in the form of series 2016 Charter School Revenue Bonds. Proceeds of the bonds were used to purchase the school's facility and are being used to make facility improvements.

Economic Factors and Next Year's Budget

The primary factor driving the budget for Addenbrooke Classical Academy is student enrollment. Enrollment for the 2019-2020 school year was 837.40 funded students. This information was analyzed as part of the 2020-2021 budget which is projecting a 915 funded student count.

Requests for Information

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

Addenbrooke Classical Academy
3940 S Teller Street
Lakewood, CO 80235

BASIC FINANCIAL STATEMENTS

ADDENBROOKE CLASSICAL ACADEMY

STATEMENT OF NET POSITION

As of June 30, 2020

	Governmental Activities	
	2020	2019
ASSETS		
Cash and Investments	\$ 2,163,429	\$ 1,823,755
Restricted Cash and Investments	5,400,452	930,807
Accounts Receivable	6	-
Capital Assets, Not Depreciated	7,446,291	5,495,295
Capital Assets, Depreciated, Net of Accumulated Depreciation	13,127,300	11,205,223
TOTAL ASSETS	28,137,478	19,455,080
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	1,139,361	3,022,701
Related to OPEB	35,589	25,192
DEFERRED OUTFLOWS OF RESOURCES	1,174,950	3,047,893
LIABILITIES		
Accounts Payable	784,928	51,058
Accrued Salaries	333,059	283,122
Accrued Interest Payable	65,100	66,413
Noncurrent Liabilities		
Due in One Year	-	350,000
Due in More than One Year	25,285,000	17,360,000
Net Pension Liability	9,088,650	10,297,064
Net OPEB Liability	446,886	-
TOTAL LIABILITIES	36,003,623	28,407,657
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	6,201,905	7,661,090
Related to OPEB	88,672	8,182
DEFERRED INFLOWS OF RESOURCES	6,290,577	7,669,272
NET POSITION		
Net Investment in Capital Assets	(4,776,509)	(725,895)
Restricted for Emergencies	221,843	240,411
Restricted for Debt Service	892,532	690,396
Restricted for Construction	4,220,977	398,083
Unrestricted	(13,540,615)	(14,176,951)
TOTAL NET POSITION	\$ (12,981,772)	\$ (13,573,956)

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

ADDENBROOKE CLASSICAL ACADEMY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION	
		Charges for Services	Operating	Capital	GOVERNMENTAL	
			Grants and Contributions	Grants and Contributions	ACTIVITIES	
					2020	2019
PRIMARY GOVERNMENT						
Governmental Activities						
Instruction	\$ 3,711,321	\$ 342,931	\$ 161,101	\$ -	\$ (3,207,289)	\$ (4,425,402)
Supporting Services	3,815,632	-	-	221,546	(3,594,086)	(4,138,198)
Interest and Other Fiscal Charges	1,357,073	-	-	-	(1,357,073)	(810,739)
Total Governmental Activities	<u>\$ 8,884,026</u>	<u>\$ 342,931</u>	<u>\$ 161,101</u>	<u>\$ 221,546</u>	<u>(8,158,448)</u>	<u>(9,374,339)</u>
GENERAL REVENUES						
					6,616,386	6,026,198
					1,393,456	1,368,066
					2,906	7,583
					52,793	81,798
					36,464	-
SPECIAL ITEM						
					648,627	-
					<u>8,750,632</u>	<u>7,483,645</u>
					592,184	(1,890,694)
					<u>(13,573,956)</u>	<u>(11,683,262)</u>
					<u>\$ (12,981,772)</u>	<u>\$ (13,573,956)</u>

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

ADDENBROOKE CLASSICAL ACADEMY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	TOTAL GOVERNMENTAL FUNDS	
	2020	2019
ASSETS		
Cash and Investments	\$ 2,163,429	\$ 1,823,755
Restricted Cash and Investments	5,400,452	930,807
Accounts Receivable	6	-
	<u>6</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 7,563,887</u>	<u>\$ 2,754,562</u>
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts Payable	\$ 784,928	\$ 51,058
Accrued Salaries	333,059	283,122
	<u>333,059</u>	<u>283,122</u>
TOTAL LIABILITIES	<u>1,117,987</u>	<u>334,180</u>
FUND BALANCES		
Restricted for Emergencies	221,843	240,411
Restricted for Debt Service	892,532	690,396
Restricted for Construction	4,220,977	398,083
Unassigned	1,110,548	1,091,492
	<u>1,110,548</u>	<u>1,091,492</u>
TOTAL FUND BALANCE	<u>6,445,900</u>	<u>2,420,382</u>
Amounts reported for governmental activities in the statement of net position are different because:		
Capital Assets used in governmental activities are not financial resources and therefore are not reported in the funds	20,573,591	16,700,518
Long-term liabilities and related assets are not due and payable in the current period and, therefore, are not reported in the funds. This liability includes bonds payable (\$25,285,000) and accrued interest payable (\$65,100).	(25,350,100)	(17,776,413)
Long-term liabilities and related assets are not due and payable in the current period and, therefore, are not reported in the funds. This liability includes net pension and OPEB liability of (\$9,535,536), deferred outflows related to pensions and OPEB of \$1,174,950, and deferred related to pensions and OPEB of (\$6,290,577).	(14,651,163)	(14,918,443)
Net position of governmental activities	<u>\$ (12,981,772)</u>	<u>\$ (13,573,956)</u>

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

ADDENBROOKE CLASSICAL ACADEMY

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

	TOTAL GOVERNMENTAL FUNDS	
	2020	2019
REVENUES		
Local Sources	\$ 8,408,472	\$ 7,950,619
State Sources	382,647	379,714
	<u>8,791,119</u>	<u>8,330,333</u>
EXPENDITURES		
Current		
Instruction	3,867,822	3,124,925
Supporting Services	3,482,024	3,631,461
Capital Outlay	3,632,369	490,738
Bond Issuance Costs	614,566	-
Debt Service		
Principal	17,710,000	335,000
Interest	743,820	812,025
	<u>30,050,601</u>	<u>8,394,149</u>
EXCESS OF REVENUES OVER (UNDER)EXPENDITURES	<u>(21,259,482)</u>	<u>(63,816)</u>
OTHER FINANCING SOURCES (USES)		
Proceeds from the Issuance of Debt	<u>25,285,000</u>	<u>-</u>
NET CHANGE IN FUND BALANCE	4,025,518	(63,816)
FUND BALANCE, Beginning	<u>2,420,382</u>	<u>2,484,198</u>
FUND BALANCE, Ending	<u>\$ 6,445,900</u>	<u>\$ 2,420,382</u>

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

ADDENBROOKE CLASSICAL ACADEMY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

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

Net Changes in Fund Balances - Total Governmental Funds	\$ 4,025,518
<p>Capital outlays to purchase or build capital assets are reported in the governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital asset additions \$4,280,994, exceeded depreciation expense (\$407,921), in the current year.</p>	3,873,073
<p>Bond proceeds are reported as financing sources in the governmental funds and increase fund balance. In the government-wide financial statements, however, issuing debt increases long-term liabilities in the statement of net position.</p>	(25,285,000)
<p>Repayment of long-term principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the increase in accrued interest \$1,313 and payment to escrow agent of \$17,710,000.</p>	17,711,313
<p>Deferred Charges related to pension and OPEB are not recognized in the governmental funds. However, for the government-wide funds those amounts are capitalized and amortized.</p>	<u>267,280</u>
Change in Net Position of Governmental Activities	<u><u>\$ 592,184</u></u>

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

ADDENBROOKE CLASSICAL ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Reporting Entity

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

Based upon the application of these criteria, the Addenbrooke Classical Academy Building Corporation is considered to be financially accountable to the Academy. The purpose of the Building Corporation is to provide a mechanism to issue debt on behalf of the Academy. The Building Corporation is considered to be part of the Academy for financial reporting purposes because its resources are entirely for the direct benefit of the Academy and is reported as part of the General Fund.

The Academy is a component unit of Jefferson County School District No. R-1.

Government-Wide and Fund Financial Statements

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

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

ADDENBROOKE CLASSICAL ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

The Academy reports the following major governmental fund:

General Fund – This fund is the general operating fund of the Academy. It is used to account for all financial resources.

ADDENBROOKE CLASSICAL ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Deferred Outflows/Inflows of Resources

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

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

Assets, Liabilities and Fund Balance/Net Position

Capital Assets – Capital assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Academy as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Capital Assets are depreciated using the straight line method over an estimated useful life of 30 years for the buildings and 10-15 years for equipment.

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

Long-term Debt – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

ADDENBROOKE CLASSICAL ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

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

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

- Nonspendable – This classification includes amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact. The Academy did not report any nonspendable fund balance as of June 30, 2020.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Academy has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies. The Academy has classified Construction and Debt Service funds as being restricted because their use is restricted by the 2019 CECFA Loan and Security Agreement.

ADDENBROOKE CLASSICAL ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

Compensated Absences

The Academy's policy allows employees to accumulate sick leave. Upon termination of employment, no financial compensation is paid for unused sick days. Therefore, no liability for accumulated sick leave is reported in the financial statements.

Risk Management

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

ADDENBROOKE CLASSICAL ACADEMY
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2020

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

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

State Compliance

For the year ended June 30, 2020, actual expenditures in the General Fund exceeded budgeted amounts by \$21,287,666. This may be a violation of State statute.

NOTE 3: CASH AND INVESTMENTS

Cash and investment consist of the following:

Pooled Cash with the District	\$ 2,383,772
Petty Cash	1,500
Investments	<u>5,178,609</u>
Total Cash and Investments	<u>\$ 7,563,881</u>

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations.

At June 30, 2020, State regulatory commissioners have indicated that all financial institutions holding deposits for the Academy are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group.

ADDENBROOKE CLASSICAL ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 3: CASH AND INVESTMENTS (Continued)

The market value of the collateral must be at least equal to 102% of the uninsured deposits. The Academy has no policy regarding custodial credit risk for deposits.

The Academy has no deposits as of June 30, 2020.

Pooled Cash with the District

Cash deposits are pooled with the District cash and investments which were held by several banking institutions. Pooled investments represent investments in local government investment pools or in money market funds. At June 30, 2020 the Academy's balance in equity in both restricted and unrestricted pooled cash of the District totaled \$2,383,772.

Investments

Interest Rate Risk

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

Credit Risk

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

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

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

Fair Value

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

ADDENBROOKE CLASSICAL ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 3: *CASH AND INVESTMENTS* (Continued)

Investments (Continued)

Local Government Investment Pools

The Academy had invested \$5,178,609 in the Colorado Surplus Asset Fund Trust (CSAFE) an investment vehicle established for local government entities in Colorado pursuant to Title 24, Article 75, Part 7 of the Colorado Revised Statutes, to pool surplus funds for investment purposes. The State Securities Commissioner administers and enforces the requirements of creating and operating the Pools. CSAFE reports its underlying investments at amortized cost and is considered a qualifying external investment pool under GASB Statement 79. CSAFE operates similar to money market funds where each share is equal in value to \$1.00. The fair value of the position in the pools is the same as the value of the pooled shares.

CSAFE is rated AAAM by Standard and Poor's. The designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities are owned by the pools and held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the pools. Investments of the pools comply with state statutes, consisting of U.S. Treasury bills, notes and note strips, repurchase agreements, U.S. Instrumentalities, Commercial Paper, Bank Deposits and Money Market Funds. CSAFE does not have any limitations or restrictions on participant withdrawals.

Restricted Cash and Investments

Pooled Cash with the District in the amount of \$221,843 are restricted in the General Fund as an emergency reserve related to the TABOR amendment and investments in the amount of \$5,178,609 are restricted in the General Fund for future debt service requirements and capital outlay expenditures related to the 2019 Bond.

ADDENBROOKE CLASSICAL ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 4: CAPITAL ASSETS

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

	Balance <u>June 30, 2019</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2020</u>
Governmental Activities				
Capital Assets, Not Depreciated				
Land	\$ 5,365,000	\$ 188,000	\$ -	\$ 5,553,000
Construction in Progress	<u>130,295</u>	<u>1,878,541</u>	<u>115,545</u>	<u>1,893,291</u>
Total Capital Assets, Not Depreciated	<u>5,495,295</u>	<u>2,066,541</u>	<u>115,545</u>	<u>7,446,291</u>
Capital Assets, Depreciated				
Equipment	86,371	7,445	54,436	39,380
Building Improvements	<u>11,781,201</u>	<u>2,376,989</u>	<u>-</u>	<u>14,158,190</u>
Total Capital Assets, Being Depreciated	<u>11,867,572</u>	<u>2,384,434</u>	<u>54,436</u>	<u>14,197,570</u>
Accumulated Depreciation				
Equipment	7,721	2,633	-	10,354
Building Improvements	<u>654,628</u>	<u>405,288</u>	<u>-</u>	<u>1,059,916</u>
Total Accumulated Depreciation	<u>662,349</u>	<u>407,921</u>	<u>-</u>	<u>1,070,270</u>
Total Capital Assets, Being Depreciated, Net	<u>11,205,223</u>	<u>1,976,513</u>	<u>(54,436)</u>	<u>13,127,300</u>
Net Capital Assets	<u>\$ 16,700,518</u>	<u>\$ 4,043,054</u>	<u>\$ (169,981)</u>	<u>\$ 20,573,591</u>

Depreciation has been charged to supporting services program of the Academy.

NOTE 5: ACCRUED SALARIES AND BENEFITS

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from August to July but are earned during a school year of nine months. The salaries and benefits earned, but unpaid, as of June 30, 2020, were \$333,059 in the General Fund.

ADDENBROOKE CLASSICAL ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 6: LONG-TERM DEBT

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

	Balance			Balance	Due In
	<u>June 30, 2019</u>	<u>Additions</u>	<u>Payments</u>	<u>June 30, 2020</u>	<u>One Year</u>
CECFA 2017 Bonds	\$17,710,000	\$ -	\$17,710,000	\$ -	\$ -
CECFA 2020 Bonds	-	<u>25,285,000</u>	-	<u>25,285,000</u>	-
Total	<u>\$17,710,000</u>	<u>\$25,285,000</u>	<u>\$17,710,000</u>	<u>\$25,285,000</u>	<u>\$ -</u>

CECFA 2017 Bonds

In September 2016, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$18,045,000 of Charter School Revenue Bonds, Series 2016. Proceeds from the bonds were loaned to the Academy under a lease agreement to provide funding for the purchase of the Academy's facility and related capital projects and costs of issuance. The Building Corporation is required to make equal lease payments to the Trustee, for payment of the bonds. Interest accrues at a rate of 4.50% . In May 2020, these bonds were currently refunded with the issuance of the CECFA 2020 Bonds.

CECFA 2020 Bonds

On May 7, 2020, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$25,285,000 of Charter School Revenue Bonds, Series 2020. Proceeds from the bonds were loaned to the Academy under a lease agreement to provide funding for the purchase of the Academy's facility and related capital projects and costs of issuance. The Building Corporation is required to make equal lease payments to the Trustee, for payment of the bonds. Interest accrues at a rate of 4.50% and the bonds mature on February 19, 2027.

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ -	\$ 1,213,680	\$ 1,213,680
2022	440,000	1,137,825	1,577,825
2023	460,000	1,118,025	1,578,025
2024	480,000	1,097,325	1,577,325
2025	505,000	1,075,725	1,580,725
2026	525,000	1,053,000	1,578,000
2027	<u>22,875,000</u>	<u>1,029,375</u>	<u>23,094,375</u>
Total	<u>\$ 25,285,000</u>	<u>\$ 7,724,955</u>	<u>\$ 33,009,955</u>

ADDENBROOKE CLASSICAL ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

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 and additions to/deductions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

General Information about the Pension Plan

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 (CAFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided as of December 31, 2019. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

ADDENBROOKE CLASSICAL ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

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

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

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

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

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

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

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

ADDENBROOKE CLASSICAL ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

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

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

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

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

	July 1, 2019 Through June 30, 2020
Employer contribution rate	10.40%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%
Amount apportioned to the SCHDTF	9.38%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.50%
Total employer contribution rate to the SCHDTF	19.38%

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

ADDENBROOKE CLASSICAL ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

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

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the Academy is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from The Academy were \$724,768 for the year ended June 30, 2020.

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

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

At June 30, 2020, the Academy reported a liability of \$9,088,650 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the 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:

ADDENBROOKE CLASSICAL ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

The School's proportionate share of the net pension liability	\$ 9,088,650
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the School.	\$ 1,152,780
Total	\$ 10,241,430

At December 31, 2019, the Academy's proportion was 0.06084 percent, which was an increase of 0.00545 percent from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the Academy recognized pension expense of \$448,323 and revenue of \$36,464 for support from the State as a nonemployer contributing entity. At June 30, 2020, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 495,337	N/A
Changes of assumptions or other inputs	\$ 259,467	\$ 4,122,526
Net difference between projected and actual earnings on pension plan investments	N/A	\$ 1,076,641
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$ 14,247	\$ 1,002,738
Contributions subsequent to the measurement date	\$ 370,310	N/A
Total	\$ 1,139,361	\$ 6,201,905

\$370,310 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

ADDENBROOKE CLASSICAL ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

Year ended June 30,	
2021	(\$3,133,466)
2022	(\$1,981,296)
2023	\$48,147
2024	(\$366,239)

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

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

¹ For 2019, the annual increase was 0.00 percent.

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

ADDENBROOKE CLASSICAL ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

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

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

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

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

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

ADDENBROOKE CLASSICAL ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 percent.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200 and the additional 0.50 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

ADDENBROOKE CLASSICAL ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200 and the additional 0.50 percent, resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State provides an annual direct distribution of \$225 million, which commenced July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered annual increase cap, from 1.50 percent to 1.25 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

ADDENBROOKE CLASSICAL ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 12,053,496	\$ 9,088,650	\$ 6,599,404

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

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

Summary of Significant Accounting Policies

OPEB. The 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 and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

ADDENBROOKE CLASSICAL ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

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

General Information about the OPEB Plan

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

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

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

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

ADDENBROOKE CLASSICAL ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

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

General Information about the OPEB Plan (Continued)

PERA Benefit Structure

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

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

DPS Benefit Structure

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

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

ADDENBROOKE CLASSICAL ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

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

General Information about the OPEB Plan (Continued)

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the Academy is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the Academy were \$38,677 for the year ended June 30, 2020.

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

At June 30, 2020, the Academy reported a liability of \$446,886 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2019. The Academy's proportion of the net OPEB liability was based on the Academy's contributions to the HCTF for the calendar year 2019 relative to the total contributions of participating employers to the HCTF.

At December 31, 2019, the Academy's proportion was 0.0398 percent, which was an increase of 0.00376 percent from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the Academy recognized OPEB expense of \$65,842. At June 30, 2020, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

ADDENBROOKE CLASSICAL ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

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

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,483	\$ 75,093
Changes of assumptions or other inputs	\$ 3,707	N/A
Net difference between projected and actual earnings on OPEB plan investments	N/A	\$ 7,459
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$ 10,909	\$ 6,120
Contributions subsequent to the measurement date	\$ 19,490	N/A
Total	\$ 35,589	\$ 88,672

\$19,490 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended, June 30,	
2021	(\$15,463)
2022	(\$15,138)
2023	(\$12,980)
2024	(\$15,815)
2025	(\$12,428)
Thereafter	(\$749)

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

ADDENBROOKE CLASSICAL ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

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

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

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

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

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

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

ADDENBROOKE CLASSICAL ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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

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

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

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

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

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

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

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

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

ADDENBROOKE CLASSICAL ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

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

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

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

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

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

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

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

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

ADDENBROOKE CLASSICAL ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

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

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

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

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

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

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

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

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2019 plan year.
- The morbidity assumptions were updated to reflect the assumed standard aging factors.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

ADDENBROOKE CLASSICAL ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

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

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

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

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

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

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

ADDENBROOKE CLASSICAL ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

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

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

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	4.60%	5.60%	6.60%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$ 436,270	\$ 446,886	\$ 459,153

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2019, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 percent.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Benefit payments and contributions were assumed to be made at the middle of the year.

ADDENBROOKE CLASSICAL ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

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

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

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 505,295	\$ 446,886	\$ 396,934

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

NOTE 9: 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 participates in the Colorado School District Self Insurance Pool. The Pool insures property and liability exposures through contributions made by member districts. The Academy does not maintain an equity interest in the self insurance pool. The Academy funds its pool contributions, outside insurance purchases, deductibles, and uninsured losses through the General Fund. The Academy is fully self insured for unemployment compensation and has a \$1,000 deductible for property insurance.

The Academy continues to carry commercial insurance for all other risks of loss, including boiler and machinery coverage. Settled claims resulting from these risks have not exceeded commercial or Academy coverages in any of the past three years.

ADDENBROOKE CLASSICAL ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 10: COMMITMENTS AND CONTINGENCIES

Claims and Judgments

The Academy participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Academy may be required to reimburse the grantor government. As of June 30, 2020, significant amounts of grant expenditures have not been audited, but the Academy believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Academy.

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The Academy believes it has complied with the Amendment. As required by the Amendment, the Academy has established a reserve for emergencies. At June 30, 2020, the reserve of \$221,843 was recorded as a restriction of fund balance in the General Fund.

NOTE 11: DEFICIT NET POSITION

The Net Position of the government type activities reports at a deficit of \$13,017,812 due to the Academy included the Net Pension Liability per GASB No. 68 and the Net OPEB Liability per GASB No.75.

NOTE 12: SUBSEQUENT EVENTS

COVID-19

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

REQUIRED SUPPLEMENTARY INFORMATION

ADDENBROOKE CLASSICAL ACADEMY

GENERAL FUND
BUDGETARY COMPARISON STATEMENT
Year Ended June 30, 2020

	2020		VARIANCE Positive (Negative)	2019 ACTUAL
	ORIGINAL AND FINAL BUDGET	ACTUAL		
REVENUES				
Local Sources				
Per Pupil Operating Revenue	\$ 6,946,583	\$ 6,616,386	\$ (330,197)	\$ 6,026,198
Mill Levy Override	1,505,469	1,393,456	(112,013)	1,368,066
Charges for Services	424,000	342,931	(81,069)	466,974
Donations	7,000	2,906	(4,094)	7,583
Other	260,500	52,793	(207,707)	81,798
State and Federal Sources				
Grants and Donations	74,901	382,647	307,746	379,714
TOTAL REVENUES	9,218,453	8,791,119	(427,334)	8,330,333
EXPENDITURES				
Current				
Salaries	4,012,146	3,994,490	17,656	3,518,013
Employee Benefits	1,206,235	1,156,852	49,383	1,015,370
Purchased Services	1,825,064	1,678,851	146,213	1,750,415
Supplies and Materials	561,840	519,653	42,187	425,250
Property	-	3,632,369	(3,632,369)	490,738
Other	10,700	-	10,700	47,338
Bond Issuance Costs	-	614,566	(614,566)	-
Debt Service				
Principal	748,475	17,710,000	(16,961,525)	335,000
Interest	398,475	743,820	(345,345)	812,025
TOTAL EXPENDITURES	8,762,935	30,050,601	(21,287,666)	8,394,149
EXCESS OF REVENUES OVER (UNDER)EXPENDITURES	455,518	(21,259,482)	(21,715,000)	(63,816)
OTHER FINANCING SOURCES (USES)				
Proceeds from the Issuance of Debt	-	25,285,000	(25,285,000)	-
NET CHANGE IN FUND BALANCE	455,518	4,025,518	(21,715,000)	(63,816)
FUND BALANCE, Beginning	-	2,420,382	2,420,382	2,484,198
FUND BALANCE, Ending	\$ 455,518	\$ 6,445,900	\$ 5,990,382	\$ 2,420,382

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

ADDENBROOKE CLASSICAL ACADEMY

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

Years Ended December 31,
(School Division Trust Fund Measurement Date)

	2013	2014	2015	2016	2017	2018	2019
School's proportionate share of the Net Pension Liability	0.005%	0.015%	0.026%	0.031%	0.005%	0.058%	0.061%
School's Net Pension Liability	\$ 617,909	\$ 1,984,566	\$ 4,037,582	\$ 9,376,549	\$ 15,897,645	\$ 9,807,250	\$ 9,088,650
State of Colorado Proportionate Share of the Net Pension Liability associated with the School	-	-	-	-	-	1,341,005	1,152,780
Total portion of the Net Pension Liability associated with the School	617,909	1,984,566	4,037,582	9,376,549	15,897,645	11,148,255	10,241,430
School's covered payroll	\$ 198,232	\$ 632,472	\$ 973,201	\$ 1,026,036	\$ 1,288,906	\$ 1,785,364	\$ 3,552,002
School's proportionate share of the Net Pension Liability as a percentage of it covered payroll	311.7%	313.8%	414.9%	913.9%	1233.4%	624.4%	288.3%
Plan fiduciary net position as a percentage of the total pension liability	64.1%	62.8%	59.2%	43.1%	44.0%	57.0%	64.5%

Notes:

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

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

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

ADDENBROOKE CLASSICAL ACADEMY

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
SCHOOL DIVISION TRUST FUND

Years Ended June 30,

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Statutorily required contributions	\$ 75,574	\$ 154,256	\$ 187,699	\$ 212,761	\$ 305,134	\$ 371,352	\$ 724,768
Contributions in relation to the Statutorily required contributions	<u>75,574</u>	<u>154,256</u>	<u>187,699</u>	<u>212,761</u>	<u>305,134</u>	<u>371,352</u>	<u>724,768</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered payroll	\$ 444,555	\$ 861,766	\$ 1,001,715	\$ 1,096,509	\$ 1,532,496	\$ 1,932,385	\$ 3,791,854
Contributions as a percentage of covered payroll	17.00%	17.90%	18.74%	19.40%	19.91%	19.22%	19.11%

Notes:

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

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

ADDENBROOKE CLASSICAL ACADEMY

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

Years Ended December 31,
(Health Care Trust Fund Measurement Date)

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
School's proportionate share of the Net OPEB Liability	0.045%	0.033%	0.036%	0.040%
School's Net OPEB Liability	\$ 363,035	\$ 270,453	\$ 489,814	\$ 446,886
School's covered payroll	\$ 1,288,906	\$ 1,026,036	\$ 1,785,364	\$ 3,552,002
School's proportionate share of the Net OPEB Liability as a percentage of its covered payroll	28.17%	26.36%	27.43%	12.58%
Plan fiduciary net position as a percentage of the total OPEB liability	16.70%	17.53%	17.03%	24.49%

Notes:

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

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

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

ADDENBROOKE CLASSICAL ACADEMY

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
HEALTH CARE TRUST FUND

Years Ended June 30,

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Statutorily required contributions	\$ 11,184	\$ 15,631	\$ 19,710	\$ 38,677
Contributions in relation to the Statutorily required contributions	<u>11,184</u>	<u>15,631</u>	<u>19,710</u>	<u>38,677</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered payroll	\$ 1,096,509	\$ 1,532,496	\$ 1,932,385	\$ 3,791,854
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%

Notes:

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

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