MONARCH MONTESSORI OF DENVER CHARTER

BASIC FINANCIAL STATEMENTS

June 30, 2020

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FINANCIAL SECTION

Board of Directors
Monarch Montessori of Denver Charter
Denver, 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 Monarch Montessori of Denver Charter, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements 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 expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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 Monarch Montessori of Denver Charter, 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, the schedules of the School's proportionate share, and the schedules of the School's contributions on pages 45-49 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.

PB Solutions LLC

October 16, 2020

Monarch Montessori of Denver Charter School
Management's Discussion and Analysis

As management of Monarch Montessori of Denver Charter School (MMDC or the "School"), we offer readers of Monarch Montessori of Denver Charter School'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 eight year of operations for MMDC. As of June 30, 2020, net position increased by $7,506 to $1,779,382. This balance includes net pension and other post-employment benefit liabilities and associated deferred outflows and inflows, and is the result of the implementation of regulations under the Governmental Accounting Standards Board Statement (GASB) Numbers 68 and 75. Further information about GASB 68 and 75 is provided in Notes 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 $1,794,657. At the close of the fiscal year, Monarch Montessori of Denver Charter School's governmental funds reported an ending fund balance of $1,175,590, a decrease of $(60,809) from prior year. This decrease is the result of the activity in the School's Building Corporation refinance as planned.

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

(Denver Public Schools). The governmental activities of the School include instruction and supporting services. The government-wide financial statements can be found on pages 1-2 of this report.

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 the Building Corporation. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating the 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 balance sheet and the statement of revenues, expenditures, and changes in fund balances of the governmental funds can be found on pages 3 and 5 of this report.

The reconciliation of the fund financial statements to the government-wide financial statements can be found on pages 4 and 6 of this report.

The School adopts annually appropriated budgets for the General Fund. A budgetary comparison schedule for the General Fund 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 7-44.

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 Monarch Montessori of Denver Charter School, assets exceeded liabilities resulting in a net position of $1,779,382 in FY 2019-2020. Of the School's total net position, $87,375 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.

Monarch Montessori of Denver Charter School's Net Position
Governmental Activities

	June 30, 2020	June 30, 2019
ASSETS		
Cash and Investments	$ 759,871	$ 503,507
Restricted Cash and Investments	315,715	631,757
Accounts Receivable	242,911	174,531
Prepaid Expenses	19,451	15,068
Capital Assets, Not Depreciated	1,135,000	1,135,000
Capital Assets, Net of Accum Depreciation	9,117,298	9,462,214
Total Assets	**11,590,246**	**11,922,077**
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	189,164	357,089
Related to OPEB	6,354	7,427
Total Deferred Outflows of Resources	**195,518**	**364,516**
LIABILITIES		
Accounts Payable	60,701	2,509
Accrued Salaries & Benefits	96,175	85,705
Unearned Revenues	5,482	250
Accrued Interest Payable	50,528	58,884
Noncurrent Liabilities		
Due in One Year	8,325,000	8,565,000
Net Pension Liability	732,547	1,168,449
OPEB Liability	59,109	78,331
Total Liabilities	**9,329,542**	**9,959,128**
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	653,914	540,974
Related to OPEB	22,926	14,615
Total Deferred Inflows of Resources	**676,840**	**555,589**
NET POSITION		
Investment in Capital Assets	2,243,013	10,538,330
Restricted for Emergencies	87,375	73,010
Unrestricted	(551,006)	(8,839,464)
Total Net Position	**$ 1,779,382**	**$ 1,771,876**

The largest portion of the School's assets is in capital assets, at 88% of total assets in 2020.

Monarch Montessori of Denver Charter School's Change in Net Position
Governmental Activities

	June 30, 2020	June 30, 2019
Program Revenue:		
Charges for Services	$ 4,726	$ 303,008
Operating Grants and Contributions	417,764	270,018
Capital Grants and Contributions	57,025	59,919
Total Program Revenue	479,515	632,945
General Revenue:		
Per Pupil Revenue	1,794,657	1,684,545
Mill Levy Override	398,749	387,007
Unrestricted State Aid	-	64,682
Interest	11,650	17,270
Other	315,115	17,322
Total General Revenue	2,520,171	2,170,826
Total Revenue	2,999,686	2,803,771
Expenses:		
Instruction	1,127,864	944,998
Supporting Services	1,401,775	1,223,106
Interest and Fiscal Charges	462,541	478,315
Total Expenses	2,992,180	2,646,419
Increase/(Decrease) in Net Position	7,506	157,352
Net Position, Beginning	**1,771,876**	**1,614,524**
Net Position, Ending	**$ 1,779,382**	**$ 1,771,876**

The largest portion of the School's revenues came from Per Pupil Revenue – 60% in 2020 and 2019.

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 General Fund reported an ending fund balance of $859,875, an increase of $255,233 from prior year. As of the end of the current fiscal year, the School's Building Corporation reported an ending fund balance of $315,715, a decrease of $(316,042) from prior year. This fund records the activity of the Monarch Montessori of Denver Charter School's Building Corporation, a Colorado non-profit corporation established as a separate legal entity designed to assist the School with the 2015 purchase and improvement of the school's facility. The decrease in fund balance is primarily due to the re-issuance of the School's debt. The fund balance consists of remaining funds restricted to comply with debt covenants.

General Fund Budgetary Highlights

The School approves a General Fund budget in May based on enrollment projections for the school year. In October, after enrollment stabilizes, adjustments are made to the budget. At year-end, the School had some variances between its final budgeted and actual activities. Overall, the School recognized $(112,648) less revenue than expected and spent $(322,876) less than planned, when compared to the final budget. One budget amendment was made during FY 2019-2020.

Capital Assets & Long-Term Debt

The School has invested in capital assets for the school's educational facility and land. Additional information related to capital assets can be found in Note 4 to the financial statements. Depreciation expenses for capital assets are booked under Supporting Services of the School's operations.

The School has 2015 Charter School Refunding and Improvement Bonds that were reissued in May 2020. The original bonds were used to purchase and improve the School's facility. The School is required to make regular lease payments to the Building Corporation for the use of the building. The re-issued bonds mature in May 2025 when a final ballon payment is due. Additional information related to long-term debt can be found in Note 5 to the financial statements.

Economic Factors and Next Year's Budget

The primary factors driving the budget for Monarch Montessori of Denver Charter School are student enrollment and Per Pupil Revenue. Enrollment for the 2019-2020 school year was 204.50 funded students. This information was analyzed as part of the 2020-2021 budget which is projecting a 205.00 funded student count. Per Pupil Revenue is expected to decline significantly in 2020-2021 as the result of the COVID-19 pandemic. The longer-term economic impacts of the pandemic in relation to the state budget and K-12 education are unknown.

Requests for Information

This financial report is designed to provide a general overview of Monarch Montessori of Denver Charter School'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:

Monarch Montessori of Denver Charter School
4985 Peoria Street
Denver, CO 80239

BASIC FINANCIAL STATEMENTS

MONARCH MONTESSORI OF DENVER CHARTER

STATEMENT OF NET POSITION
As of June 30, 2020

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Investments	$ 759,871
Restricted Cash and Investments	315,715
Accounts Receivable	242,911
Prepaid Expenses	19,451
Capital Assets, Not Depreciated	1,135,000
Capital Assets, Depreciated, Net of Accumulated Depreciation	9,117,298
TOTAL ASSETS	11,590,246
DEFERRED OUTFLOWS OF RESOURCES	
Related to Pensions	189,164
Related to OPEB	6,354
TOTAL DEFERRED OUTFLOWS OF RESOURCES	195,518
LIABILITIES	
Accounts Payable	60,701
Accrued Salaries and Benefits	96,175
Unearned Revenues	5,482
Accrued Interest Payable	50,528
Noncurrent Liabilities	
Due in One Year	-
Due in More than One Year	8,325,000
Net Pension Liability	732,547
Net OPEB Liability	59,109
TOTAL LIABILITIES	9,329,542
DEFERRED INFLOWS OF RESOURCES	
Related to Pensions	653,914
Related to OPEB	22,926
TOTAL DEFERRED INFLOWS OF RESOURCES	676,840
NET POSITION	
Net Investment in Capital Assets	2,243,013
Restricted for Emergencies	87,375
Unrestricted	(551,006)
TOTAL NET POSITION	$ 1,779,382

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

MONARCH MONTESSORI OF DENVER CHARTER

STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

		PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
FUNCTIONS/PROGRAMS	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES
PRIMARY GOVERNMENT					
Governmental Activities					
Instructional	$ 1,127,864	$ -	$ 380,877	$ -	$ (746,987)
Supporting Services	1,401,775	4,726	36,887	57,025	(1,303,137)
Interest and Other Fiscal Charges	462,541	-	-	-	(462,541)
Total Governmental Activities	$ 2,992,180	$ 4,726	$ 417,764	$ 57,025	(2,512,665)
GENERAL REVENUES					
Per Pupil Revenue					1,794,657
Mill Levy Override					398,749
Interest					11,650
Other					315,115
TOTAL GENERAL REVENUES					2,520,171
CHANGE IN NET POSITION					7,506
NET POSITION, Beginning					1,771,876
NET POSITION, Ending					$ 1,779,382

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

MONARCH MONTESSORI OF DENVER CHARTER

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	GENERAL FUND	BUILDING CORPORATION	TOTAL GOVERNMENTAL FUNDS
ASSETS			
Cash and Investments	$ 759,871	$ -	$ 759,871
Restricted Cash and Investments	-	315,715	315,715
Accounts Receivable	242,911	-	242,911
Prepaid Expenses	19,451	-	19,451
TOTAL ASSETS	$ 1,022,233	$ 315,715	$ 1,337,948
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	$ 60,701	$ -	$ 60,701
Accrued Salaries	96,175	-	96,175
Unearned Revenue	5,482	-	5,482
TOTAL LIABILITIES	162,358	-	162,358
FUND BALANCES			
Nonspendable	19,451	-	19,451
Restricted for Emergencies	87,375	-	87,375
Restricted for Debt Service	-	315,715	315,715
Unassigned	753,049	-	753,049
TOTAL FUND BALANCES	859,875	315,715	1,175,590
TOTAL LIABILITIES AND FUND BALANCES	$ 1,022,233	$ 315,715	$ 1,337,948

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

MONARCH MONTESSORI OF DENVER CHARTER

RECONCILIATION OF THE GOVERNMENTAL FUNDS
BALANCE SHEET TO THE STATEMENT OF NET POSITION
Year Ended June 30, 2020

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

Total fund balances of governmental funds		$ 1,175,590
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.		
Capital Assets, not depreciated	1,135,000	
Capital Assets, depreciated	10,559,621	
Accumulated Depreciation	(1,442,323)	10,252,298
Long-term liabilities and related assets are not due and payable in the current period and, therefore, are not reported in the funds.		
Bond Payable	(8,325,000)	
Accrued Interest Payable	(50,528)	
Net Pension Liability	(732,547)	
Net OPEB Liability	(59,109)	(9,167,184)
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.		
Deferred outflows of resources - Change in Proportionate Share	471	
Deferred outflows of resources - Subsequent Contributions	44,346	
Deferred outflows of resources - Expected vs Actual Experience	113,236	
Deferred outflows of resources - Projected vs Actual Investments Earnings	-	
Deferred outflows of resources - Change in Assumptions	31,111	
Deferred inflows of resources - Projected vs Actual Investments	(267,371)	
Deferred inflows of resources - Expected vs Actual Experience	(430)	
Deferred inflows of resources - Change in Assumptions	(252)	
Deferred inflows of resources - Change in Proportionate Share	(385,861)	(464,750)
Deferred outflows of resources - Change in Proportionate Share OPEB	-	
Deferred outflows of resources - Subsequent Contributions OPEB	6,349	
Deferred outflows of resources - Expected vs Actual Experience OPEB	-	
Deferred outflows of resources - Change in Assumptions OPEB	5	
Deferred inflows of resources - Projected vs actual investment earnings OPEB	(2,614)	
Deferred inflows of resources - Expected vs Actual Experience OPEB	(9,944)	
Deferred inflows of resources - Change in Proportionate Share OPEB	(10,368)	(16,572)
Net position of governmental activities		$ 1,779,382

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

MONARCH MONTESSORI OF DENVER CHARTER

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

	GENERAL FUND	BUILDING CORPORATION	TOTAL GOVERNMENTAL FUNDS
REVENUES			
Local Sources	$ 2,524,857	$ 11,438	$ 2,536,295
State Sources	281,645	-	281,645
Federal Sources	156,257	-	156,257
TOTAL REVENUES	2,962,759	11,438	2,974,197
EXPENDITURES			
Current			
Instruction	1,226,553	-	1,226,553
Supporting Services	1,041,367	56,189	1,097,556
Debt Service			
Principal	-	8,805,000	8,805,000
Interest	-	470,897	470,897
TOTAL EXPENDITURES	2,267,920	9,332,086	11,600,006
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	694,839	(9,320,648)	(8,625,809)
OTHER FINANCING SOURCES (USES)			
Proceeds from Issuance of Debt	-	8,565,000	8,565,000
Transfers In	105,000	544,606	649,606
Transfers Out	(544,606)	(105,000)	(649,606)
TOTAL OTHER FINANCING SOURCES (USES)	(439,606)	9,004,606	8,565,000
NET CHANGE IN FUND BALANCES	255,233	(316,042)	(60,809)
FUND BALANCES, Beginning	604,642	631,757	1,236,399
FUND BALANCES, Ending	$ 859,875	$ 315,715	$ 1,175,590

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

MONARCH MONTESSORI OF DENVER CHARTER

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF 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 change in fund balances - total governmental funds		$ (60,809)
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities.		
Capital Outlay	8,438	
Depreciation	(353,354)	(344,916)
Bond proceeds are reported as financial resources in the governmental funds and increase fund balance. In the government-wide financial statements, however, issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities.		(8,565,000)
Some expenses reported in the statement of activities do not require current financial resources and are not reported in the funds.		
Bond Principal Payments	8,805,000	
Changes in Accrued Interest Payable	8,356	8,813,356
Deferred Charges related to pensions and OPEB are not recognized in the governmental funds. However, for the government-wide funds those amounts are capitalized and amortized.		
Deferred charges related to Pension Plan	155,037	
Deferred charges related to OPEB	9,838	164,875
Change in net position of governmental activities		$ 7,506

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

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

The Monarch Montessori of Denver Charter (the "School") was formed pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Denver Public Schools District (the "District"). The School is governed by a five-member Board of Directors.

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

Reporting Entity

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

Based on the application of this criteria, the School includes the following organization within its reporting entity:

Monarch Building Corporation

The Monarch Building Corporation (the "Corporation") was formed to support the School to perform its function and to carry out its purpose, specifically to assist in the purchase and financing of the School's facilities. The Corporation is blended into the School's financial statements as a special revenue fund. Separate financial statements are not available for the Corporation.

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

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

Government-Wide and Fund Financial Statements

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

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

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon

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

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

enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

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

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

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

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

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

The *Building Corporation* accounts for the activities of the Monarch Building Corporation

Assets, Liabilities, and Fund Balance/Net Position

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

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

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

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

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

<u>Capital Assets</u> – Capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the School 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 acquisition value at the date of donation.

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

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

Buildings and Improvements	30 years

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

<u>Accrued Salaries and Benefits</u> – Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from August to July, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, as of June 30, 2020, were $96,175. The accrued compensation is reported as a liability in the General Fund.

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

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

<u>Deferred Outflows of Resources</u> - 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.

<u>Deferred Inflows of Resources</u> - 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.

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

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

<u>Compensated Absences</u> – The School's policy allows employees to earn seven to ten days of personal leave of absence during the year. Unused leave up to 40 hours may be carried over to the next fiscal year. Any excess accrued leave is paid out at the end of the contract year at a rate of $100 per day. Employees who resign or terminate employment prior to the end of the school year will , not be paid for their unused personal leave of absence days. Therefore, no liability is recorded in the School's government-wide statement of net position.

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

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

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

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

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

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

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

- Nonspendable – This classification includes amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. The School considers prepaid expenses as nonspendable.

- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The School has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies. The School has also classified funds for debt service as being restricted because their use is restricted by debt covenants.

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

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

- <u>Committed</u> – 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 School did not have any committed resources as of June 30, 2020.

- <u>Assigned</u> – This classification includes spendable fund balance amounts that are intended to be used for a specific purpose that are neither considered restricted or committed. The School did not have any assigned resources as of June 30, 2020.

- <u>Unassigned</u> – 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 School would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned fund balance.

Risk Management

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

Income Taxes

The School is a tax exempt entity under section 501 (c) 3 of the US Internal Revenue Code. The School’s tax filings are subject to audit by various taxing authorities. The School believes it has no significant uncertain tax provisions for the year ended June 30, 2020.

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

Subsequent Events

The School has evaluated events subsequent to the year ended June 30, 2020 through October 16, 2020, the date these financial statements were issued, and has incorporated any required recognition into these financial statements.

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

Budgets

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

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

NOTE 3: ***CASH AND INVESTMENTS***

At June 30, 2020 cash and investments consist of the following:

Petty Cash	$ 282
Deposits	759,589
Investments	315,715
Total	$ 1,075,586

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

Cash and Investments - Unrestricted	$ 759,871
Cash and Investments - Restricted	315,715
Total	$ 1,075,586

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

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 School are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held.

The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

At June 30, 2020, the School had deposits with financial institutions with a carrying amount of $759,589. The bank balances with the financial institutions were $808,345. Of these balances, $250,000 was covered by federal depository insurance and $558,345 was covered by collateral held by authorized escrow agents in the financial institutions name (PDPA).

Investments

Interest Rate Risk

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

NOTE 3: ***<u>CASH AND INVESTMENTS</u>*** *(Continued)*

Investments (Continued)

<u>Credit Risk</u>

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

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

The School does not have a formal investment policy to limit credit risk. However, the School follows state statutes regarding investments.

<u>Local Government Investment Pools</u>

The School has invested $315,715 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 Statues, 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 statues, consisting of U.S. Treasury bills, notes and note strips, repurchase agreements, U.S. Instrumentalities, Commercial Paper, Bank Deposits and

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

Investments (Continued)

Money Market Funds. CSAFE does not have any limitations or restrictions on participant withdrawals.

Restricted Cash and Investments

At June 30, 2020, cash and investments in the amount of $315,715 is restricted in the Building Corporation to comply with debt covenants.

NOTE 4: ***CAPITAL ASSETS***

Capital Asset activity for the year ended June 30, 2020 is summarized below:

	Balance 6/30/2019	Additions	Deletions	Balance 6/30/2020
Governmental Activities				
Capital Assets, Not Depreciated				
Land	$ 1,135,000	$ -	$ -	$ 1,135,000
Capital Asset, Being Depreciated				
Building	10,551,183	-	-	10,551,183
Equipment	-	8,438	-	8,438
Total Capital Assets, Being Depreciated	10,551,183	8,438	-	10,559,621
Accumulated Depreciation				
Building	1,088,969	352,721	-	1,441,690
Equipment	-	633	-	633
Total Depreciation	1,088,969	353,354	-	1,442,323
Total Capital Assets, Being Depreciated, Net	9,462,214	(344,916)	-	9,117,298
Net Capital Assets	$ 10,597,214	$ (344,916)	$ -	$ 10,252,298

Depreciation has been charged to the Supporting Services program of the School.

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

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

	Balance 6/30/2019	Additions	Payments	Balance 6/30/2020	Due In One Year
Series 2015 Bonds	$ 8,565,000	$ -	$ 8,565,000	$ -	$ -
Series 2015 Bonds Reissuance	-	8,565,000	240,000	8,325,000	-
Net Pension Liability	1,168,449	-	435,902	732,547	-
Net OPEB Liability	78,331	-	19,222	59,109	-
Total	$ 9,811,780	$ 8,565,000	$ 9,260,124	$ 9,116,656	$ -

Charter School Refunding and Improvement Bonds, Series 2015

In December 2015, the Colorado Educational and Cultural Facilities Authority (CECFA) issued $8,815,000 Charter School Refunding and Improvement Bonds, Series 2015. Proceeds from the bonds were used to purchase the School's building and provide funding for improvements. Interest accrues at rates ranging from 5.5% to 7.00%. The bonds matured in May 2020.

In May 2020, the bonds were re-issued in the aggregate amount of $8,565,000. The re-issued bonds carry an interest rate of 4.75%. Semi-annual interest payments are due on May 15 and November 15 through May 15, 2025. Principal payments are due on May 15, 2020 and May 15, 2024. A final balloon payment in the amount of $8,175,000 is due on May 15, 2025.

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

NOTE 5: LONG-TERM DEBT

Future debt service requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
2021	$ -	$ 395,438	$ 395,438
2022	-	395,438	395,438
2023	-	395,438	395,438
2024	150,000	395,438	545,438
2025	8,175,000	388,312	8,563,312
Total	$ 8,325,000	$ 1,970,064	$ 10,295,064

NOTE 6: INTERFUND TRANSFERS

During the year ended June 30, 2020, the General Fund transferred $544,606 to the Building Corporation to cover the School's rent obligations. The Building Corporation transferred $105,000 to the General Fund to provide funding for capital improvements.

NOTE 7: *DEFINED BENEFIT PENSION PLAN*

Summary of Significant Accounting Policies

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

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

Summary of Significant Accounting Policies (Continued)

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

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

The lifetime retirement benefit for all eligible retiring employees under the 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.

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.

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. Benefit recipients under the PERA benefit structure who began eligible employment on or after January 1, 2007, will receive the lessor of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the DPS Division. 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.

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

General Information about the Pension Plan (Continued)

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

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

Contributions provisions as of June 30,2020: Eligible employees of the School and the State are required to contribute to the DPS Division at a rate set by Colorado statute. The contribution requirements for the DPS Division are established under C.R.S. § 24-51-401, *et seq*. and § 24-51-413. Eligible employees are required to contribute 8.75 percent of their PERA-includable salary period of July 1, 2019 through June 30, 2020. Employer contribution requirements are summarized in the table below:

	July 1, 2019 Through December 31, 2019	January 1, 2020 Through June 30, 2020
Employer contribution rate	10.40%	10.40%
Amount of employer contribution apportioned to the DPS HCTF as specified in C.R.S. § 24-51-208(1)(f)	(1.02%)	(1.02%)
PCOP offset as specified in C.R.S. § 24-51-412[1]	(13.60%)	(12.25%)
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.50%	5.50%
Total employer contribution rate to the DPS Division	**5.78%**	**7.13%**

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

General Information about the Pension Plan (Continued)

[1] To conform with this presentation of contribution rates, the 2019 and 2020 annual PCOP offsets of 13.48 percent and 12.50 percent, respectively, have been adjusted based on the portion of the PCOP offset used to satisfy employer contribution requirements.

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

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 DPS Division based on the proportionate amount of annual payroll of the DPS Division to the total annual payroll of the DPS Division, State Division Trust Fund, School Division Trust Fund, and Judicial Division Trust Fund. A portion of the direct distribution allocated to the DPS Division is considered a nonemployer contribution for financial reporting purposes.

Subsequent to the DPS Division'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 DPS Division in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the DPS Division. Employer contributions recognized by the DPS Division from the School were $80,801 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 DPS Division was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll forward the total pension liability to December 31, 2019. The School's proportion of the net pension liability was based on the School's contributions to the DPS Division for the calendar year 2019 relative to the total contributions of participating employers and the State as a nonemployer contributing entity .

NOTE 7: ***<u>DEFINED BENEFIT PENSION PLAN</u>*** (Continued)

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

At June 30, 2020 the School reported a liability of $732,547 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the School as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the School were as follows:

School's proportionate share of the net pension liability	$ 732,547
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the School	$ 324,649
Total	$1,057,196

At December 31, 2019, the School's proportion was 0.11119 percent, which was a decrease of 0.00304 from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020 the School recognized pension expense of ($129,548) and revenue of $25,489 or support from the State as a nonemployer contributing entity. At June 30, 2020 the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$113,236	$ 430
Changes of assumptions or other inputs	$ 31,111	$ 252
Net difference between projected and actual earnings on pension plan investments	N/A	$267,371
Changes in proportion and differences between contributions recognized and proportionate share of contributions	$ 471	$385,861
Contributions subsequent to the measurement date	$ 44,346	N/A
Total	$189,164	$653,914

$44,346 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2021	($151,052)
2022	($152,392)
2023	($137,885)
2024	$14,583
2025	($82,350)
Thereafter	-

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

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

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

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

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

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

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

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)

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

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

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

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

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

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

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

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

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)

- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including 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.

- 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 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.

- Employer contributions for the DPS Division Trust Fund are reduced by an amount equal to the principal payments plus interest necessary each year to finance the pension certificates of participation (PCOPs) issued in 1997 and 2008 and refinanced thereafter.

- As specified in law, the State 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.

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 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 DPS Division'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 index rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	$1,299,438	$732,547	$260,995

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

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

Summary of Significant Accounting Policies

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

General Information about the OPEB Plan

Plan description. Eligible employees of the School are provided with OPEB through the DPS HCTF—a single-employer defined benefit OPEB plan administered by PERA. The DPS HCTF is established under Title 24, Article 51,Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. 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 DPS HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member's years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the Heath Care Trust Fund (HCTF) and the 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.

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

General Information about the OPEB Plan (Continued)

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

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

PERA Benefit Structure
The maximum service-based premium subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is $115 per month for benefit recipients who are 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.

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

General Information about the OPEB Plan (Continued)

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.

Contributions. Pursuant to Title 24, Article 51, Section 208(1)(f) of the C.R.S., as amended, certain contributions are apportioned to the DPS HCTF. PERA reporting agencies of the DPS Division are required to contribute at a rate of 1.02 percent of PERA-includable salary into the DPS HCTF.

Employer contributions are recognized by the DPS HCTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions. Employer contributions recognized by the DPS HCTF from School were $12,782 for the year ended June 30, 2020.

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

At June 30, 2020 the School reported a liability of $59,109 for its proportionate share of the net OPEB liability. The net OPEB liability for the DPS 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.

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 School's proportion of the net OPEB liability was based on the School's contributions to the DPS HCTF for the calendar year 2019 relative to the total contributions of participating employers to the DPS HCTF.

At December 31, 2019, the School's proportion was 0.16046 percent, which was a decrease of 0.01295 from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020 the School recognized OPEB expense of ($9,838). At June 30, 2020 the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	N/A	$ 9,944
Changes of assumptions or other inputs	$ 5	N/A
Net difference between projected and actual earnings on OPEB plan investments	N/A	$ 2,614
Changes in proportion and differences between contributions recognized and proportionate share of contributions	N/A	$10,368
Contributions subsequent to the measurement date	$6,349	N/A
Total	$6,354	$22,926

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)

$6,349 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	($4,114)
2022	($4,471)
2023	($3,843)
2024	($4,681)
2025	($3,485)
Thereafter	($2,327)

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

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

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 Part A premiums	3.50 percent for 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:

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.

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

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

In determining the additional liability for PERACare enrollees 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.

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 the DPS Division as shown below are applied, as applicable, in the determination of the total OPEB liability for the DPS HCTF. Affiliated employers of the DPS Division participate in the DPS HCTF.

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

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

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

Post-retirement non-disabled mortality assumptions for the DPS Division 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 DPS 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.

NOTE 8: ***<u>DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN</u>*** (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 DPS HCTF, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

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

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

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

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

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

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	4.60%	5.60%	6.60%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	$59,096	$59,109	$59,122

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.

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

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

- Employer contributions 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.

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	$69,871	$59,109	$49,923

OPEB plan fiduciary net position. Detailed information about the DPS 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: ***TAXABLE PENSION CERTIFICATES OF PARTICIPATION (PCOPs)***

The Denver Public Schools District (the "District") issued Taxable Pension Certificates of Participation (PCOPs) on July 17, 1997 to fully fund the unfunded actuarial accrued liability (UAAL) of the Plan. The School contributed 9.21%, 9.54%, and 9.6% of covered payroll for the fiscal years ending June 30, 2020, 2019, and 2018, respectively, to the District to cover its obligation relating to the PCOPs.

For the year ended June 30, 2020 the School contributed $114,779 to the District for its PCOPs obligation.

NOTE 10: ***COMMITMENTS AND CONTINGENCIES***

Claims and Judgments

The School 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 School may be required to reimburse the grantor government. As of June 30, 2020 significant amounts of grant expenditures have not been audited but the School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

Tabor Amendment

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

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

The School has established a reserve, representing 3% of qualifying expenditures, as required by the Amendment. At June 30, 2020, the emergency reserve of $87,375 was reported as a restriction of net position and fund balance in the Governmental Activities and General Fund, respectively.

NOTE 11: ***SUBSEQUENT EVENT***

The United States of America and State of Colorado have declared an emergency as a result of the coronavirus (COVID19) pandemic. These economic uncertainties may have a significant impact on the financial position, results of operations, and cashflows of the School. The duration of these uncertainties and the ultimate financial effects cannot be estimated at this time.

REQUIRED SUPPLEMENTARY INFORMATION

MONARCH MONTESSORI OF DENVER CHARTER

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2020

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)
REVENUES				
Local Sources				
Per Pupil Revenue	$ 1,797,342	$ 1,794,658	$ 1,794,657	$ (1)
Mill Levy Override	382,826	398,754	398,749	(5)
Tuition and Fees	12,000	12,000	4,726	(7,274)
Contributions	215,103	10,000	11,398	1,398
Interest	230	230	212	(18)
Other	297,085	344,085	315,115	(28,970)
State Sources				
Capital Construction	51,250	56,375	57,025	650
Grants and Donations	66,814	271,860	224,620	(47,240)
Federal Sources				
Grants and Donations	96,136	187,445	156,257	(31,188)
TOTAL REVENUES	2,918,786	3,075,407	2,962,759	(112,648)
EXPENDITURES				
Instruction				
Salaries	910,342	938,019	829,964	108,055
Employee Benefits	166,297	195,183	184,916	10,267
Purchased Services	96,511	93,461	95,879	(2,418)
Supplies and Materials	67,339	71,239	83,401	(12,162)
Property	7,674	23,344	22,516	828
Other	53,720	25,000	9,877	15,123
Total Instruction	1,301,883	1,346,246	1,226,553	119,693
Supporting Services				
Salaries	377,386	386,823	392,658	(5,835)
Employee Benefits	157,435	174,078	164,637	9,441
Purchased Services	529,029	614,497	445,429	169,068
Supplies and Materials	21,502	33,500	32,930	570
Property	-	142,000	-	142,000
Other	6,300	6,300	5,713	587
Total Supporting Services	1,091,652	1,357,198	1,041,367	315,831
TOTAL EXPENDITURES	2,393,535	2,703,444	2,267,920	435,524
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	525,251	371,963	694,839	322,876
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	105,000	105,000
Transfers Out	(521,065)	(422,337)	(544,606)	(122,269)
TOTAL OTHER FINANCING SOURCES (USES)	(521,065)	(422,337)	(439,606)	(17,269)
NET CHANGE IN FUND BALANCE	4,186	(50,374)	255,233	305,607
FUND BALANCE, Beginning	512,330	512,330	604,642	92,312
FUND BALANCE, Ending	$ 516,516	$ 461,956	$ 859,875	$ 397,919

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

MONARCH MONTESSORI OF DENVER CHARTER

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PERA DENVER PUBLIC SCHOOLS DIVISION TRUST FUND PLAN

Years Ended December 31,

	2019	2018	2017	2016	2015	2014	2013
Proportion of the Net Pension Liability (Asset)	0.11119%	0.11423%	0.18168%	0.18820%	0.18779%	0.17249%	0.17900%
Proportionate Share of the Net Pension Liability (Asset)	$ 732,547	$ 1,168,449	$ 1,628,730	$ 2,061,694	$ 1,527,762	$ 1,077,312	$ 596,186
State of Colorado Proportionate Share of the Net Pension Liability (Asset)	324,649	605,367	-	-	-	-	-
Total Proportionate Share of the Net Pension Liability (Asset)	1,057,196	1,773,816	1,628,730	2,061,694	1,527,762	1,077,312	596,186
Covered payroll	$ 1,202,812	$ 1,259,177	$ 1,231,421	$ 1,243,563	$ 1,188,334	$ 1,015,802	$ 625,164
Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	87.9%	140.9%	132.3%	165.8%	128.6%	106.1%	95.4%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	84.73%	75.70%	79.50%	74.10%	79.30%	83.90%	86.30%

See the accompanying independent auditors' report

MONARCH MONTESSORI OF DENVER CHARTER

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
PERA DENVER PUBLIC SCHOOLS DIVISION TRUST FUND PLAN

Years Ended June 30,

	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contributions	$ 80,801	$ 62,963	$ 57,344	$ 53,252	$ 37,112	$ 36,761	$ 42,226
Contributions in Relation to the Contractually Required Contributions	80,801	62,963	57,344	53,252	37,112	36,761	42,226
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Covered payroll	$1,253,243	$1,176,053	$1,268,228	$1,223,382	$1,231,565	$1,130,854	$ 886,475
Contributions as a Percentage of Covered Payroll	6.45%	5.35%	4.52%	4.35%	3.01%	3.25%	4.76%

See the accompanying independent auditors' report

MONARCH MONTESSORI OF DENVER CHARTER

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
PERA DENVER PUBLIC SCHOOLS HEALTH CARE TRUST FUND PLAN

Years Ended December 31,

	2019	2018	2017	2016
Proportion of the Net OPEB Liability (Asset)	0.16046%	0.17341%	0.18118%	0.18820%
Proportionate Share of the Net OPEB Liability (Asset)	$ 59,109	$ 78,331	$ 92,333	$ 102,588
Covered payroll	$ 1,202,812	$ 1,259,177	$ 1,231,421	$ 1,243,563
Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	4.91%	6.22%	7.50%	8.25%
Plan Fiduciary Net position as a Percentage of the Total OPEB Liability	46.98%	34.72%	30.45%	33.64%

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

See the accompanying independent auditors' report

MONARCH MONTESSORI OF DENVER CHARTER

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
PERA DENVER PUBLIC SCHOOLS HEALTH CARE TRUST FUND PLAN

Years Ended June 30,

	2020	2019	2018	2017
Contractually Required Contributions	$ 12,782	$ 11,996	$ 12,936	$ 12,478
Contributions in Relation to the Contractually Required Contributions	12,782	11,996	12,936	12,478
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
Covered payroll	$1,253,243	$1,176,053	$1,268,228	$1,223,382
Contributions as a Percentage of Covered Payroll	1.02%	1.02%	1.02%	1.02%

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

See the accompanying independent auditors' report