Academy of Advanced Learning

(A Component Unit of the Joint School District No. 28-J of the Counties of Adams and Arapahoe, Colorado)

Aurora, Colorado

Financial Statements

with Independent Auditor's Report

June 30, 2023

HINKLE & COMPANY PC
Strategic Business Advisors

Academy of Advanced Learning

(A Component Unit of the Joint School District No. 28-J of the Counties of Adams and Arapahoe, Colorado)

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Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Academy of Advanced Learning (Third Future) (the School), for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the School, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for one year after the date that the financial statements are issued or when applicable, one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information, such as management's discussion and analysis and budgetary comparison information listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The Combining Balance Sheet - General Fund and Combining Statement of Revenues, Expenditures and Changes In Fund Balances - General Fund are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Combining Balance Sheet - General Fund and Combining Statement of Revenues, Expenditures and Changes In Fund Balances - General Fund are the responsibility of management and were derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Combining Balance Sheet - General Fund and Combining Statement of Revenues, Expenditures and Changes In Fund Balances - General Fund are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Hinkle & Company, PC

Englewood, Colorado
November 8, 2023

Academy of Advanced Learning

Management's Discussion and Analysis
June 30, 2023

Academy of Advanced Learning (AAL) is one of the six schools within the Third Future Schools network. This Management's Discussion and Analysis (MD&A) offers a narrative overview and analysis of AAL's financial activities for the fiscal year ending on June 30, 2023. We recommend that readers review this information in conjunction with the school's financial statements, which follow this narrative.

Financial Highlights: The fiscal year ending on June 30, 2023, marked the sixth year of AAL's operations. During this period, the School recorded total revenues of $19,699,090. However, the total expenditures for fiscal year 2023 in the General Fund amounted to $21,569,157. Including other financing sources, AAL experienced a net decrease in fund balances of $1,881,507. Governmental Funds reported total assets of $777,944.

Overview of the Financial Statements: This discussion and analysis aim to introduce AAL's basic financial statements. These statements comprise three main components: government-wide financial statements, fund financial statements, and notes to the financial statements.

Government-Wide Financial Statements: The government-wide financial statements provide readers with a comprehensive overview of AAL's finances, similar to how a private-sector business would present its financial position. The statement of net position conveys information about AAL's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, with the difference reported as net position. Changes in net position over time serve as an indicator of AAL's financial stability. The statement of activities shows how AAL's net position changed during the year. It reports revenue and expenses for events that might affect cash flows in future fiscal periods. However, it's important to note that AAL's financial results under government-wide accounting are significantly impacted by GASB 68 and GASB 75, which require reporting liabilities for AAL's share of underfunded pension and post-employment benefit plans.

Fund Financial Statements: Funds are groups of related accounts used to manage resources allocated for specific activities or goals. AAL, like other Colorado schools, uses fund accounting to comply with the state's financial legal requirements. Governmental funds account for functions reported as governmental activities in the government-wide financial statements. These funds focus on the availability of resources for school programs and use a modified accrual accounting method for short-term financial perspective. The relationship between government activities in the statement of net position and the statement of activities and governmental funds is explained in the reconciliation within the fund financial statements.

Notes to the Financial Statements: The notes provide detailed explanations of the data contained in the financial statements. Additionally, supplemental information is presented to provide details about the school's budgetary information.

Governmental Funds: Governmental funds are used to account for functions reported as governmental activities in the government-wide financial statements. They mainly cover AAL's basic services and focus on the availability of financial resources for school programs. These funds are reported using modified accrual accounting to provide a short-term perspective on financial resources. The relationship between government activities and governmental funds is described in the reconciliation within the fund financial statements.

AAL follows an annual budget on a fund basis. Budgetary comparison statements, though not part of the basic financial statements, are included in the required supplementary information. The budget, a legally adopted document, outlines activities and services to be provided during the fiscal year and authorizes the school to obtain funds for these activities. These budgetary statements demonstrate compliance with the budget and the success of providing services as planned when the budget was adopted.

Basic Financial Statements

Academy of Advanced Learning

(A Component Unit of the Aurora Public School District)

Statement of Net Position

June 30, 2023

		Governmental Activities
Assets		
Cash and Investments	$	564,771
Restricted Investments		345,014
Accounts Receivables		202,688
Due from District		34,487
Due from Other Schools		3,419,955
Deposits		62,000
Prepaid Expenditures		79,688
Capital Assets, *Net of Accumulated Depreciation*		17,329,360
Total Assets		22,037,963
Deferred Outflows of Resources		
Pensions, *Net of Accumulated Amortization*		4,141,394
OPEB, *Net of Accumulated Amortization*		289,612
Total Deferred Outflows of Resources		4,431,006
Liabilities		
Accounts Payable		215,662
Accrued Liabilities		28,882
Accrued Salaries and Benefits		1,192,407
Accrued Interest		31,457
Unearned Revenue		168,089
Due to Related Party		2,389,276
Due to other Funds		(63,657)
Noncurrent Liabilities		
Due in One Year		890,259
Due in More Than One Year		16,630,756
Net Pension Liability		15,273,083
Net OPEB Liability		519,949
		37,276,163
Total Liabilities		
Deferred Inflows of Resources		
Pensions, *Net of Accumulated Amortization*		112,984
OPEB, *Net of Accumulated Amortization*		116,190
Total Deferred Inflows of Resources		229,174
Net Position		
Net Investment in Capital Assets		(191,655)
Restricted for		
Emergencies		206,489
Debt Service		263,557
Unrestricted		(11,314,759)
Total Net Position	$	(11,036,368)

See Notes to the Financial Statements.

Academy of Advanced Learning

(A Component Unit of the Aurora Public School District)

Statement of Activities

For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Position: Governmental Activities
Primary Government					
Governmental Activities					
Instruction	$ 10,234,969	$ 2,028,737	$ 4,787,642	$ -	$ (3,418,590)
Supporting Services	12,879,570	-	1,957,234	310,944	(10,611,392)
Debt Service - Interest	763,480	-	-	-	(763,480)
Total Primary Government	$ 23,878,019	$ 2,028,737	$ 6,744,876	$ 310,944	(14,793,462)
	General Revenues				
	Per Pupil Revenue				8,147,598
	District Mill Levy				2,111,096
	Investment Income				13,236
	Other Revenue				98,545
	Transfers				(11,440)
	Total General Revenues				10,359,035
	Change in Net Position				(4,434,427)
	Net Position, *Beginning of Year*				(6,601,941)
	Net Position, *End of Year*				$ (11,036,368)

Academy of Advanced Learning
(A Component Unit of the Aurora Public School District)
Balance Sheet
Governmental Fund
June 30, 2023

	General	Building	Total
Assets			
Cash and Investments	$ 564,771	$ -	$ 564,771
Restricted Cash and Investments	50,000	295,014	345,014
Accounts Receivable	202,688	-	202,688
Due from District	34,487	-	34,487
Due from Other Schools	3,419,955	-	3,419,955
Due from Other Funds	63,657	-	63,657
Prepaid Expenditures	79,688	-	79,688
Deposits	62,000	-	62,000
Total Assets	$ 4,477,246	$ 295,014	$ 4,772,260
Liabilities and Fund Balance			
Liabilities			
Accounts Payable	$ 215,662	$ -	$ 215,662
Accrued Liabilities	28,882	-	28,882
Accrued Salaries	1,192,407	-	1,192,407
Due to Related Party	2,389,276	-	2,389,276
Unearned Revenue	168,089	-	168,089
Total Liabilities	3,994,316	-	3,994,316
Fund Balance			
Nonspendable:			
Prepaid Expenditures	79,688	-	79,688
Deposits	62,000	-	62,000
Restricted for:			
Emergencies	206,489	-	206,489
Debt Service	-	295,014	295,014
Unrestricted, Unassigned	134,753	-	134,753
Total Fund Balance	482,930	295,014	777,944
Total Liabilities and Fund Balance	$ 4,477,246	$ 295,014	$ 4,772,260

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:	
Total Fund Balance of the Governmental Fund	$ 777,944
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	17,329,360
Long-term liabilities and related items are not reported in governmental funds:	
Long-Term Debt	(8,555,000)
Accrued Interest	(31,457)
Lease Liabilities	(8,966,015)
Net pension liability	(15,273,083)
Pension-related deferred outflows of resources	4,141,394
Pension-related deferred inflows of resources	(112,984)
Net OPEB liability	(519,949)
OPEB-related deferred outflows of resources	289,612
OPEB-related deferred inflows of resources	(116,190)
Total Net Position of Governmental Activities	$ (11,036,368)

Academy of Advanced Learning

(A Component Unit of the Aurora Public School District)

Statement of Revenues, Expenditures and Changes in Fund Balance

Governmental Fund

For the Year Ended June 30, 2023

	General	Building	Total
Revenues			
Local Sources			
District Mill Levy	$ 2,111,096	$ -	$ 2,111,096
Charges for Services	2,028,737	-	2,028,737
Lease Income	-	387,904	387,904
Investment Income	526	12,710	13,236
Miscellaneous	98,545	-	98,545
State Sources			
Per Pupil Revenue	8,147,598	-	8,147,598
Capital Construction	310,944	-	310,944
Grants	4,858,381	-	4,858,381
Federal Sources			
Grants	1,742,649	-	1,742,649
Total Revenues	19,298,476	400,614	19,699,090
Expenditures			
Instruction	8,975,428	-	8,975,428
Supporting Services	10,968,990	-	10,968,990
Debt Service			
Principal	845,530	-	845,530
Interest and Fees	401,721	377,488	779,209
Total Expenditures	21,191,669	377,488	21,569,157
Excess Revenues Over (Under) Expenditures	(1,893,193)	23,126	(1,870,067)
Other Financing Sources (Uses)			
Transfers In (Out)	435	(11,875)	(11,440)
Total Other Financing Sources (Uses)	435	(11,875)	(11,440)
Net Change in Fund Balance	(1,892,758)	11,251	(1,881,507)
Fund Balance, *Beginning of Year*	2,375,688	283,763	2,659,451
Fund Balance, *End of Year*	$ 482,930	$ 295,014	$ 777,944

Academy of Advanced Learning

(A Component Unit of the Aurora Public School District)

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities

For the Year Ended June 30, 2023

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Net Change in Fund Balance of the Governmental Fund	$	(1,881,507)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Depreciation and Amortization expense		(1,423,209)
Repayment of debt principal are expenditures in governmental funds, but the repayments reduce long-term liabilities in the statement of net position and do not affect the statement of activities		
Note Principal Payments		274,608
Lease Principal Payments		570,922
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This includes the change in:		
Accrued interest		15,729
Net pension liability		(5,097,537)
Pension-related deferred outflows of resources		(580,611)
Pension-related deferred inflows of resources		3,712,717
Net OPEB liability		(27,653)
OPEB-related deferred outflows of resources		(55,602)
OPEB-related deferred inflows of resources		57,716
Change in Net Position of Governmental Activities	$	(4,434,427)

Note 1: Summary of Significant Accounting Policies

Nature of Operations

The Academy of Advanced Learning (the School) was formed in 2016 pursuant to the Colorado Charter Schools Act to form and operate a charter school. On July 1, 2016, the School entered into a contract with the Joint School District No. 28-J of the Counties of Adams and Arapahoe, Colorado (the Aurora Public School District or the District) pursuant to the Colorado Charter School Act, for an initial term of five years. The current contract expires on June 30, 2022.

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 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:

Third Future Schools Building Corporation and Blackhawk Building Corporation.

Third Future Schools Building Corporation and the Blackhawk Building Corporation (the Corporations), blended component units, were formed to support the School to perform its function and to carry out its purpose, specifically to provide a mechanism to issue debt on behalf of the School. The Corporations are considered to be part of the School for financial reporting purposes because their resources are entirely for the benefit of the School. The activities of the Third Future Schools Building Corporation are blended in the School's General Fund. The Blackhawk Building Corporation is considered to be part of the School for financial reporting purposes because its resources are entirely for the direct benefit of the School and is blended into the School’s financial statements as a special revenue fund called the Building Fund. The Corporations have no financial balances or transactions outside of those reported by the School and therefore, is not reported separately in the financial statements. The Corporations do not issue separate financial statements.

The School is a component unit of the Aurora Public School District.

Note 1: Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all 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 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.

Note 1: Summary of Significant Accounting Policies (Continued)

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

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:

> *General Fund* - This 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.
>
> *Building Fund* - This fund is used to account for the financial activities of the Blackhawk Building Corporation, which are primarily for capital purposes and the related debt service.

Assets, Liabilities and Net Position/Fund Balance

Deposits and Investments - 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.

Prepaid Expenses - 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.

Capital Assets - 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 $10,000 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.

Note 1: Summary of Significant Accounting Policies (Continued)

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

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.

Capital assets are amortized or depreciated using the straight-line method over the life of the related lease agreement or the estimated useful lives, as follows:

Building and Improvements	15 - 30 years

Unearned Revenues - The deferred revenues include amounts received but not yet available for expenditure.

Deferred Outflows of Resources - In addition to assets, the statement of financial position and balance sheets will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows 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.

Deferred Inflows of Resources - In addition to liabilities, the statement of financial position and balance sheets will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows 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.

Long - Term Debt - 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.

Note 1: Summary of Significant Accounting Policies (Continued)

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

Compensated Absences - The School's policy allows employees to accumulate paid time off. Employees who resign or terminate employment will be paid for their unused paid time off up to a maximum of 8 days provide they have completed five of more years of service to the School. At June 30, 2022, no liability has been accrued for these compensated absences.

Net Position - 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.

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 reports deposits as nonspendable at June 30, 2022.

- 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), granters, 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.

Note 1: Summary of Significant Accounting Policies (Continued)

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

- Committed - This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The School did not have any committed resources as of June 30, 2022.
- Assigned - 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, 2022.
- Unassigned - This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The 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, 2023.

Prior Period Adjustments

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

Note 1: Summary of Significant Accounting Policies (Continued)

Prior Period Adjustments *(Continued)*

For the year ended June 30, 2023, the School Implemented GASB Statement No. 80 - Blending Requirements for Certain Component Units. This statement changes the Blackhawk Building Corporation of the School from an internal service fund to a Special Revenue fund and will be a blended component unit of the School.

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

Building Corporation Fund	As Originally Stated Balance 6/30/22	Capital Assets Adjustments	Loan Payable Adjustments	Interest Payable Adjustments	As Restated Balance 6/30/22
Balance Sheet					
Assets					
Restricted Cash and Investments	$ 283,763	$ -	$ -	$ -	$ 283,763
Capital Assets	7,129,429	(7,129,429)	-	-	-
Liabilities					
Interest Payable	47,186	-	-	(47,186)	-
Bonds Payable	8,555,000	-	(8,555,000)	-	-
Fund Balance	$ (1,188,994)	$ (7,129,429)	$ 8,555,000	$ 47,186	$ 283,763

Subsequent Events

The School evaluated subsequent events through November 8, 2023, the date the financial statements were available to be issued.

Note 2: Cash and Investments

Cash and Investments at June 30, 2023 consisted of the following:

Petty Cash	$ 900
Deposits	563,871
Cash with Fiscal Agents	50,000
Investments	295,014
	$ 909,785

Note 2: Cash and Investments (Continued)

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The financial institution is allowed to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

The School utilizes a pooled cash process, as part of the TFS Networks. Deposits are held at a single operating bank account for the Network's three schools: Academy of Advanced Learning, Coperni 2 and Coperni 3.

At June 30, 2023 the School's balance in equity in pooled cash was $563,871. The bank balances with the financial institutions were $563,871. Of these balances, $250,000 was covered by federal depository insurance and $1,012,726 was covered by collateral held by authorized escrow agents in the financial institutions name (PDPA).

Investments

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

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

Note 2: Cash and Investments (Continued)

Investments *(Continued)*

The School measures and records its investments using fair value measurement guidelines established by generally accepted accounting principles. These guidelines recognized a three-tiered fair value hierarchy, as follows:

- Level 1: Quoted prices for identical investments in active markets,
- Level 2: Inputs other than quoted prices included within Level 1 that are observable for an asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in markets that are not active, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities; and,
- Level 3: Unobservable inputs.

At June 30, 2023, the School had the following Investments maturities and fair value measurements:

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

Credit Risk - State statutes limit certain investments to those with specified ratings from nationally recognized statistical rating organizations, depending on the type of investment. The School does not have a formal investment policy to limit credit risk. However, the School follows state statutes regarding investments.

Concentration of Credit Risk - State statutes do not limit the amount the School may invest in a single issuer, except for corporate securities.

Local Government Investment Pools

The School has invested $295,014 in the Colorado Surplus Asset Fund Trust (CSAFE) an investment vehicle established for local government entities in Colorado pursuant to Title 24, Article 75, Part 7 of the Colorado Revised Statues, to pool surplus funds for investment purposes. The State Securities Commissioner administers and enforces the requirements of creating and operating the Pools. CSAFE reports its underlying investments at amortized cost and is considered a qualifying external investment pool under GASB Statement 79. CSAFE operates similar to money market funds where each share is equal in value to$ 1.00. The fair value of the position in the pools is the same as the value of the pooled shares.

Note 2: Cash and Investments (Continued)

Local Government Investment Pools *(Continued)*

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

Restricted Cash and Investments

At June 30, 2023, the School had deposits in the amount of $50,000 that are restricted to comply with the charter contract with the District. These deposits are maintained by the District in a segregated account in the amount of $100,000 which is equally funded by the two parties. The account is restricted to be used to respond to special education due process and Section 504 hearing requests.

At June 30, 2023, cash and investments in the amount of $295,014 are restricted for debt service and capital projects requirements.

Note 3: Capital Assets

Changes in capital assets for the year ended June 30, 2023, are summarized below. Depreciation and amortization are combined in the following table.

	Balance 06/30/22	Additions	Deletions	Balance 06/30/23
Capital Assets, *Being Depreciated*				
Building	$ 7,638,673	$ -	$ -	$ 7,638,673
Leasehold Improvements	3,414,446	-	-	3,414,446
Equipment	12,321	-	-	12,321
Right-to-use Leased Assets	10,098,175	-	-	10,098,175
Total Capital Assets, *Being Depreciated*	21,163,615	-	-	21,163,615
Less: Accumulated Depreciation				
Building	(509,244)	(254,623)	-	(763,867)
Leasehold Improvements	(964,844)	(227,629)	-	(1,192,473)
Equipment	(4,928)	(7,393)	-	(12,321)
Less: Accumulated Amortization				
Right-to-use Leased Assets	(932,030)	(933,564)	-	(1,865,594)
Total Accumulated Depreciation and Amortization	(2,411,046)	(1,423,209)	-	(3,834,255)
Governmental Activities Capital Assets, *net*	$ 18,752,569	$ (1,423,209)	$ -	$ 17,329,360

Depreciation and amortization expense were charged to the supporting services program.

Note 4: Long-Term Debt

Following is a summary of long-term debt transactions for the year ended June 30, 2023:

	Balance 06/30/22	Additions	Payments	Balance 06/30/23	Due Within One Year
Governmental Activities					
Series 2020 Charter School Revenue Bonds	$ 8,555,000	$ -	$ -	$ 8,555,000	$ 125,000
Note Payable - CSDC	274,608	-	(274,608)	-	-
Right-to-use Leases	9,536,937	-	(570,922)	8,966,015	765,259
	$ 18,366,545	$ -	$ (845,530)	$ 17,521,015	$ 890,259

Series 2020 Charter School Revenue Bonds

On August 13, 2020, the Colorado Educational and Cultural Facilities Authority (CECFA) issued Charter School Revenue Bonds, Series 2020A in the amount of $8,420,000 and Series 2020B in the amount of $135,000. Proceeds of the bonds were used to purchase the School's facility and to make capital improvements. The School is required to make lease payments to the Blackhawk Building Corporation for the use of the building and the Blackhawk Building Corporation is required to make equal payments to the Trustee, for payment of the bonds.

The Series 2020A bonds carry an interest rate of 4.375% and the Series 2020B bonds carry an interest rate of 6.75%. Semi-annual interest payments are due on December 1 and June 1. Annual principal payments are due on June 1 beginning on June 1, 2024 through 2026. A final balloon payment in the amount of the then outstanding principal balance and all accrued interest is due on June 1, 2027.

Bonds maturing on June 1, 2025 are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof plus accrued interest thereon to the redemption date. The Blackhawk Building Corporation is required to deposit funds into the bond principal fund and bond interest fund sufficient to redeem the principal and interest amounts when due.

Bonds maturing on June 1, 2027 are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof plus accrued interest thereon to the redemption date. The Blackhawk Building Corporation is required to deposit funds into the bond principal fund and bond interest fund sufficient to redeem the principal and interest amounts when due.

The Series 2020 Charter School Revenue Bonds require the School meet certain financial covenants. These covenants are tested at June 30 of year and a certification whether the balances required have been met. At June 30, 2023, the School was required to maintain a coverage ratio of 1.1, maintain emergency reserves as required under Article X, Section 20(5) (Tabor), maintain cash on hand of not less than 40 days, and maintain cumulative unrestricted cash reserves sufficient to meet all accrued and unrestricted salary obligations of the School. At June 30, 2023, the School did not meet its financial covenants.

Note 4: Long-Term Debt (Continued)

Series 2020 Charter School Revenue Bonds *(Continued)*

The Series 2020 Charter School Revenue Bonds require the School to meet certain financial covenants. These covenants are tested at June 30 of the year and a certification whether the balances required have been met. At June 30, 2023, the School was required to maintain a coverage ratio of 1.1, maintain emergency reserves as required under Article X, Section 20(5) (TABOR), maintain cash on hand of not less than 40 days, and maintain cumulative unrestricted cash reserves sufficient to meet all accrued and unrestricted salary obligations of the School. At June 30, 2023, the School does not meet its cash on hand and unrestricted cash reserves covenants.

Future debt service requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
2024	$ 125,000	$ 377,488	$ 502,488
2025	135,000	369,050	504,050
2026	140,000	362,906	502,906
2027	8,155,000	356,782	8,511,782
Total	$ 8,555,000	$ 1,466,226	$ 10,021,226

Note Payable Charter Schools Development Corporation

In June 2017, the School entered into a loan agreement with the Charter Schools Development Corporation (CSDC) in the amount of $700,000. Proceeds of the loan were used to make necessary improvements on the School's facility. The note carries an interest rate of 6.25%. Monthly principal and interest payments in the amount of $5,067 are due through August 2023.

Building and Land Leases

The School entered into a lease agreement with PTT Properties, LLC (the landlord) for the School's building and surrounding land. The School is required to make monthly lease payments ranging from $17,333 to $55,449 to the Landlord through June 30, 2032. Total lease liability under this lease was $5,399,222 and the balance at June 30, 2022 was $4,670,292. The interest rate implied in the leases is calculated at 4.25%.

In July, 2020, the School entered into a lease agreement for an additional property with 1556 Investments LLC. The School is required to make monthly lease payments ranging from $28,368 to $51,097 to 1556 Investments LLC through June 30, 2032. Total lease liability under this lease was $5,017,214 and the balance at June 30, 2023 was $4,263,057. The interest rate implied in the leases is calculated at 4.25%.

Note 4: Long-Term Debt (Continued)

Copier Lease Agreements

Between October 2021 and June 2022, the School entered into various lease agreements with Xerox to lease copiers. Total lease liability under these leases was $64,134 and the balance at June 30, 2023 was $32,666. The interest rate implied in the leases is calculated at 8.5%. The lease payment schedules require the School to make monthly lease payments of $2,124.

Annual requirements to amortize long-term obligations and related interest for the School's building and copier leases are as follows:

Year Ended June 30,	Principal	Interest	Total
2024	$ 765,259	$ 370,399	$ 1,135,658
2025	813,678	335,025	1,148,703
2026	858,636	299,488	1,158,124
2027	919,307	261,834	1,181,141
2028	983,424	222,095	1,205,519
2029-2038	4,625,711	426,269	5,051,980
Total	$ 8,966,015	$ 1,915,110	$ 10,881,125

Note 5: Defined Benefit Pension Plan

General Information

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

Benefits provided as of December 31, 2022 - 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.

Note 5: Defined Benefit Pension Plan (Continued)

General Information *(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% 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 annualized into a monthly benefit based on life expectancy and other actuarial factors.

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

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

In all cases the service retirement benefit is limited to 100 percent of highest average salary and 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.

Upon meeting certain criteria, benefit recipients who elect to receive a lifetime retirement benefit generally receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Subject to the automatic adjustment provision (AAP) under C.R.S. § 24-51-413, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, and all eligible benefit recipients of the DPS benefit structure will receive the maximum annual increase (AI) or AI cap of 1.00% unless adjusted by the AAP. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the lesser of an annual increase of the 1.00% AI cap or the average increase of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed a determined increase that would exhaust 10% of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned AI cap by up to 0.25% based on the parameters specified in C.R.S. § 24-51-413.

Note 5: Defined Benefit Pension Plan (Continued)

General Information *(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 a disability. The disability benefit amount is based on the lifetime retirement benefit formula(s) shown above considering a minimum of 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) in place under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions provisions as of June 30, 2023 - Eligible employees of the School and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq*. and § 24-51-413. Eligible employees are required to contribute 11.00% of their PERA-includable salary during the period of July 01, 2022 through June 30, 2023. The School's contribution rate was 21.40% of covered salaries for July 01, 2022 through June 30, 2023. However, a portion of the School's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 6. Contribution rates for the SCHDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the School were $1,392,122, for the year ended June 30, 2023.

For purposes of GASB 68 paragraph 15, a circumstance exists in which a nonemployer contributing entity is legally responsible for making contributions to the SCHDTF and is considered to meet the definition of a special funding situation. As specified in C.R.S. § 24-51-414, the State is required to contribute $225 million (actual dollars) direct distribution each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. House Bill (HB) 22-1029, instructed the State treasurer to issue an additional direct distribution to ERA in the amount of $380 million (actual dollars), upon enactment. The July 1, 2023, payment is reduced by $190 million (actual dollars) to $35 million (actual dollars). The July 1, 2024, payment will not be reduced due to PERA's negative investment return in 2022. Senate Bill (SB) 23-056, enacted June 2, 2023, requires an additional direct distribution of approximately $14.5 million (actual dollars), for a total of approximately $49.5 million (actual dollars) to be contributed July 1, 2023.

Note 5: Defined Benefit Pension Plan (Continued)

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

The net pension liability for the SCHDTF was measured at December 31, 2022, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. Standard update procedures were used to roll forward the TPL to December 31, 2022. The School proportion of the net pension liability was based on the School contributions to the SCHDTF for the calendar year, 2022 relative to the total contributions of participating employers and State as a nonemployer contributing entity.

At June 30, 2023, the (School) reported a liability of 15,793,032, for its proportionate share of the net pension liability that reflected an increase for support from the State as a nonemployer contributing entity. The amount recognized by the 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 Proportionate share of net pension liability	$ 19,723,813
The State's proportionate share of net pension liability as a nonemployer contributing entity associated with the School	(4,450,730)
Proportionate share of the net pension liability	$ 15,273,083

At December 31, 2022, the School’s proportion was 0.083874419%, which was a decrease of 0.0010972507% from its proportion measured at December 31, 2021.

For the year ended June 30, 2023, the School recognized pension expense of $3,740,652 and benefit of $523,379 for support from the State as a nonemployer contributing entity. At June 30, 2023, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 144,547	$ -
Changes of assumptions and other inputs	270,536	-
Net difference between projected and actual earnings on plan investments	2,051,735	-
Changes in proportion	1,004,374	112,984
Contributions subsequent to the measurement date	670,202	-
Total	$ 4,141,394	$ 112,984

Note 5: Defined Benefit Pension Plan (Continued)

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

$670,202 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 subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,		
2024	$	1,104,652
2025		324,850
2026		735,303
2027		1,193,403
Total	$	3,358,208

Actuarial Assumptions - The TPL in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions and other inputs.

Actuarial cost method	Entry Age
Price inflation	2.3%
Real wage growth	0.7%
Wage inflation	3.00%
Salary increases, including wage inflation	3.4% - 11.0%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Future post-employment benefit increases:	
Hired prior to 1/1/2007	1.00%
Hired after 12/31/2006	Financed by AIR

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

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

Note 5: Defined Benefit Pension Plan (Continued)

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

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

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

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

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

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

The actuarial assumptions used in the December 31, 2021, valuation were based on the results of the 2020 experience analysis for the periods January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020, meeting .

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared at least every five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

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

Note 5: Defined Benefit Pension Plan (Continued)

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

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

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

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in Senate Bill (SB) 18-200 and required adjustments resulting from the 2018 and 2020 AAP assessments. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

Note 5: Defined Benefit Pension Plan (Continued)

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

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200, required adjustments resulting from the 2018 and 2020 AAP assessments. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of $225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- HB 22-1029, effective upon enactment in 2022, required the State treasurer to issue, in addition to the regularly scheduled $225 million (actual dollars) direct distribution, a warrant to PERA in the amount of $380 million (actual dollars). The July 1, 2023, direct distribution is reduced by $190 million (actual dollars) to $35 million (actual dollars). The July 1, 2024, direct distribution will not be reduced from $225 million (actual dollars) due to PERA's negative investment return in 2022.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

Note 5: Defined Benefit Pension Plan (Continued)

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	$ 19,987,213	$ 15,273,083	$ 11,336,303

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

Note 6: Postemployment Healthcare Benefits

General Information

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

Note 6: Postemployment Healthcare Benefits (Continued)

General Information *(Continued)*

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

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

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

PERA Benefit Structure
The maximum service-based premium subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is $115 per month for benefit recipients who are over 65 years of age or who are under 65 years of age and entitled to Medicare. The maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5% 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.

Note 6: Postemployment Healthcare Benefits (Continued)

General Information *(Continued)*

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

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

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the School was $69,674, for the year ended June 30, 2023.

Note 6: Postemployment Healthcare Benefits (Continued)

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

At June 30, 2023, the School reported a liability of $229,174 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured at December 31, 2022, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2022. The School's proportion of the net OPEB liability was based on the School's contributions to the HCTF for the calendar year ended December 31, 2022, relative to the contributions of all participating employers to the HCTF.

At December 31, 2022, the School's proportion was 0.0636818516%, which was an increase of 0.0065911449% from its proportion measured at December 31, 2021.

For the year ended June 30, 2023, the School recognized OPEB expense of $122,240. At June 30, 2023, 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
Differences between expected and actual experience	$ 69	$ 93,723
Changes of assumptions and other inputs	8,357	22,467
Net difference between projected and actual earnings on plan investments	31,756	-
Changes in proportion	228,884	-
Contributions subsequent to the measurement date	20,546	-
Total	$ 289,612	$ 116,190

Note 6: Postemployment Healthcare Benefits (Continued)

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

$20,546 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 subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ended June 30,		
2024	$	40,549
2025		27,467
2026		35,348
2027		35,992
2028		11,332
Thereafter		2,188
Total	$	152,876

Actuarial Assumptions - The TOL in the December 31, 2021 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.3%
Real wage growth	7.0%
Wage inflation	3.0%
Salary increases, including wage inflation	3.4% - 11.0%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates:	
PERA Benefit Structure	
Service-based premium subsidy	0.0%
PERACare Medicare plans	
6.5% in 2022 gradually decreasing to 4.5% in 2030	
Medicare Part A premiums:	
3.75% in 2022, gradually increasing to 4.5% in 2029	
DPS Benefit Structure	
Service-based premium subsidy	0.0%
PERACare Medicare plans	N/A
Medicare Part A premiums:	N/A

Note 6: Postemployment Healthcare Benefits (Continued)

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

The TOL for the HCTF, as of the December 31, 2022, measurement date, was adjusted to reflect the disaffiliation, allowable under C.R.S. § 24-51-313, of Tri-County Health Department (TriCounty Health), effective December 31, 2022. As of the close of the 2022 fiscal year, no disaffiliation payment associated with Tri-County Health was received, and therefore no disaffiliation dollars were reflected in the FNP as of the December 31, 2022, measurement date.

Beginning January 1, 2022, the per capita health care costs are developed by plan option; based on 2022 premium rates for the UnitedHealthcare Medicare Advantage Prescription Drug (MAPD) PPO plan #1, the UnitedHealthcare MAPD PPO plan #2, and the Kaiser Permanente MAPD HMO plan. Actuarial morbidity factors are then applied to estimate individual retiree and spouse costs by age, gender, and health care cost trend. This approach applies for all members and is adjusted accordingly for those not eligible for premium-free Medicare Part A for the PERA benefit structure.

The 2022 Medicare Part A premium is $499 (actual dollars) per month.

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

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

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, 2021, 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 6: Postemployment Healthcare Benefits (Continued)

<u>OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB</u> *(Continued)*

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

Year	PERACare Medicare Plans	Medicare Part A Premiums
2022	6.50%	3.75%
2023	6.25%	4.00%
2024	6.00%	4.00%
2025	5.75%	4.00%
2026	5.50%	4.25%
2027	5.25%	4.25%
2028	5.00%	4.25%
2029	4.75%	4.50%
2030+	4.50%	4.50%

Mortality assumptions used in the December 31, 2021, valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the TOL for the HCTF, but developed using a headcount-weighted basis. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

Pre-retirement mortality assumptions for the State and Local Government Divisions (members other than State Troopers) were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Pre-retirement mortality assumptions for State Troopers were based upon the PubS-2010 Employee Table with generational projection using scale MP-2019.

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

Pre-retirement mortality assumptions for the Judicial Division were based upon the PubG-2010(A) Above-Median Employee Table with generational projection using scale MP-2019.

Note 6: Postemployment Healthcare Benefits (Continued)

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

Post-retirement non-disabled mortality assumptions for the State and Local Government Divisions (members other than State Troopers) were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

- Males: 94% of the rates prior to age 80 and 90% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Females: 87% of the rates prior to age 80 and 107% of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.

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

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

Post-retirement non-disabled mortality assumptions for the Judicial Division were based upon the unadjusted PubG-2010(A) Above-Median Healthy Retiree Table with generational projection using scale MP-2019.

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

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

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

Disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Disabled Retiree Table with generational projection using scale MP-2019.

Note 6: Postemployment Healthcare Benefits (Continued)

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

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

- Per capita health care costs in effect as of the December 31, 2021, valuation date for those PERACare enrollees under the PERA benefit structure who are expected to be age 65 and older ages and are not eligible for premium-free Medicare Part A benefits have been updated to reflect costs for the 2022 plan year.
- The December 31, 2021, valuation utilizes premium information as of January 1, 2022, as the initial per capita health care cost. As of that date, PERACare health benefits administration is performed by UnitedHealthcare. In that transition, the costs for the Medicare Advantage Option #2 decreased to a level that is lower than the maximum possible service-related subsidy as described in the plan provisions.
- The health care cost trend rates applicable to health care premiums were revised to reflect the then-current expectation of future increases in those premiums. Medicare Part A premiums continued with the prior valuation trend pattern.

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

Effective for the December 31, 2022, measurement date, the timing of the retirement decrement was adjusted to middle-of-year within the valuation programming used to determine the TOL, reflecting a recommendation from the 2022 actuarial audit report, dated October 14, 2022, summarizing the results of the actuarial audit performed on the December 31, 2021, actuarial valuation.

The actuarial assumptions used in the December 31, 2021, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, and were adopted by the PERA's Board during the November 20, 2020, Board meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared at least every five years for PERA. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

Note 6: Postemployment Healthcare Benefits (Continued)

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

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

As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized, as presented previously (See Note 5).

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

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2022, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Note 6: Postemployment Healthcare Benefits (Continued)

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

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	$ 602,775	$ 519,949	$ 449,104

Sensitivity of the School's proportionate share of the net OPEB liability to changes in the Healthcare Cost Trend Rates - The following presents the net OPEB liability using the current healthcare cost trend rates applicable to the PERA benefit structure, ranging from 3.00% to 7.25%, as well as if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates, as follows:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Proportionate share of the net OPEB liability	$ 505,232	$ 519,949	$ 535,962

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

Note 7: Related Organizations and Related Parties

Third Future Schools Texas Network

During the year ended June 30, 2023, the School provided professional services to the Third Future Schools Texas Network.

At June 30, 2023, the School reports revenue from the provision of professional services in the amount of $-. Of this amount, $2,389,276 is reported as an amount from related parties on the School's balance sheet.

Related Party Contracts

During the fiscal year ended June 30, 2023, the School contracted with a landscaping company owned by the School's Chief of Staff's family member to provide capital lease improvements as well as landscaping repair and maintenance services. The School paid $232,200 to the company for these services.

Note 8: Commitments and Contingencies

Claims and Judgments

The School participates in a number of federal and state programs that are fully or partially funded by revenues received from other governmental entities. Expenditures financed by these revenues are subject to audit by the appropriate government. If expenditures are disallowed due to noncompliance with program regulations, the School may be required to reimburse the other government. At June 30, 2023, significant amounts of related expenditures have not been audited but management believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

TABOR Amendment

In November 1992, Colorado voters passed the TABOR Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The Amendment is subject to many interpretations, but the School believes it is in substantial compliance with the Amendment. In accordance with the Amendment, the School has established an emergency reserve representing 3% of qualifying expenditures. At June 30, 2023, the District held $- on behalf of the School for this reserve as restricted fund balance in the General Fund., in the amount of $330,710.

Special Education Reserve

The School's charter contract with the District required the School to deposit $50,000 to a reserve account held by the District to be used for future legal costs related to the special education program. At June 30, 2023, the special education reserve was reported in the financial statements as Reserves Held by District, in the amount of 90,000.

Required Supplementary Information

Academy of Advanced Learning

(A Component Unit of the Aurora Public School District)

Required Supplementary Information

Schedule of Proportionate Share of the Net Pension Liability and Contributions

Public Employees' Retirement Association of Colorado School Division Trust Fund

For the Year Ended June 30, 2023

Measurement Date	12/31/2022	12/31/2021
Proportionate Share of the Net Pension Liability		
School's Proportion of the Net Pension Liability	0.083874419%	0.087438568%
Net Pension Liability		
School's Proportionate Share	$ 15,273,083	$ 10,175,546
State's Proportionate Share	4,450,730	1,166,496
Total Proportionate Share of the Net Pension Liability	$ 19,723,813	$ 11,342,042
School's Covered-Employee Payroll	$ 6,462,212	$ 5,464,629
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	236%	186%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62%	75%

Reporting Date	6/30/23	6/30/22
School Contributions		
Statutorily Required Contribution	$ 1,392,122	$ 1,189,549
Contributions in Relation to the Statutorily Required Contribution	(1,392,122)	(1,189,549)
Contribution Deficiency (Excess)	$ -	$ -
School's Covered-Employee Payroll	$ 6,830,770	$ 5,983,642
Contributions as a Percentage of Covered-Employee Payroll	20.38%	19.88%

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

(Continued)

Academy of Advanced Learning

(A Component Unit of the Aurora Public School District)

Required Supplementary Information

Schedule of Proportionate Share of the Net Pension Liability and Contributions

Public Employees' Retirement Association of Colorado School Division Trust Fund

For the Year Ended June 30, 2023

(Continued)

Measurement Date	12/31/2020	12/31/2019	12/31/2018	12/31/2017
Proportionate Share of the Net Pension Liability				
School's Proportion of the Net Pension Liability	0.084971669%	0.061858131%	0.049722747%	0.049722747%
Net Pension Liability				
School's Proportionate Share	$ 12,846,003	$ 9,241,471	$ 8,804,440	$ 14,342,116
State's Proportionate Share	-	1,172,163	1,203,885	-
Total Proportionate Share of the Net Pension Liability	$ 12,846,003	$ 10,413,634	$ 10,008,325	$ 14,342,116
School's Covered-Employee Payroll	$ 4,537,866	$ 3,633,643	$ 2,733,527	$ 1,022,971
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	283%	254%	322%	1402%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67%	65%	57%	44%

Reporting Date	6/30/21	6/30/20	6/30/19	6/30/18
School Contributions				
Statutorily Required Contribution	$ 962,528	$ 764,365	$ 623,340	$ 412,973
Contributions in Relation to the Statutorily Required Contribution	(962,528)	(764,365)	(623,340)	(412,973)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
School's Covered-Employee Payroll	$ 4,841,687	$ 3,944,087	$ 3,258,444	$ 2,185,510
Contributions as a Percentage of Covered-Employee Payroll	19.88%	19.38%	19.13%	18.90%

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

Academy of Advanced Learning

(A Component Unit of the Aurora Public School District)

Required Supplementary Information

Schedule of Proportionate Share of the Net OPEB Liability and Contributions

Public Employees' Retirement Association of Colorado Health Care Trust Fund

For the Year Ended June 30, 2023

Measurement Date	12/31/22	12/31/21
Proportionate Share of the Net OPEB Liability		
School's Proportion of the Net OPEB Liability	0.0636818516%	0.0570907067%
School's Proportionate Share of the Net OPEB Liability	$ 519,949	$ 492,296
School's Covered Payroll	$ 6,462,212	$ 5,464,629
School's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	8%	9%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	39%	38%

Reporting Date	6/30/23	6/30/22
School Contributions		
Statutorily Required Contribution	$ 69,674	$ 61,033
Contributions in Relation to the Statutorily Required Contribution	(69,674)	(61,033)
Contribution Deficiency (Excess)	$ -	$ -
School's Covered Payroll	$ 6,830,770	$ 5,983,642
Contributions as a Percentage of Covered Payroll	1.02%	1.02%

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

(Continued)

Academy of Advanced Learning

(A Component Unit of the Aurora Public School District)
Required Supplementary Information
Schedule of Proportionate Share of the Net OPEB Liability and Contributions
Public Employees' Retirement Association of Colorado Health Care Trust Fund
For the Year Ended June 30, 2023
(Continued)

Measurement Date	12/31/20	12/31/19	12/31/18	12/31/17
Proportionate Share of the Net OPEB Liability				
School's Proportion of the Net OPEB Liability	0.0490714897%	0.0404116087%	0.0323200689%	0.0323200689%
School's Proportionate Share of the Net OPEB Liability	$ 466,290	$ 454,226	$ 439,728	$ 327,514
School's Covered Payroll	$ 4,537,866	$ 3,633,643	$ 2,733,527	$ 1,022,971
School's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	10%	13%	16%	32%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	33%	24%	17%	18%

Reporting Date	6/30/21	6/30/20	6/30/19	6/30/18
School Contributions				
Statutorily Required Contribution	$ 49,385	$ 40,230	$ 33,236	$ 19,015
Contributions in Relation to the Statutorily Required Contribution	(49,385)	(40,230)	(33,236)	(19,015)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
School's Covered Payroll	$ 4,841,687	$ 3,944,087	$ 3,258,444	$ 2,185,510
Contributions as a Percentage of Covered Payroll	1.02%	1.02%	1.02%	0.87%

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

Academy of Advanced Learning
(A Component Unit of the Aurora Public School District)
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance *Positive (Negative)*
Revenues				
Local Sources				
District Mill Levy	$ 2,462,019	$ 2,155,968	$ 2,111,096	$ (44,872)
Charges for Services	-	-	2,028,737	2,028,737
Investment Income	-	-	526	526
Miscellaneous	25,000	25,000	98,545	73,545
State Sources				
Per Pupil Revenue	9,341,892	8,110,309	8,147,598	37,289
Capital Construction	277,170	315,002	310,944	(4,058)
Grants	682,515	545,302	4,858,381	4,313,079
Federal Sources				
Grants	1,379,135	1,192,991	1,742,649	549,658
Total Revenues	14,167,731	12,344,572	19,298,476	6,953,904
Expenditures				
Salaries	4,858,520	4,927,040	8,080,491	(3,153,451)
Benefits	1,527,314	1,493,457	3,270,064	(1,776,607)
Purchased Services	3,410,238	3,389,434	7,025,066	(3,635,632)
Supplies and Materials	487,000	517,000	915,602	(398,602)
Property	347,000	355,000	566,610	(211,610)
Other	15,000	-	86,585	(86,585)
Debt Service				
Principal	1,364,284	1,730,893	845,530	885,363
Interest and Fees	661,000	325,000	401,721	(76,721)
Total Expenditures	12,670,356	12,737,824	21,191,669	(8,453,845)
Excess Revenues Over (Under) Expenditures	1,497,375	(393,252)	(1,893,193)	(1,499,941)
Other Financing Sources (Uses)				
Transfer In	-	-	435	435
Net Change in Fund Balance	1,497,375	(393,252)	(1,892,758)	(1,499,506)
Fund Balance, *Beginning of Year*	1,823,958	2,375,688	2,375,688	-
Fund Balance, *End of Year*	$ 3,321,333	$ 1,982,436	$ 482,930	$ (1,499,506)

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

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

Changes in Assumptions and Other Inputs

For the year ended June 30, 2023, the total pension liability was determined by an actuarial valuation as of December 31, 2021. The following revised economic and demographic assumptions were effective as of December 31, 2021.

- Investment rate of return assumption of 7.25% per year, compounded annually. This assumption did not change from the prior year.
- Price inflation assumption of 2.3% per year. This assumption did not change from the prior year.
- Real rate of investment return assumption of 4.85% per year, net of investment expenses. The rate reflected in the roll-forward calculation of the collective total pension liability to the measurement date was 7.25%. This assumption did not change from prior year.
- Wage inflation assumption of 3.0% per year. This assumption did not change from the prior year.
- Healthy and disabled mortality assumptions are based on the PubT-2010 Employee Tables.

Note 2: Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

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

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

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

All appropriations lapse at fiscal year-end.

At June 30, 2023, the actual expenditures in the General Fund exceeded budgeted amounts by $8,453,845. This may be a violation of state statute.

Academy of Advanced Learning

(A Component Unit of the Aurora Public School District)

Combining Balance Sheet

Governmental Fund

June 30, 2023

	TFS Network	AAL School	Total
Assets			
Cash and Investments	$ (3,910,278)	$ 4,475,049	$ 564,771
Restricted Cash and Investments	-	50,000	50,000
Accounts Receivable	168,089	34,599	202,688
Due from District	-	34,487	34,487
Due from Other Schools	2,926,336	493,619	3,419,955
Due from Other Funds	(299,681)	363,338	63,657
Prepaid Expenditures	65,588	14,100	79,688
Deposits	-	62,000	62,000
Total Assets	$ (1,049,946)	$ 5,527,192	$ 4,477,246
Liabilities and Fund Balance			
Liabilities			
Accounts Payable	$ 204,523	$ 11,139	$ 215,662
Accrued Liabilities	470	28,412	28,882
Accrued Salaries	65,224	1,127,183	1,192,407
Due to Related Party	2,387,020	2,256	2,389,276
Unearned Revenue	168,089	-	168,089
Total Liabilities	2,825,326	1,168,990	3,994,316
Fund Balance			
Nonspendable:			
Prepaid Expenditures	65,588	14,100	79,688
Deposits	-	62,000	62,000
Restricted for:			
Emergencies	206,489	206,489	412,978
Debt Service	-	-	-
Unrestricted, Unassigned	(4,147,349)	4,075,613	(71,736)
Total Fund Balance	(3,875,272)	4,358,202	482,930
Total Liabilities and Fund Balance	$ (1,049,946)	$ 5,527,192	$ 4,477,246

Academy of Advanced Learning

(A Component Unit of the Aurora Public School District)

Combining Statement of Revenues, Expenditures and Changes in Fund Balance

General Fund

For the Year Ended June 30, 2023

	TFS Network	AAL School	Total
Revenues			
Local Sources			
District Mill Levy	$ -	$ 2,111,096	$ 2,111,096
Charges for Services	2,028,737	-	2,028,737
Lease Income	-	-	-
Investment Income	-	526	526
Miscellaneous	71,445	27,100	98,545
State Sources			
Per Pupil Revenue	-	8,147,598	8,147,598
Capital Construction	-	310,944	310,944
Grants	4,249,000	609,381	4,858,381
Federal Sources			
Grants	342,383	1,400,266	1,742,649
Total Revenues	6,691,565	12,606,911	19,298,476
Expenditures			
Instruction	470,153	8,505,275	8,975,428
Supporting Services	6,889,159	4,079,831	10,968,990
Debt Service			
Principal	-	845,530	845,530
Interest and Fees	-	401,721	401,721
Total Expenditures	7,359,312	13,832,357	21,191,669
Excess Revenues Over (Under) Expenditures	(667,747)	(1,225,446)	(1,893,193)
Other Financing Sources (Uses)			
Transfers In (Out)	(108,975)	109,410	435
Total Other Financing Sources (Uses)	(108,975)	109,410	435
Net Change in Fund Balance	(776,722)	(1,116,036)	(1,892,758)
Fund Balance, *Beginning of Year*	(3,098,550)	5,474,238	2,375,688
Fund Balance, *End of Year*	$ (3,875,272)	$ 4,358,202	$ 482,930