

NEW SUMMIT CHARTER ACADEMY

FINANCIAL STATEMENTS
With Independent Auditors' Report

For the Year Ended June 30, 2021

**NEW SUMMIT CHARTER ACADEMY
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JUNE 30, 2021**

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
New Summit Charter Academy

We have audited the accompanying financial statements of the governmental activities and each major fund of New Summit Charter Academy, a component unit of Academy School District No. 20, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Emphasis of Matter

As discussed in Note 12 to the financial statements, New Summit Charter Academy restated its financial statements to report the New Summit Charter Academy Building Corp. as a blended component unit. Our opinion is not modified with respect to this matter.

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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.

Hoelting & Company, Inc.

Colorado Springs, Colorado
October 8, 2021

NEW SUMMIT CHARTER ACADEMY
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR FISCAL YEAR ENDED JUNE 30, 2021

As management of New Summit Charter Academy (the School) we offer readers of the School’s annual financial report this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2021. Readers are encouraged to consider the information presented here in conjunction with the annual financial report.

FINANCIAL HIGHLIGHTS

- Liabilities and deferred inflows of the school exceeded the assets and deferred outflows of the school by \$5,076,204 during the fiscal year resulting in a negative net position balance. This negative net position balance is largely due to the PERA net pension and net OPEB liabilities.
- The School’s total net position decreased \$1,472,699. The decrease is also due primarily to the School recording its proportionate share of the PERA net pension and net OPEB liabilities.
- Long-term liabilities of \$20,723,716 consist of a \$13,831,728 loan payable, \$6,650,382 net pension liability and \$241,606 net OPEB liability.
- As of the close of the current fiscal year, the School’s general fund reported an ending fund balance surplus of \$702,774.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serve as an introduction to the School’s basic financial statements. The School’s basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the School’s finances as a whole, in a manner similar to a private-sector business and include two statements:

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

The *statement of activities* presents information reporting how the School’s net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. Accrued interest expense is an example of this type of item.

Both government-wide financial statements distinguish functions of the School that are principally supported by per pupil revenues and district mill levy revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the School include the running of a K-8 charter school in Academy School District 20.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The fund financial statements provide more detailed information about the School's operations, focusing on its most significant funds, not the School as a whole.

Governmental Funds. The School's basic services are included in these governmental funds, which focus on (1) how money flows into and out of these funds and (2) the balances left at year-end that are available for spending or reserves. Consequently, the governmental funds statements provide a detailed short-term view that helps determine the status of financial resources that can be spent in the near future to finance the School's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Thus, readers may better understand the long-term impact of the School's near-term financing decisions. To facilitate this comparison between governmental funds and governmental activities, reconciliations are provided for both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balance.

Notes to the Basic Financial Statements

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

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the School. The School adopts an annual appropriated budget for the general fund. A budgetary comparison schedule has been provided to demonstrate compliance with the budget.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position. As noted earlier, net position may serve over time as a useful indicator of the School's financial position. In the case of the School, total liabilities and deferred inflows exceeded assets and deferred outflows by \$5.1 million as of June 30, 2021 resulting in a negative net position balance.

A deficit \$1.5 million of the School's net position reflects its investment in capital assets (e.g., land and building improvements, and equipment), less any related outstanding debt that was used to acquire those assets. The School uses these capital assets to provide a school facility to its students. Accordingly, these assets are not available for future spending. Although the School investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the School's net position represents resources that are subject to external restrictions on how they may be used. \$166 thousand of these funds are restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment and \$156 thousand is restricted for debt service. The remaining deficit balance of \$3.9 million is unrestricted. The deficit position results primarily from the School recording its proportionate share of its pension and OPEB plan liabilities and related items.

Condensed Statement of Net Position

	<u>2021</u>	<u>2020</u>
Current and other assets	\$ 1,396,571	\$ 1,327,588
Capital assets	<u>12,297,701</u>	<u>239,704</u>
Total assets	<u>13,694,272</u>	<u>1,567,292</u>
Deferred Outflows	<u>5,241,344</u>	<u>5,356,157</u>
Long-term liabilities	20,723,716	5,737,709
Other liabilities	<u>628,527</u>	<u>746,163</u>
Total liabilities	<u>21,352,243</u>	<u>6,483,872</u>
Deferred Inflows	<u>2,659,577</u>	<u>2,950,088</u>
Net position:		
Net investment in capital assets	(1,534,027)	165,902
Restricted	321,895	160,500
Unrestricted	<u>(3,864,072)</u>	<u>(2,836,913)</u>
Total net position	<u>\$ (5,076,204)</u>	<u>\$ (2,510,511)</u>

Condensed Statement of Activities

	<u>2021</u>	<u>2020</u>
Revenues:		
General revenues:		
Per pupil revenue	\$ 4,500,060	\$ 4,374,256
District mill levy	629,468	554,494
Other	27,746	33,916
Program Revenue:		
Charges for Services	148,257	159,191
Operating grants and contributions	757,893	298,086
Capital grants and contributions	<u>175,637</u>	<u>152,392</u>
Total revenues	<u>6,239,061</u>	<u>5,572,335</u>
Expenses:		
Instruction	4,674,064	4,610,315
Supporting services	1,862,652	2,514,847
Interest	<u>1,175,044</u>	<u>-</u>
Total expenses	<u>7,711,760</u>	<u>7,125,162</u>
Change in net position	<u>(1,472,699)</u>	<u>(1,552,827)</u>
Net position, beginning, as originally stated	(2,510,511)	(957,684)
Prior period adjustment	<u>(1,092,994)</u>	<u>-</u>
Net position, beginning, as restated	<u>(3,603,505)</u>	<u>(957,684)</u>
Net position, ending	<u>\$ (5,076,204)</u>	<u>\$ (2,510,511)</u>

Governmental Activities. During the current fiscal year, net position for governmental activities decreased \$1.5 from the prior fiscal year for an ending balance of \$5.1 million. As noted above, the decrease in net position results primarily from the School recording its proportionate share of its pension and OPEB plan liabilities and related items.

ANALYSIS OF THE SCHOOL'S FUNDS

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

The General Fund is the principal operating fund of the School. As of June 30, 2021, the total general fund balance was \$703 thousand an increase of \$121 thousand in comparison with the prior year. \$166 thousand of this total was restricted for TABOR emergency reserves, resulting in a \$537 thousand unassigned fund balance.

The general fund balance increase of \$121 thousand during the current year is primarily due 4.9% increase in revenues compared to a 9.5% decrease in expenditures.

Revenues for the General Fund totaled \$5.9 million in fiscal year 2021 compared to \$5.6 million in fiscal year 2020, an increase of \$277 thousand. The significant increase in revenue was due to increased per pupil revenue in the current year. Overall expenditures decreased \$517 thousand. Instructional and supporting expenditures increased as a result of student enrollment and related staffing, as well as the direct expenses for serving those students.

BUDGETARY HIGHLIGHTS

The School's budget is prepared in accordance with Colorado law. During the year, the School amended its budget primarily to reflect the following changes:

- The final (revised) budget reduced total revenues by \$213 thousand to update per pupil and local source revenue.
- Salaries and benefits expenses increased \$87 thousand to provide for additional costs from originally anticipated.

Actual General Fund revenue and other financing sources in the 2021 fiscal year was \$5.9 million and actual expenditures and transfers were \$5.8 million which resulted in an increase in fund balance of \$121 thousand.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Capital assets include all capital outlays related to the school facility at Lexington Drive and related improvements and equipment. The School's investment in capital assets at the end of the year was \$12.3 million.

Major capital asset events during the current fiscal year included the following:

- \$21 thousand of capital outlays for building improvements.

Debt Administration

At the end of current fiscal year, the School had \$14.5 million in debt outstanding.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The primary factor driving the School's budget is student enrollment. Enrollment for the 2020-2021 school year was 554 students. Enrollment for the 2021-2022 school year is estimated at 588 students. The School has experienced a decrease in Per Pupil Revenue (PPR) due to the cutting education funding from \$7,642.07 in the 2020-2021 school year to \$7642.07 for the 2021-2022 school year.

After five years of cuts in school finance, Colorado stabilized funding for 2012-13. Per Pupil Revenue increased in 2020-2021 however decreased due to the COVID-19 pandemic and is expected to decrease possibly again mid-year.

The 2021-2021 School budget has been prepared with the School's strategic plan in mind and with the priority of providing financial resources for the quality education of New Summit's students.

REQUESTS FOR INFORMATION

This financial report is designed to provide the School's stakeholders and creditors with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Kim McClelland at 7899 Lexington Drive, Colorado Springs, CO 80920.

BASIC FINANCIAL STATEMENTS

NEW SUMMIT CHARTER ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities
ASSETS	
Cash and investments	\$ 1,213,085
Restricted cash and investments	155,895
Receivables	27,591
Capital assets not being depreciated	1,261,269
Capital assets, net of accumulated depreciation	11,036,432
Total Assets	13,694,272
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension outflows	5,025,451
Deferred OPEB outflows	215,893
Total Deferred Outflows of Resources	5,241,344
LIABILITIES	
Accounts payable and other accrued liabilities	38,421
Accrued salaries and benefits	499,481
Accrued interest payable	90,625
Long-term liabilities:	
Due in more than one year	13,831,728
Net pension liability	6,650,382
Net OPEB liability	241,606
Total Liabilities	21,352,243
DEFERRED INFLOWS OF RESOURCES	
Deferred pension inflows	2,581,773
Deferred OPEB inflows	77,804
Total Deferred Inflows of Resources	2,659,577
NET POSITION	
Net investment in capital assets	(1,534,027)
Restricted for:	
TABOR	166,000
Debt service	155,895
Unrestricted	(3,864,072)
Total Net Position (deficit)	\$ (5,076,204)

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

**NEW SUMMIT CHARTER ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>			Net (Expense) Revenue and Changes in Net Position
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>
Governmental activities:					
Instruction	\$ 4,674,064	\$ 148,257	\$ 757,893	\$ -	\$ (3,767,914)
Supporting services	1,862,652	-	-	175,637	(1,687,015)
Interest	1,175,044	-	-	-	(1,175,044)
Total governmental activities	<u>\$ 7,711,760</u>	<u>\$ 148,257</u>	<u>\$ 757,893</u>	<u>\$ 175,637</u>	<u>(6,629,973)</u>
General revenues:					
Per pupil revenue					4,500,060
District mill levy					629,468
Grants and contributions not restricted to specific programs					24,256
Unrestricted investment earnings					1,853
Miscellaneous					1,637
Total general revenues					<u>5,157,274</u>
Change in net position					<u>(1,472,699)</u>
Net position - beginning (deficit), as originally stated					(2,510,511)
Prior period adjustment					<u>(1,092,994)</u>
Net position - beginning (deficit), as restated					<u>(3,603,505)</u>
Net position - ending (deficit)					<u>\$ (5,076,204)</u>

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

**NEW SUMMIT CHARTER ACADEMY
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2021**

	<u>General Fund</u>	<u>Building Corporation</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 1,213,085	\$ -	\$ 1,213,085
Restricted cash and investments	-	155,895	155,895
Receivables	27,591	-	27,591
	<u> </u>	<u> </u>	<u> </u>
Total Assets	<u>\$ 1,240,676</u>	<u>\$ 155,895</u>	<u>\$ 1,396,571</u>
LIABILITIES			
Accounts payable and other accrued liabilities	\$ 38,421	\$ -	\$ 38,421
Accrued salaries and benefits	499,481	-	499,481
	<u> </u>	<u> </u>	<u> </u>
Total Liabilities	<u>537,902</u>	<u>-</u>	<u>537,902</u>
FUND BALANCE			
Restricted for:			
TABOR	166,000	-	166,000
Debt service		155,895	155,895
Unassigned	536,774	-	536,774
	<u> </u>	<u> </u>	<u> </u>
Total Fund Balance	<u>702,774</u>	<u>155,895</u>	<u>858,669</u>
Total Liabilities and Fund Balance	<u>\$ 1,240,676</u>	<u>\$ 155,895</u>	<u>\$ 1,396,571</u>

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

**NEW SUMMIT CHARTER ACADEMY
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021**

Amounts reported for Governmental Activities in the Statement of Net Position are different because:

Total Fund Balance of Governmental Funds	\$	858,669
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		12,297,701
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in government funds:		
Accrued interest payable		(90,625)
Loan payable		(13,831,728)
Net pension liability		(6,650,382)
Pension outflows		5,025,451
Pension inflows		(2,581,773)
Net OPEB liability		(241,606)
OPEB outflows		215,893
OPEB inflows		(77,804)
		<u>(18,232,574)</u>
Total Net Position of Governmental Activities	\$	<u><u>(5,076,204)</u></u>

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

NEW SUMMIT CHARTER ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2021

	General Fund	Building Corporation	Total
	<u> </u>	<u> </u>	<u> </u>
REVENUES			
Local sources	\$ 789,415	\$ 127	\$ 789,542
State sources	4,740,443	-	4,740,443
Federal sources	367,968	-	367,968
	<u> </u>	<u> </u>	<u> </u>
Total revenues	5,897,826	127	5,897,953
	<u> </u>	<u> </u>	<u> </u>
EXPENDITURES			
Instruction	3,566,098	-	3,566,098
Supporting services	1,335,848	14	1,335,862
Debt service			
Interest	-	1,087,500	1,087,500
	<u> </u>	<u> </u>	<u> </u>
Total expenditures	4,901,946	1,087,514	5,989,460
	<u> </u>	<u> </u>	<u> </u>
Excess (deficiency) of revenues over expenditures	995,880	(1,087,387)	(91,507)
	<u> </u>	<u> </u>	<u> </u>
OTHER FINANCING SOURCES (USES)			
Transfers in (out)	(874,531)	874,531	-
	<u> </u>	<u> </u>	<u> </u>
Net change in fund balance	121,349	(212,856)	(91,507)
	<u> </u>	<u> </u>	<u> </u>
Fund balance - beginning, as originally stated	581,425	-	581,425
Prior period adjustment	-	368,751	368,751
	<u> </u>	<u> </u>	<u> </u>
Fund balance, beginning, as restated	581,425	368,751	950,176
	<u> </u>	<u> </u>	<u> </u>
Fund balance, ending	<u>\$ 702,774</u>	<u>\$ 155,895</u>	<u>\$ 858,669</u>

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

**NEW SUMMIT CHARTER ACADEMY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Net Change in Fund Balance of Governmental Funds	\$	(91,507)
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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 expense	\$	(329,244)	
Capital outlays		11,041	(318,203)

The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

PPP loan forgiveness	\$	341,108	
Principal repayment		73,802	
Interest expense		(3,136)	
Bond discount amortization		(84,408)	327,366

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 the governmental funds.

Pension expenses	\$	(1,354,749)	
OPEB expenses		(35,606)	(1,390,355)

Change in Net Position of Governmental Activities	\$	(1,472,699)
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The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

**NEW SUMMIT CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The New Summit Charter Academy (the “School”) is a federal 501(c)(3) tax-exempt, state nonprofit corporation, organized on June 4, 2016 pursuant to the Colorado Charter Schools Act to form and operate a charter school in the State of Colorado. In 2018 the School began to operate within the Academy School District 20 (the District). The charter contract continues through June 30, 2022 and may be renewed by mutual agreement.

The financial statements of New Summit Charter Academy have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the School are described below.

A. REPORTING ENTITY

The financial reporting entity consists of the School and its component units, entities for which the government is considered to be financially accountable. Blended component units are, in substance, part of the primary government’s operations, even though they are legally separate entities. Thus, blended component units are appropriately presented as funds of the primary government. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is both legally and substantively separate from the government.

Blended component unit. The School includes the New Summit Charter Academy Building Corp. (the Building Corp) within its reporting entity. The Building Corp was primarily organized to finance the acquisition of educational facilities and currently leases facilities only to the School. The Building Corp is blended into the financial statements of the school as a special revenue fund and does not issue separate financial statements.

B. BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds.

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government. *Governmental activities* are normally supported by per pupil revenue and intergovernmental revenues. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

C. BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS

The accounts of the School are organized and operated on the basis of funds. A fund is an independent fiscal accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds maintained is consistent with legal and managerial requirements.

The emphasis of fund financial statements is on major funds, each displayed in a separate column.

**NEW SUMMIT CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS (CONTINUED)

The School reports the following major governmental funds:

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

The *Building Corp* - This fund is used to account for the financial activities of the Building Corp, including facilities acquisition and construction and the related debt service.

During the course of operations, the School has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements, these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as current financial resources or economic resources. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

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

The 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 collectible within the period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the government considers revenues to be available if they are collected within 120 days of the end of the current fiscal period. 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. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

**NEW SUMMIT CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

Intergovernmental revenues, charges for services, 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. Expenditure-driven grants recognize revenue when the qualifying expenditures have been incurred and all other grant requirements have been met, and the amount is received during the period or within the availability period of this revenue source (within 120 days of year-end). All other revenue items are considered to be measurable and available only when cash is received by the government.

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE

Cash and cash equivalents

Cash and cash equivalents include cash on hand and in the bank and short-term investments with original maturities of three months or less from the date of acquisition.

Investments

Investments with a maturity of less than one year when purchased, non-negotiable certificates of deposit, and other nonparticipating investments are stated at cost or amortized cost. Investments with a maturity greater than one year when purchased are stated at fair value. Fair value is the price that would be received to sell an investment in an orderly transaction at year end.

Local government investment pools in Colorado must be organized under Colorado Revised Statutes, which allows certain types of governments within the state to pool their funds for investment purposes. Investments in such pools are valued at the pool's share price, the price at which the investment could be sold.

Restricted cash and investments

The use of certain cash and investments of the School may be restricted. These items are classified as restricted assets on the balance sheet because they are maintained in separate accounts and their use is limited by debt agreements or voter authorizations.

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 items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**NEW SUMMIT CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND
NET POSITION/FUND BALANCE (CONTINUED)*

Capital assets

Capital assets, which include land improvements, leasehold improvements, and equipment, are reported in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. All purchased capital assets are valued at cost where historical records are available and at an estimated historical cost where no historical records exist. Donated capital assets are valued at their estimated fair market value on the date received. Major outlays for capital assets and improvements are capitalized as projects are constructed.

The costs of normal maintenance and repairs that do not add to the value of the asset, or materially extend asset lives, are not capitalized. Improvements are capitalized and are depreciated over the remaining useful lives of the related capital assets or remaining period of the lease, as applicable.

Capital assets of the government are depreciated using the straight-line method over the following estimated useful lives:

Land improvements	15 years
Buildings	40 years
Building improvements	25 years
Equipment	5 years

When depreciable property is acquired, depreciation is included in expense for the year of acquisition for the number of months during the year the asset was in service. When depreciable property is retired or otherwise disposed of, depreciation is included in expense for the number of months in service during the year of retirement and the related costs and accumulated depreciation are removed from the accounts with any gain or loss reflected in the statement of revenue, expenses and changes in fund net position.

Accrued Salaries and Benefits

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from August to July, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, are reported as a liability in the financial statements.

**NEW SUMMIT CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND
NET POSITION/FUND BALANCE (CONTINUED)*

Pensions

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

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 made changes to certain benefit provisions. Most of these changes were in effect as of June 30, 2021.

Health Care Trust Fund

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

Deferred outflows/inflows of resources

In addition to assets, the statement of financial position 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 that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position 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 that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

**NEW SUMMIT CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

*E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND
NET POSITION/FUND BALANCE (CONTINUED)*

Long-term debt

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

In the fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

Net position flow assumption

The School may fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted—net position and unrestricted—net position in the government-wide financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the School’s policy to consider restricted—net position to have been depleted before unrestricted—net position is applied.

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 available to be used in the governmental fund financial statements are as follows:

Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) are legally or contractually required to be maintained intact.

Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation.

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 that was used 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.

Assigned – This classification includes amounts that are constrained by the School’s intent to be used for a specific purpose but are neither restricted nor committed. This intent can be expressed by the Board of Directors or through the Board of Directors delegating this responsibility to management through the budgetary process. This classification also includes the remaining positive fund balance for any governmental funds except for the General Fund.

**NEW SUMMIT CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION/FUND BALANCE (CONTINUED)

Fund balance classification (continued)

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 resources first to defer the use of these other classified funds.

F. REVENUES AND EXPENDITURES/EXPENSES

Program revenues

Amounts reported as *program revenues* include 1) charges to customers for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as programs revenues. Likewise, general revenues include all per pupil revenue.

Compensated absences

It is the School's policy to permit employees to accumulate sick/vacation time. Accrued sick/vacation time may be carried into the next fiscal year but is forfeited if not used by the end of the second fiscal year. A liability for compensated absences is not recorded in the financial statements because the amount is insignificant.

G. ESTIMATES

The preparation of financial statements in conformity with generally accepted accounting principles in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget Information

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all funds. All annual appropriations lapse at fiscal year-end. The operating budget includes proposed expenditures and the means of financing them for the upcoming year, along with estimates for the current year and actual data for the preceding year.

Budgets are required by Colorado State Statutes for all funds. Prior to the fiscal year end, management submits to the Board of Directors a proposed budget for all funds for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. Prior to June 30, the budget is adopted by formal resolution.

**NEW SUMMIT CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

Formal budgetary integration is employed as a management control device during the year for the Governmental funds. The appropriated budget is prepared by fund. The legal level of control is the fund level.

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

Appropriations are based on total funds expected to be available in each budget year, including beginning fund balances and reserves as established by the Board of Directors. Variances between budget and actual result from the non-expenditure of reserves, nonoccurrence of anticipated events, and normal operating variances.

The Board of Directors may authorize supplemental appropriations during the year. For budgetary management purposes, funds are appropriated for capital outlays.

A budget was not adopted for the Building Corp.

Excess of expenditures over appropriations

For the year ended June 30, 2021, expenditures of the General Fund exceeded appropriations by \$107,839. These excess of expenditures were funded by additional revenues and the use of beginning fund balance.

NOTE 3 – DEPOSITS AND INVESTMENTS

A summary of deposits and investments as of June 30, 2020 is as follows:

Deposits	\$ 10,003
Investments	<u>1,358,977</u>
Total	<u>\$ 1,368,980</u>

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

Cash and investments	\$ 1,213,085
Restricted cash and investments	<u>155,895</u>
Total	<u>\$ 1,368,980</u>

**NEW SUMMIT CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Cash deposits with financial institutions

Custodial credit risk—deposits. Custodial credit risk is the risk that, in the event of a bank failure, the School’s deposits might not be recovered. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

The carrying amount of the School’s deposits at June 30, 2021 was \$10,003 and the bank balances were \$4,464. All of the bank balances were covered by federal deposit insurance.

Investments

Credit Risk

The School is authorized by Colorado statutes to invest in the following:

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

At June 30, 2021 the School’s investment balances were as follows:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
ColoTrust	Less than 60 days	<u>\$ 1,358,977</u>

Local Government Investment Pool

The District has invested in the Colorado Government Liquid Asset Trust (Colostrust). Colostrust is a AAA rated investment vehicle established for local government entities in Colorado pursuant to Part 7 of Article 75 of Title 24 of the Colorado Revised Statutes, to pool surplus funds for investment purposes. This investment vehicle operates similarly to money market funds and each share is equal in value to \$1.00.

The designated custodial bank provides safekeeping and depository services to Colostrust in connection with the direct investment and withdrawal function of Colostrust. Substantially all securities owned by Colostrust are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian’s internal records identify the investments owned by Colostrust. Investments of Colostrust consist of U.S. Treasury bills, notes and note strips, and repurchase agreements collateralized by U.S. Treasury Notes.

**NEW SUMMIT CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Interest Rate Risk: Interest Rate Risk is the risk that changes in interest rates will adversely affect the fair value of an investment or a deposit. State law limits investment maturities to five years or less as a means of managing exposure to fair value loss resulting from increasing interest rates. The School does not have a formal investment policy that would further limit investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Credit Risk: Credit risk involves the risk that an issuer or other counterparty to an investment will not fulfill its obligations. State law limits investments to those described above. ColoTrust are rated AAA by Standard and Poor’s and maintain a constant net asset value of \$1 per share.

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

NOTE 4 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<i>Governmental Activities</i>				
Capital assets, not being depreciated:				
Land	\$ 1,261,269	\$ -	\$ -	\$ 1,261,269
Construction-in-progress	<u>10,000</u>	<u>11,041</u>	<u>(21,041)</u>	<u>-</u>
Total capital assets, not being depreciated	<u>1,271,269</u>	<u>11,041</u>	<u>(21,041)</u>	<u>1,261,269</u>
Capital assets, being depreciated:				
Land improvements	20,189	-	-	20,189
Buildings	11,351,419	-	-	11,351,419
Building improvements	100,235	21,041	-	121,276
Equipment	<u>189,991</u>	<u>-</u>	<u>-</u>	<u>189,991</u>
Total capital assets, being depreciated	<u>11,661,834</u>	<u>21,041</u>	<u>-</u>	<u>11,682,875</u>
Less accumulated depreciation for:				
Land improvements	(1,742)	(1,346)	-	(3,088)
Buildings	(236,488)	(283,785)	-	(520,273)
Building improvements	(6,353)	(6,114)	-	(12,467)
Equipment	<u>(72,616)</u>	<u>(37,999)</u>	<u>-</u>	<u>(110,615)</u>
	<u>(317,199)</u>	<u>(329,244)</u>	<u>-</u>	<u>(646,443)</u>
Total capital assets, being depreciated, net	<u>11,344,635</u>	<u>(308,203)</u>	<u>-</u>	<u>11,036,432</u>
<i>Governmental activities capital assets, net</i>	<u>\$ 12,615,904</u>	<u>\$ (297,162)</u>	<u>\$ (24,041)</u>	<u>\$ 12,297,701</u>

Depreciation expense was charged to functions/programs as follows:

Governmental activities

 Support services \$ 329,244

**NEW SUMMIT CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 5 – LONG-TERM LIABILITIES

2020 Paycheck Protection Loan

On May 28, 2020, the School obtained a loan under the SBA Paycheck Protection Program in the amount of \$337,972 to fund salaries, benefits, and certain operating expenses. Principal and interest are paid monthly, at an interest rate of 1%, with payments deferred for 6 months after initial loan disbursement. Final maturity is May 24, 2022. The School applied for forgiveness of the loan, and on April 29, 2021 the full amount of \$337,972 was forgiven.

2019 Building Loan

In August 2019, the Public Finance Authority issued \$14,500,000 Charter School Revenue Bonds. Proceeds of the bonds were loaned to the Building Corp to finance the purchase of educational facilities. The School is obligated under a lease agreement to make monthly lease payments to the Building Corp for the use of educational facilities. The Building Corp is required to make equal loan payments to the Trustee, for payment of the bonds. The bonds accrue interest of 7.5% per annum. Interest payments are due monthly. Principal payments are not due until August 1, 2025.

Annual debt service requirements to maturity for the loan are as follows:

Fiscal Year <u>Ending June 30, 2021</u>	<u>Principal</u>	<u>Interest</u>
2022	\$ -	\$ 1,087,500
2023	-	1,087,500
2024	-	1,087,500
2025	205,309	1,080,538
2026	221,244	1,064,599
2027-2029	<u>14,073,447</u>	<u>3,085,305</u>
Total	<u>\$ 14,500,000</u>	<u>\$ 8,492,942</u>

Capital Lease

On July 24, 2018, the School entered into a lease agreement as lessee for financing the acquisition of equipment valued at \$151,040. The equipment has a useful life of five years. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of the future minimum lease payments as of the inception date. This lease was paid off during the current fiscal year.

Changes in long-term debt for the year ended June 30, 2021 were as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<i>Governmental Activities</i>					
PPP Loan	\$ 337,972	\$ -	\$ (337,972)	\$ -	\$ -
Equipment lease	73,802	-	(73,802)	-	-
2019 Building Loan	14,500,000	-	-	14,500,000	-
Discount	<u>(752,680)</u>	<u>-</u>	<u>84,408</u>	<u>(668,272)</u>	<u>-</u>
Total	<u>\$ 14,159,094</u>	<u>\$ -</u>	<u>\$ 327,366</u>	<u>\$ 13,831,728</u>	<u>\$ -</u>

**NEW SUMMIT CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

Benefits provided as of December 31, 2020. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

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

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

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

**NEW SUMMIT CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

Contributions provisions as of June 30, 2021: Eligible employees of, New Summit Charter Academy and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 10.00 percent of their PERA-includable salary during the period of July 1, 2020 through June 30, 2021. Employer contribution requirements are summarized in the table below:

	July 1, 2020 Through June 30, 2021
Employer contribution rate	10.90%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%
Amount apportioned to the SCHDTF	9.88%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.50%
Total employer contribution rate to the SCHDTF	19.88%

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

As specified in C.R.S. § 24-51-414, the State is required to contribute \$225 million (actual dollars) each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. House Bill (HB) 20-1379 suspended the \$225 million (actual dollars) direct distribution payable on July 1, 2020 for the State’s 2020-21 fiscal year.

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the New Summit Charter Academy is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from New Summit Charter Academy were \$491,481 for the year ended June 30, 2021.

**NEW SUMMIT CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 – 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 as of December 31, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll-forward the total pension liability to December 31, 2020. The New Summit Charter Academy proportion of the net pension liability was based on New Summit Charter Academy contributions to the SCHDTF for the calendar year 2020 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

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

At June 30, 2021, the New Summit Charter Academy reported a liability of \$6,650,382 for its proportionate share of the net pension liability. The amount recognized by the New Summit Charter Academy as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with New Summit Charter Academy were as follows:

New Summit Charter Academy proportionate share of the net pension liability	\$ 6,650,382
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the New Summit Charter Academy	-
Total	\$ 6,650,382

At December 31, 2020, the New Summit Charter Academy proportion was 0.0439898746 percent, which was an increase of 0.0100102033 from its proportion measured as of December 31, 2019.

**NEW SUMMIT CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

For the year ended June 30, 2021, the New Summit Charter Academy recognized pension expense of \$1,354,749. At June 30, 2021, the New Summit Charter Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 365,405	\$ -
Changes of assumptions or other inputs	639,746	1,117,873
Net difference between projected and actual earnings on pension plan investments	-	1,463,900
Changes in proportion and differences between contributions recognized and proportionate share of contributions	3,773,129	-
Contributions subsequent to the measurement date	247,171	N/A
Total	\$ 5,025,451	\$ 2,581,773

\$247,171 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2022	\$ 1,230,037
2023	1,153,835
2024	43,573
2025	(230,938)
2026	-
Thereafter	-

**NEW SUMMIT CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

¹ Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

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

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

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

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

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

**NEW SUMMIT CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation:	3.40%-11.00%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (compounded annually)	1.25%
PERA benefit structure hired after 12/31/06 ¹	Financed by the AIR

¹ Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

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

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

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

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

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

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

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

**NEW SUMMIT CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

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

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

The PERA Board first adopted the 7.25 percent long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized 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 ¹	6.00%	4.70%
Total	100.00%	

¹ The Opportunity Fund's name changed to Alternatives, effective January 1, 2020.

**NEW SUMMIT CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00 percent.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded. HB 20-1379 suspended the \$225 million (actual dollars) direct distribution payable on July 1, 2020, for the State's 2020-21 fiscal year.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP position 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.

**NEW SUMMIT CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 6 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 9,071,665	\$ 6,650,382	\$ 4,632,655

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

NOTE 7 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

Health Care Trust Fund

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

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

**NEW SUMMIT CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

**NOTE 7 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

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

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

PERA Benefit Structure

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

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

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the New Summit Charter Academy is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from New Summit Charter Academy were \$25,217 for the year ended June 30, 2021.

**NEW SUMMIT CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

**NOTE 7 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

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

At June 30, 2021, the New Summit Charter Academy reported a liability of \$241,606 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2020. The New Summit Charter Academy proportion of the net OPEB liability was based on New Summit Charter Academy contributions to the HCTF for the calendar year 2020 relative to the total contributions of participating employers to the HCTF.

At December 31, 2020, the New Summit Charter Academy proportion was 0.0254262172 percent, which was an increase of 0.0032334565 from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the New Summit Charter Academy recognized OPEB expense of \$35,606. At June 30, 2021, the New Summit Charter Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 641	\$ 53,117
Changes of assumptions or other inputs	1,805	14,815
Net difference between projected and actual earnings on OPEB plan investments	-	9,872
Changes in proportion and differences between contributions recognized and proportionate share of contributions	200,765	-
Contributions subsequent to the measurement date	12,682	N/A
Total	\$ 215,893	\$ 77,804

**NEW SUMMIT CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

**NOTE 7 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

\$12,682 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30:	
2022	\$ 37,470
2023	38,851
2024	37,038
2025	10,187
2026	1,777
Thereafter	84

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

Actuarial cost method	Entry age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increases, including wage inflation	3.50% in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	8.10% in 2020, gradually decreasing to 4.50% in 2029
Medicare Part A premiums	3.50% in 2020, gradually increasing to 4.50% in 2029
DPS benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

**NEW SUMMIT CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

**NOTE 7 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

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

Medicare Plan	Initial Costs for Members without Medicare Part A		
	Monthly Cost	Monthly Premium	Monthly Cost Adjusted to Age 65
Medicare Advantage/Self- Insured Rx	\$588	\$227	\$550
Kaiser Permanente Medicare Advantage HMO	621	232	586

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

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

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2019, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

**NEW SUMMIT CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

**NOTE 7 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

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

Year	PERACare Medicare Plans	Medicare Part A
2020	8.10%	3.50%
2021	6.40%	3.75%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	4.00%
2025	5.30%	4.00%
2026	5.10%	4.00%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029+	4.50%	4.50%

Mortality assumptions used in the December 31, 2019 valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below were applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

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

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

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

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

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

**NEW SUMMIT CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

**NOTE 7 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

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

	Trust Fund			
	State Division	School Division	Local Government Division	Judicial Division
Actuarial cost method	Entry age	Entry age	Entry age	Entry age
Price inflation	2.30%	2.30%	2.30%	2.30%
Real wage growth	0.70%	0.70%	0.70%	0.70%
Wage inflation	3.00%	3.00%	3.00%	3.00%
Salary increases, including wage inflation:				
Members other than State Troopers	3.30%-10.90%	3.40%-11.00%	3.20%-11.30%	2.80%-5.30%
State Troopers	3.20%-12.40%	N/A	3.20%-12.40% ¹	N/A

¹ C.R.S. § 24-51-101 (46), as amended, expanded the definition of “State Troopers” to include certain employees within the Local Government Division, effective January 1, 2020. See Note 4 of the Notes to the Financial Statements in PERA’s 2020 Annual Report for more information.

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

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

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

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.

**NEW SUMMIT CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

**NOTE 7 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(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 percent of the rates prior to age 80 and 90 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Females: 87 percent of the rates prior to age 80 and 107 percent 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 upon the PubT-2010 Healthy Retiree Table, adjusted as follows:

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

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

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

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

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

**NEW SUMMIT CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

**NOTE 7 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

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

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

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

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

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

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

**NEW SUMMIT CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

**NOTE 7 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(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 ¹	6.00%	4.70%
Total	100.00%	

¹ The Opportunity Fund's name changed to Alternatives, effective January 1, 2020.

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

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	7.10%	8.10%	9.10%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$235,362	\$ 241,606	\$ 248,876

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2020, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00 percent.

**NEW SUMMIT CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

**NOTE 7 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 276,764	\$ 241,606	\$ 211,566

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

NOTE 8 - RISK MANAGEMENT

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The District carries commercial insurance for these risks of loss, and bills the School for its portion of coverage. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the last three fiscal years.

**NEW SUMMIT CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 9 – CONCENTRATION OF RISK

The School is funded directly by the District based on the District’s per pupil funding. For the fiscal year ended June 30, 2021, this funding accounted for approximately 76% of the School’s revenues.

NOTE 10 - COMMITMENTS AND CONTINGENCIES

Grants

The School has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to a request for reimbursement to grantor agencies for expenditures disallowed under terms of the grant. However, in the opinion of the School, any such adjustments will not have a material adverse effect on the financial position of the School.

NOTE 11 - AMENDMENT TO COLORADO CONSTITUTION

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue raising, spending abilities and other specific requirements of state and local governments.

The amendment requires emergency reserves be established. These reserves must be at least 3% of fiscal year spending. The School is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary and benefit increases. At June 30, 2021 there is a \$166,000 reservation of fund balance in the General Fund for the amendment.

The Amendment is complex and subject to judicial interpretation. The School believes it is in compliance with the requirements of the amendment. However, the School has made certain interpretations of the amendment’s language in order to determine its compliance.

NOTE 12 – RESTATEMENT FOR CORRECTION OF ERROR

The School has restated the financial statements for the year ended June 30, 2020 to report the Building Corporation as a blended component unit. The restatement had the following effect on the net position of governmental activities and Building Corp fund balance:

Governmental activities:

Net position, June 30, 2020, as originally stated	\$ (2,510,511)
Report Building Corp balances	<u>(1,092,994)</u>
Net position, June 30, 2020, as Restated (deficit)	<u>\$ (3,603,505)</u>

Building Corp:

Fund Balance, June 30, 2020, as originally stated	\$ -
Report Building Corp balances	<u>368,751</u>
Fund Balance, June 30, 2020, as Restated	<u>\$ 368,751</u>

**NEW SUMMIT CHARTER ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 13 – SUBSEQUENT EVENT

On July 8, 2021, the Colorado Educational and Cultural Finance Authority issued \$23,000,000 Charter School Revenue Bonds. Proceeds of the bonds were loaned to the Building Corp to finance facility projects and refund 2019 bonds.

REQUIRED SUPPLEMENTARY INFORMATION

**NEW SUMMIT CHARTER ACADEMY
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
JUNE 30, 2021**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
School's proportion of the net pension liability (asset)	0.0439898746%	0.0339796713%	0.0210801212%
School's proportionate share of the net pension liability (asset)	\$ 6,650,382	\$ 5,076,489	\$ 3,732,668
State's proportionate share of the net pension liability (asset) associated with the School	-	643,888	510,391
Total	<u>\$ 6,650,382</u>	<u>\$ 5,720,377</u>	<u>\$ 4,243,059</u>
School's covered payroll	\$ 2,352,640	\$ 1,996,860	\$ 1,158,887
School's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	282.68%	254.22%	322.09%
Plan fiduciary net position as a percentage of the total pension liability	67.0%	64.5%	57.0%

* The amounts presented for each year were determined as of 12/31.

* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

NEW SUMMIT CHARTER ACADEMY
SCHEDULE OF THE EMPLOYER'S PAYROLL CONTRIBUTIONS - PENSION
JUNE 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 491,481	\$ 431,411	\$ 330,349
Contributions in relation to the contractually required contribution	<u>(491,481)</u>	<u>(431,411)</u>	<u>(330,349)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered payroll	\$ 2,472,240	\$ 2,226,062	\$ 1,726,865
Contributions as a percentage of covered payroll	19.88%	19.38%	19.13%

* The amounts presented for each fiscal year were determined as of 6/30.

* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

**NEW SUMMIT CHARTER ACADEMY
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
JUNE 30, 2021**

	<u>2020</u>	<u>2019</u>	<u>2018</u>
School's proportion of the net OPEB liability (asset)	0.0254262172%	0.0221927607%	0.0137021951%
School's proportionate share of the net OPEB liability (asset)	\$ 241,606	\$ 249,446	\$ 186,424
School's covered payroll	\$ 2,352,640	\$ 1,996,860	\$ 1,158,887
School's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	10.27%	12.49%	16.09%
Plan fiduciary net position as a percentage of the total OPEB liability	24.5%	24.5%	17.0%

* The amounts presented for each year were determined as of 12/31.

* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

NEW SUMMIT CHARTER ACADEMY
SCHEDULE OF THE EMPLOYER'S PAYROLL CONTRIBUTIONS - OPEB
JUNE 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Contractually required contribution	\$ 25,217	\$ 22,707	\$ 17,614
Contributions in relation to the contractually required contribution	<u>(25,217)</u>	<u>(22,707)</u>	<u>(17,614)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered payroll	\$ 2,472,240	\$ 2,226,062	\$ 1,726,865
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%

* The amounts presented for each fiscal year were determined as of 6/30.

* Complete 10-year information to be presented in future years as it becomes available.

See the accompanying independent auditors' report.

NEW SUMMIT CHARTER ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		
REVENUES				
Local sources:				
District mill levy	\$ 628,469	\$ 628,469	\$ 629,469	\$ 1,000
Tuition	-	80,025	87,208	7,183
Interest income	1,800	2,000	1,726	(274)
Pupil Activities	69,240	32,501	61,371	28,870
Donations and grants	21,000	35,000	3,500	(31,500)
Other local revenue	37,163	9,545	6,141	(3,404)
	<u>757,672</u>	<u>787,540</u>	<u>789,415</u>	<u>1,875</u>
State sources:				
Per pupil revenue	4,730,904	4,443,864	4,500,060	56,196
Operating grants	49,085	45,565	64,746	19,181
Capital grants	157,400	175,000	175,637	637
	<u>4,937,389</u>	<u>4,664,429</u>	<u>4,740,443</u>	<u>76,014</u>
Federal sources:				
Operating grants	311,890	341,890	367,968	26,078
Total revenues	<u>6,006,951</u>	<u>5,793,859</u>	<u>5,897,826</u>	<u>103,967</u>
EXPENDITURES				
Salaries	2,451,659	2,512,515	2,549,542	(37,027)
Benefits	793,736	821,547	838,268	(16,721)
Purchased services	1,172,240	1,024,995	1,117,217	(92,222)
Supplies	325,358	270,369	246,283	24,086
Property	82,000	132,681	135,070	(2,389)
Other	47,200	32,000	15,566	16,434
Total expenditures	<u>4,872,193</u>	<u>4,794,107</u>	<u>4,901,946</u>	<u>(107,839)</u>
Excess (deficiency) of revenues over expenditures	1,134,758	999,752	995,880	(3,872)
OTHER FINANCING SOURCES (USES)				
Transfers in (out)	<u>(874,531)</u>	<u>(874,531)</u>	<u>(874,531)</u>	<u>-</u>
Net change in fund balances	260,227	125,221	121,349	(3,872)
Fund balances - beginning	<u>507,972</u>	<u>581,425</u>	<u>581,425</u>	<u>-</u>
Fund balance - ending	<u>768,199</u>	<u>706,646</u>	<u>\$ 702,774</u>	<u>\$ (3,872)</u>

See the accompanying Independent Auditors' Report.