

AURORA ACADEMY CHARTER SCHOOL

BASIC FINANCIAL STATEMENTS

June 30, 2021

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FINANCIAL SECTION



JOHN CUTLER & ASSOCIATES

Board of Directors
Aurora Academy Charter School
Aurora, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements governmental activities, each major fund, and the aggregate remaining fund information of Aurora Academy Charter School (the "Academy"), a component unit of the Joint School District No. 28 of the Counties of Adams and Arapahoe, Colorado, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinion

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, schedule of the school's proportionate share, and schedule of the school's contributions on pages 46-50 be presented to supplement the basic financial statements. Such information, although not 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's financial statements. The individual fund financial statement listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 15, 2021 on our consideration of the Aurora Academy Charter School's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Aurora Academy Charter School's internal control over financial reporting and compliance.

John Cutler & Associates, LLC

October 15, 2021

Aurora Academy Charter School
(A Component Unit of the Joint School District No. 28-J of the
Counties of Adams and Arapahoe, Colorado)
Management’s Discussion and Analysis (Unaudited)
As of and for the Year Ended June 30, 2021

As management of Aurora Academy Charter School (the Academy), we offer readers of the Academy’s basic financial statements this narrative and analysis of the financial activities of the Academy as of and for the year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information provided in the basic financial statements.

Financial Highlights

The year ended June 30, 2021, is the twenty first year of operations for the Academy. As of June 30, 2021, the net position was a negative \$3,631,323 due to the implementation of GASB 68 and 75 for pensions and other post-employment benefits. Fund Balance increased from \$ to \$2,172,346 to \$2,608,972 at June 30th which is a 20.1% increase. The increase was planned and supported by additional Federal support to address COVID impacts. The operations of the Academy are funded primarily by tax revenue received under the State School Finance Act (the Act). State categorical revenue (PPR) for the year was \$4,432,450.

Overview of Basic Financial Statements

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

Government-wide Financial Statements

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

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

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

The statement of activities presents information showing how the Academy’s net position has changed during the 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 the related cash flows. Thus, revenue and expenses are reported in the statement for some items that will only result in cash flows in future periods (for example, salaries and benefits earned but unpaid as of year end).

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Academy, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The Academy maintains one governmental fund, its General Fund, and one proprietary fund, the Building Fund.

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As of and for the Year Ended June 30, 2021

The Academy adopts annual budgets for its funds. Budgetary comparisons have been provided for each governmental fund in the basic financial statements to demonstrate compliance with these budgets.

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes are presented on pages 9 through 45.

Government-wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of the Academy’s financial condition. As of June 30, 2021, the Academy’s liabilities and deferred inflows exceeded its assets and deferred outflows by \$3,631,323. \$207,800 of this total is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. Accordingly, these funds are not available to satisfy general operating expenses of the Academy. The unrestricted net negative position of \$6,509,514 decreased from the prior fiscal year by \$2,039,857 or 23.9%, principally because the unfunded pension obligation declined due to State support.

Net position as of June 30, 2021 and June 30, 2020:

	<u>2021</u>	<u>2020</u>
Assets		
Cash and investments	\$ 3,026,557	\$ 2,260,154
Receivables and other current assets	21,312	137,626
Capital assets, net	5,876,025	6,051,068
Restricted cash and investments	<u>643,685</u>	<u>726,862</u>
Total assets	<u>9,877,579</u>	<u>9,175,710</u>
Deferred Outflows, Pension/OPEB	3,939,746	1,451,010
Liabilities		
Accounts payable and interest payable	117,872	108,202
Accrued salaries and benefits	303,787	254,917
Deposits	37,095	36,745
Current portion long-term debt	276,655	267,791
Long-term debt Due in more than one year	3,882,664	4,139,657
Net Pension/OPEB Liability	<u>9,002,676</u>	<u>7,068,486</u>
Total liabilities	<u>13,650,749</u>	<u>11,875,798</u>
Deferred Inflows, Pension/OPEB	3,797,899	4,731,311
Net position		
Investment in Capital Assets (net)	2,670,391	2,370,482
Restricted for TABOR	207,800	198,500
Unrestricted	<u>(6,509,514)</u>	<u>(8,549,371)</u>
Total net position	<u>\$ (3,631,323)</u>	<u>\$ (5,980,389)</u>

Aurora Academy Charter School
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Management's Discussion and Analysis (Unaudited)
As of and for the Year Ended June 30, 2021

Change in net position for the year ended June 30, 2021 and June 30, 2020 is as follows:

	<u>2021</u>	<u>2020</u>
Revenues		
Program revenues		
Charges for services	\$ 8,616	\$ 13,405
Operating grants and contributions	841,229	302,912
Capital grants and contributions	<u>563,950</u>	<u>275,824</u>
Total program revenues	<u>1,413,795</u>	<u>592,141</u>
General revenues		
State categorical revenue -PPR	4,432,450	4,686,646
Mill levy override	1,442,823	1,296,210
Earnings on investments	37,952	77,168
Special Funding - PERA	-	28,886
Other	<u>80,179</u>	<u>189,908</u>
Total general revenues	<u>5,993,404</u>	<u>6,278,818</u>
Total revenues	<u>7,407,199</u>	<u>6,870,959</u>
Expenditures/expenses		
Current		
Instruction	3,241,574	2,882,022
Supporting services	1,669,783	2,377,151
Interest on long-term debt	<u>146,776</u>	<u>155,200</u>
Total expenses	<u>5,058,133</u>	<u>5,414,373</u>
Increase (decrease) in net position	2,349,066	1,456,586
Net Position, beginning of year, restated	(5,980,839)	(7,436,975)
Net Position, end of year	<u>\$ (3,631,323)</u>	<u>\$ (5,980,389)</u>

Financial Analysis of the Academy's Funds

The Academy has one governmental fund, the General Fund, and one proprietary fund, the Building Fund. The General Fund is considered a major fund and is used to account for the Academy's general operations. The General Fund began the year with a positive fund balance of \$2,172,346. The School's fund balance increased during the year by \$436,626 or 20.1% due to a planned increase and Fiscal Year cross over capital projects. Ninety two percent of the General Fund balance is unassigned.

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As of and for the Year Ended June 30, 2021

The Building Corporation was created in 2004 and purchased the School facility on September 17, 2004. The Building Fund ended the year with a net position of \$2,620,534, an increase of \$424,482 or 19.3%. The majority of the increase is attributed to the contributed capital (renovations) or building improvements paid for by the School.

General Fund and Building Fund Budgetary Highlights

The Academy budgeted General Fund expenditures of \$6,618,780 for the year ended June 30, 2021. Actual expenditures were \$6,528,270. The Building Fund had budgeted expenditures of \$800,000 with actual expenditures of \$688,666, resulting in a positive variance of \$111,334.

The School did not change General Fund budgeted expenditures during the year. In addition, the Building Fund’s budgeted expenditures remained unchanged.

Capital Assets and Debt Administration

The Academy leases its school facilities under an agreement with the Aurora Academy Building Corporation, a blended component unit of the Academy. The lease is renewable in annual installments beginning each July 1 (subject to TABOR restrictions).

The Building Corporation purchased the facility in September of 2004. Outstanding debt of the Building Corporation at June 30, 2021, was \$4,405,098 which reflects a reduction of \$267,791 from the prior year. The outstanding debt does not consider the impact of the deferred bond premium of \$245,779. The principal reduction will increase to \$276,655 in FY22.

The asset capitalization threshold is \$5,000. During the previous two years the School completed a number of building renovation projects. The School completed renovations costing \$365,978 during the year. Total Capital Assets increased by \$407,828 to \$9,858,713. Depreciation recognized for FY21 was \$272,872, with accumulated depreciation totaling \$3,672,688. Net Capital Assets were \$6,186,025 at June, 30 2021.

Economic Factors, Next Year’s Budget, Student Counts

The primary factor driving the budget for the Academy is student enrollment. Funded Pupil Count (FPC) has been very consistent the last few years. The FPC was 507.9, 520, and 516 for FY19, FY20 and FY21 respectively. The FPC projected for this Fiscal Year 2021/2022 school year is 506. This factor was considered in preparing the Academy’s budget for FY22. There are currently no plans to increase the number of classrooms or significantly change the student body (FPC) in the near future but consideration is being given to expansion in the out years. Overall funding has declined for FY 20-21 with PPR (Per Pupil Revenue) decreasing 5.58% due to the pandemic. FY21-22 PPR increased 8.27% in line with the rebounding economy and increased tax collections. It is likely future PPR increases will be in line with inflation.

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Management’s Discussion and Analysis (Unaudited)
As of and for the Year Ended June 30, 2021

Requests for Information

The financial report is designed to provide a general overview of the Academy’s finances for all those with an interest in the Academy. Questions concerning any of the information provided in this report or requests for additional information should be addressed to Aurora Academy Charter School, 10251 E. 1st Avenue, Aurora, Colorado 8001

BASIC FINANCIAL STATEMENTS

AURORA ACADEMY CHARTER SCHOOL

STATEMENT OF NET POSITION

June 30, 2021

	GOVERNMENTAL ACTIVITIES	
	2021	2020
ASSETS		
Cash and Investments	\$ 3,026,557	\$ 2,260,154
Restricted Investments	643,685	726,862
Accounts Receivable	21,312	137,626
Capital Assets, Not Depreciated	310,000	310,000
Capital Assets, Depreciated Net of Accumulated Depreciation	5,876,025	5,741,068
TOTAL ASSETS	9,877,579	9,175,710
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	3,857,461	1,395,166
Related to OPEB	82,285	55,844
TOTAL DEFERRED OUTFLOWS OF RESOURCES	3,939,746	1,451,010
LIABILITIES		
Accounts Payable	94,846	51,952
Accrued Salaries and Benefits	303,787	254,917
Deposits	37,094	36,745
Accrued Interest	53,026	56,250
Noncurrent Liabilities		
Due Within One Year	276,655	267,791
Due in More Than One Year	3,882,664	4,139,657
Net Pension Liability	8,686,923	6,737,391
Net OPEB Liability	315,753	331,095
TOTAL LIABILITIES	13,650,748	11,875,798
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	3,696,218	4,670,149
Related to OPEB	101,681	61,162
TOTAL DEFERRED INFLOWS OF RESOURCES	3,797,899	4,731,311
NET POSITION		
Investment in Capital Assets	2,670,391	2,370,482
Restricted for Emergencies	207,800	198,500
Unrestricted	(6,509,513)	(8,549,371)
TOTAL NET POSITION	\$ (3,631,322)	\$ (5,980,389)

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

AURORA ACADEMY CHARTER SCHOOL

STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

FUNCTIONS/PROGRAMS	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION	
	Expenses	Charges for Services	Operating	Capital	Governmental Activities	
			Grants and Contributions	Grants and Contributions	2021	2020
Governmental Activities						
Instruction	\$ 3,241,574	\$ -	\$ 2,323	\$ -	\$ (3,239,251)	\$ (3,216,566)
Supporting Services	1,669,782	8,616	63,267	563,950	(1,033,949)	(1,509,652)
Interest and Fiscal Charges	146,776	-	-	-	(146,776)	(155,200)
Total Governmental Activities	\$ 5,058,132	\$ 8,616	\$ 65,590	\$ 563,950	(4,419,976)	(4,881,418)
GENERAL REVENUES						
					4,432,450	4,686,646
					1,442,823	1,296,210
					-	28,886
					37,952	77,168
					855,818	249,094
				TOTAL GENERAL REVENUES	6,769,043	6,338,004
				CHANGE IN NET POSITION	2,349,067	1,456,586
				NET POSITION, Beginning, Restated	(5,980,389)	(7,436,975)
				NET POSITION, Ending	\$ (3,631,322)	\$ (5,980,389)

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

AURORA ACADEMY CHARTER SCHOOL

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021

	GENERAL FUND	
	2021	2020
ASSETS		
Cash and Investments	\$ 3,026,557	\$ 2,260,154
Accounts Receivable	18,143	255,806
TOTAL ASSETS	\$ 3,044,700	\$ 2,515,960
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	\$ 94,846	\$ 51,952
Accrued Salaries and Benefits	303,787	254,917
Deposits	37,094	36,745
TOTAL LIABILITIES	435,727	343,614
FUND BALANCES		
Nonspendable	-	-
Restricted for Building Reserve	-	-
Restricted for Emergencies	207,800	198,500
Unassigned	2,401,173	1,973,846
TOTAL FUND BALANCES	2,608,973	2,172,346
Amounts reported for governmental activities in the statement of net position are different because:		
Internal Service funds are used by management to charge the lease costs to governmental funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net assets.	2,620,534	2,196,052
Long-term liabilities and related assets are not due and payable in the current period and, therefore, are not reported in the funds. This liability includes net pension liability of (\$8,686,923), net OPEB liability of (\$315,753), deferred outflows related to pensions of \$3,857,461 deferred outflows related to OPEB of \$82,285, deferred inflows related to pensions of (\$3,696,218), and deferred inflows related to OPEB of (\$101,681).	(8,860,829)	(10,348,787)
Net position of governmental activities	\$ (3,631,322)	\$ (5,980,389)

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

AURORA ACADEMY CHARTER SCHOOL

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2021

	GENERAL FUND	
	2021	2020
REVENUES		
Local Sources	\$ 5,967,543	\$ 6,278,690
State and Federal Sources	997,351	376,930
	6,964,894	6,655,620
EXPENDITURES		
Current		
Instruction	4,045,072	3,721,635
Supporting Services	2,479,611	2,150,171
	6,524,683	5,871,806
	440,211	783,814
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	440,211	783,814
OTHER FINANCING SOURCES (USES)		
Transfers Out	(3,584)	-
	(3,584)	-
NET CHANGE IN FUND BALANCES	436,627	783,814
FUND BALANCES, Beginning	2,172,346	1,388,532
FUND BALANCES, Ending	\$ 2,608,973	\$ 2,172,346

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

AURORA ACADEMY CHARTER SCHOOL

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

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

Net change in fund balances - total governmental funds	\$ 436,627
Deferred Charges related to pensions and OPEB are not recognized in the governmental funds. However, for the government-wide funds that amount is capitalized and amortized.	1,487,958
The Internal Service fund is used by management to charge the cost of lease payments to the governmental funds. The net revenue of the internal service fund is reported with the governmental activities.	<u>424,482</u>
Change in net position of governmental activities	<u>\$ 2,349,067</u>

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

AURORA ACADEMY CHARTER SCHOOL

STATEMENT OF NET POSITION
 PROPRIETARY FUND TYPES
 June 30, 2021

	Governmental Activities- Internal Service Fund	
	2021	2020
ASSETS		
Current Assets		
Restricted Cash and Investments	\$ 643,685	\$ 726,862
Interest Receivable	3,169	3,169
Total Current Assets	<u>646,854</u>	<u>730,031</u>
Long-term Assets		
Capital Assets, Net of Accumulated Depreciation	<u>6,186,025</u>	<u>6,051,068</u>
Total Long-term Assets	<u>6,186,025</u>	<u>6,051,068</u>
TOTAL ASSETS	<u>6,832,879</u>	<u>6,781,099</u>
LIABILITIES		
Current Liabilities		
Accounts Payable	-	121,349
Interest Payable	53,026	56,250
Bonds Payable - Current Portion	<u>276,655</u>	<u>267,791</u>
Total Current Liabilities	<u>329,681</u>	<u>445,390</u>
Long-Term Liabilities		
Bonds Payable	<u>3,882,664</u>	<u>4,139,657</u>
TOTAL LIABILITIES	<u>4,212,345</u>	<u>4,585,047</u>
NET POSITION		
Net Investment in Capital Assets	2,617,365	2,314,232
Unrestricted	<u>3,169</u>	<u>(118,180)</u>
TOTAL NET POSITION	<u>\$ 2,620,534</u>	<u>\$ 2,196,052</u>

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

AURORA ACADEMY CHARTER SCHOOL

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND TYPES
Year Ended June 30, 2021

	Governmental Activities- Internal Service	
	2021	2020
OPERATING REVENUES		
Rent	\$ 422,714	\$ 422,485
OPERATING EXPENSES		
Purchased Services	4,811	4,824
Other	-	121,349
Depreciation	272,872	268,206
Amortization	19,662	19,662
TOTAL OPERATING EXPENSES	297,345	414,041
OPERATING INCOME	125,369	8,444
NON-OPERATING REVENUES (EXPENSES)		
Investment Income	34,477	55,631
Interest Expense	(146,776)	(155,200)
TOTAL NON-OPERATING REVENUES (EXPENSES)	(112,299)	(99,569)
INCOME BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS	13,070	(91,125)
TRANSFERS AND CAPITAL CONTRIBUTIONS		
Capital Contributions	407,828	130,822
Transfers In	3,584	-
TOTAL TRANSFERS AND CAPITAL CONTRIBUTIONS	411,412	130,822
NET INCOME (LOSS)	424,482	39,697
NET POSITION, Beginning	2,196,052	2,156,355
NET POSITION, Ending	\$ 2,620,534	\$ 2,196,052

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

AURORA ACADEMY CHARTER SCHOOL

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND TYPES
 Year Ended June 30, 2021
 Increase (Decrease) in Cash

	Governmental Activities- Internal Service Fund	
	2021	2020
CASH FLOWS FROM OPERATING ACTIVITIES		
Cash Received from Rent	\$ 422,714	\$ 422,485
Cash Paid to Suppliers	(126,161)	(31,967)
Net Cash Provided by Operating Activities	296,553	390,518
CASH FLOWS FROM INVESTING ACTIVITIES		
Investment Income	34,477	56,601
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Interest Expense	(150,000)	(158,320)
Principal Payments on Loan	(267,791)	(259,212)
Net Cash Used by Financing Activities	(417,791)	(417,532)
CASH FLOWS FROM NON CAPITAL RELATED FINANCING ACTIVITIES		
Transfers In	3,584	-
NET INCREASE (DECREASE) IN CASH	(83,177)	29,587
CASH, Beginning	726,862	697,275
CASH, Ending	\$ 643,685	\$ 726,862
RECONCILIATION OF OPERATING LOSS TO NET CASH USED BY OPERATING ACTIVITIES		
Operating Income	\$ 125,369	\$ 8,444
Adjustments to Reconcile Operating Income to Net Cash Used by Operating Activities		
Depreciation Expense	272,872	268,206
Amortization Expense	19,663	19,663
Changes in Assets and Liabilities		
Accounts Payable	(121,351)	94,205
Total Adjustments	171,184	382,074
Net Cash Provided by Operating Activities	\$ 296,553	\$ 390,518
Non Cash Items		
Capital Assets Contributed from the General Fund	\$ 407,828	\$ 130,822

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

AURORA ACADEMY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Aurora Academy Charter School (the “Academy”) was organized pursuant to the Colorado Charter Schools Act to form and operate a Charter School within the Aurora Public School District (the “District”) in the State of Colorado.

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

Reporting Entity

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

Aurora Academy Building Corporation

The Aurora Academy Building Corporation. (“Corporation”) is considered to be financially accountable to the Academy. The purpose of the Corporation is to provide a mechanism to issue and pay debt on behalf of the Academy. The Corporation is considered to be part of the Academy for financial reporting purposes because its resources are entirely for the direct benefit of the Academy and is blended into the Academy’s financial statements as an internal service fund. Separate financial statements are not available.

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

Government-Wide and Fund Financial Statements

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

AURORA ACADEMY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to students or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment.

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

AURORA ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

The Academy reports the following major governmental fund:

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

Additionally, the Academy reports the following fund types:

The *Internal Service Fund* is used to account for activity of the Building Corporation.

Deferred Outflows/Inflows of Resources

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

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

Assets, Liabilities and Fund Balance/Net Position

Investments – Investments are recorded at fair value.

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

AURORA ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Capital Assets – Capital assets, which include leasehold improvements, are reported in the governmental activities column in the government-wide financial statements. Capital assets are defined by the Academy as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net position in the government-wide financial statements. Depreciation has been provided over the following estimated useful lives of the capital assets using the straight-line method: buildings and improvements 20 - 40 years; equipment 5 years.

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

Net Position – The government-wide fund financial statements utilize a net position presentation. Net position is categorized as net investment in capital assets, restricted, and unrestricted. Net investment in capital assets is intended to reflect the portion of net position which is associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost. Restricted net position is liquid assets, which have third party limitations on their use. Unrestricted net position represents assets that do not have any third party limitations on their use.

AURORA ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

- Nonspendable – This classification includes amounts that cannot be spent because they are either not spendable in form or are legally or contractually required to be maintained intact. The Academy didn't have any nonspendable resources prepaid expenses as nonspendable fund balance at June 30, 2021.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Academy has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Academy did not have any committed resources as of June 30, 2021.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

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

AURORA ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Compensated Absences

The Academy's policy allows employees to accumulate sick and vacation leave. Employees are paid \$100 a day for any unused paid time off that they have not used at the time that they leave the Academy. They also pay employees for any time off not used in excess of 80 hours as of June 30 of each year. As of June 30, 2021, this liability totaled \$15,497 which has not been recorded in the financial statements as it is not significant to the financial statement as a whole.

Risk Management

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

Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Academy's financial position and operations. However, comparative data has not been presented in all statements because such inclusion would make certain statements unduly complex and difficult to understand. Also, certain amounts presented in the prior year data have been reclassified to be consistent with current year's presentation.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

A budget is adopted for all funds on a basis consistent with generally accepted accounting principles.

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

AURORA ACADEMY CHARTER SCHOOL
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2021

NOTE 3: CASH AND INVESTMENTS

Cash and Investments at June 30, 2021 consisted of the following:

Cash on Hand	\$ 700
Deposits	1,013,432
Investments	<u>2,656,110</u>
Total	<u>\$ 3,670,242</u>

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government’s deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At June 30, 2021, State regulatory commissioners have indicated that all financial institutions holding deposits for the Academy are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group.

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

At June 30, 2021, the Academy had deposits with financial institutions with a carrying amount of \$1,013,432. The bank balances with the financial institutions were \$1,029,676. Of these balances, \$250,000 was covered by federal depository insurance and \$779,676 was covered by collateral held by authorized escrow agents in the financial institution’s name (PDPA).

Investments

Interest Rate Risk

The Academy has adopted a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. The Academy follows State Statute. The board or the finance committee of the Building Corporation must approve all investments that mature in greater than five years.

AURORA ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

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

Investments (Continued)

Credit Risk

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

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

It is the Academy's policy to follow Colorado State statutes guidelines for managing credit risk or interest rate risk.

Local Government Investment Pools

The Academy had invested \$810,494 in the Colorado Surplus Asset Fund Trust (CSAFE) an investment vehicle established for local government entities in Colorado pursuant to Title 24, Article 75, Part 7 of the Colorado Revised Statutes, to pool surplus funds for investment purposes. The State Securities Commissioner administers and enforces the requirements of creating and operating the Pools. CSAFE reports its underlying investments at amortized cost and is considered a qualifying external investment pool under GASB Statement 79. CSAFE operates similar to money market funds where each share is equal in value to \$1.00. The fair value of the position in the pools is the same as the value of the pooled shares.

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

AURORA ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 3: CASH AND INVESTMENTS (Continued)

Investments (Continued)

The Academy had invested \$1,152,509 in the Colorado Government Liquid Asset Trust (ColoTrust) which has a credit rating of AAAM by Standard and Poor's. ColoTrust is an investment vehicle established for local government entities in Colorado to pool surplus funds and is regulated by the State Securities Commissioner. It operates similarly to a money market fund and each share is equal in value to \$1.00. Investments consist of U.S. Treasury and U.S. Agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned 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 the entities.

ColoTrust is not a 2a7-like external investment pool. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. The government-investor does not "look through" the pool to report a pro rata share of the pool's investments, receivables, and payables.

Fair Value

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

Government Agency and Domestic Bonds

The Academy has invested \$691,107 in government agency and domestic bonds. These investments have maturity dates ranging from October 2022 to May 2036 and carry interest rates ranging from 1.60% to 6.45%. These bonds are rated from BBB- to AA+ by Standard and Poor's. The fair value of the Government Agency and Domestic Bonds is determined by quoted prices in active markets and is classified as Level 1.

Restricted Cash and Investments

Cash and investments in the amount of \$643,685 are restricted in the Building Corporation for debt service requirements.

AURORA ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 4: CAPITAL ASSETS

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

	Balance <u>June 30, 2020</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2021</u>
Governmental Activities				
Capital assets, Not Depreciated				
Land	\$ 310,000	\$ -	\$ -	\$ 310,000
Capital Assets, Being Depreciated				
Buildings	7,546,620	-	-	7,546,620
Leasehold Improvements	892,381	365,978	-	1,258,359
Machinery and Equipment	<u>701,884</u>	<u>41,850</u>	-	<u>743,734</u>
Total Capital Assets, Being Depreciated	<u>9,140,885</u>	<u>407,828</u>	-	<u>9,548,713</u>
Accumulated Depreciation				
Buildings	2,657,701	202,159	-	2,859,860
Leasehold Improvements	453,952	39,990	-	493,942
Machinery and Equipment	<u>288,164</u>	<u>30,723</u>	-	<u>318,887</u>
Total Accumulated Depreciation	<u>3,399,817</u>	<u>272,872</u>	-	<u>3,672,689</u>
Total Capital Assets, Being Depreciated, Net	<u>5,741,068</u>	<u>134,957</u>	-	<u>5,876,025</u>
Net Capital Assets	<u>\$ 6,051,068</u>	<u>\$ 134,957</u>	<u>\$ -</u>	<u>\$ 6,186,025</u>

Depreciation expense is charged to the supporting services program of the Academy.

NOTE 5: ACCRUED SALARIES AND BENEFITS

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from August to July but are earned during the school year of nine months. The salaries and benefits earned, but unpaid, as of June 30, 2021, were \$303,787 in the General Fund.

AURORA ACADEMY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 6: LONG-TERM DEBT

Following is a summary of the Academy’s long-term debt transactions for the year ended June 30, 2021:

	<u>Balance</u>		<u>Balance</u>	<u>Due In</u>
	<u>June 30, 2020</u>	<u>Additions</u>	<u>June 30, 2021</u>	<u>One Year</u>
2013 Refunding Bonds	\$ 4,672,889	\$ -	\$ 4,405,098	\$ 276,655
Deferred Premium	<u>(265,441)</u>	<u>-</u>	<u>(245,779)</u>	<u>-</u>
Total	<u>\$ 4,407,448</u>	<u>\$ -</u>	<u>\$ 4,159,319</u>	<u>\$ 276,655</u>

2013 Refunding Bonds

In June 2013, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$6,246,000 Charter School Refunding Bonds. Proceeds of the bonds were used by the Corporation to advance refund the 2004 bonds. The Academy is obligated under a lease agreement to make monthly lease payments to the Corporation for the use of educational facilities. The Corporation is required to make equal loan payments to the Trustee, for payment of the bonds. The bonds accrue in the amount of 3.21% per annum. Interest payments are due semi-annually on February 15 and August 15. Principal payments are due annually on February 15, through 2034.

The advance refunding was done in order to reduce the Academy’s debt payments. The refunding decreased the Academy’s total debt service payments by approximately \$1.6 million. The transaction resulted in an economic gain (difference between the present value of the debt service on the old and new bonds) of \$737,476. Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$ 276,655	\$ 141,404	\$ 418,059
2023	285,813	132,522	418,335
2024	295,273	123,348	418,621
2025	305,046	113,870	418,916
2026	315,144	104,078	419,222
2026 – 2030	1,739,266	361,784	2,101,050
2031 – 2034	<u>1,187,901</u>	<u>77,092</u>	<u>1,264,993</u>
Total	<u>\$ 4,405,098</u>	<u>\$ 1,054,098</u>	<u>\$ 5,459,196</u>

AURORA ACADEMY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 7: DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

Pensions. The School 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.

General Information about the Pension Plan

Plan description. Eligible employees of the School are provided with pensions through the SCHDTF—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available 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.

AURORA ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

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

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

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

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

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

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

As of December 31, 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.

AURORA ACADEMY CHARTER SCHOOL
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2021

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

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

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

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

Contributions provisions as of June 30, 2021: Eligible employees of the School and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 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).

AURORA ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

As specified in C.R.S. § 24-51-414, the State is required to contribute \$225 million (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 School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the School were \$622,362 for the year ended June 30, 2021.

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 School’s proportion of the net pension liability was based on the School’s contributions to the SCHDTF for the calendar year 2020 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

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

At June 30, 2021, the School reported a liability of \$8,686,923 for its proportionate share of the net pension liability. The amount recognized by the School as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the School were as follows:

School’s proportionate share of the net pension liability	\$8,686,923
The State’s proportionate share of the net pension liability as a nonemployer contributing entity associated with the School	-
Total	\$8,686,923

AURORA ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

At December 31, 2020, the School’s proportion was .0574 percent, which was an increase of .0124 percent from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the School recognized pension income of \$864,332 and revenue of \$0 for support from the State as a nonemployer contributing entity. At June 30, 2021, the School 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	\$477,303	N/A
Changes of assumptions or other inputs	\$835,655	\$1,460,197
Net difference between projected and actual earnings on pension plan investments	N/A	\$1,912,189
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$2,229,478	\$323,832
Contributions subsequent to the measurement date	\$315,025	N/A
Total	\$3,857,461	\$3,696,218

\$315,025 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	(\$872,724)
2023	\$989,040
2024	\$31,561
2025	(\$301,659)

AURORA ACADEMY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

Actuarial assumptions. The total pension liability in the December 31, 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

¹Post-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 were based on the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

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

AURORA ACADEMY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)

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

The 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.

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.

AURORA ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)]

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

Post-retirement non-disabled mortality assumptions were based 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.

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.

AURORA ACADEMY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)]

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

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
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 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.

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.

AURORA ACADEMY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)]

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

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

AURORA ACADEMY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 7: DEFINED BENEFIT PENSION PLAN (Continued)]

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$11,849,674	\$8,686,923	\$6,051,309

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

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

Summary of Significant Accounting Policies

OPEB. The School participates in the 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.

AURORA ACADEMY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

General Information about the OPEB Plan

Plan description. Eligible employees of the School are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. 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.

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.

AURORA ACADEMY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

General Information about the OPEB Plan (Continued)

PERA Benefit Structure

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

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

DPS Benefit Structure

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

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

AURORA ACADEMY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

General Information about the OPEB Plan (Continued)

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the School were \$31,932 for the year ended June 30, 2021.

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

At June 30, 2021, the School reported a liability of \$315,751 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 School's proportion of the net OPEB liability was based on the School's 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 School's proportion was .0332 percent, which was an increase of .00038 percent from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the School recognized OPEB expense of \$30,668.

AURORA ACADEMY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

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

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

At June 30, 2021, the School 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	\$838	\$69,417
Changes of assumptions or other inputs	\$2,359	\$19,362
Net difference between projected and actual earnings on OPEB plan investments	N/A	\$12,902
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$62,925	N/A
Contributions subsequent to the measurement date	\$16,163	N/A
Total	\$82,285	\$101,681

\$16,163 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	(\$7,584)
2023	(\$5,779)
2024	(\$11,193)
2025	(\$9,855)
2026	(\$1,102)
Thereafter	(\$46)

AURORA ACADEMY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

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

Actuarial 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

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:

AURORA ACADEMY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

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

Medicare Plan	Initial Costs for Members without Medicare Part A		
	Monthly Cost	Monthly Premium	Monthly Cost Adjusted to
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.

AURORA ACADEMY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

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

The PERA benefit structure health care cost trend rates 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 State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- **Females:** Mortality improvement projected to 2020 using the MP-2015 projection scale, a 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

AURORA ACADEMY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

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

Post-retirement non-disabled mortality assumptions for the 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.

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.

AURORA ACADEMY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

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

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

	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.

AURORA ACADEMY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

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

Post-retirement non-disabled mortality assumptions for the 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.

AURORA ACADEMY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

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

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.

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.

AURORA ACADEMY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

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

- 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:

¹The 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 School's proportionate share of the net OPEB liability to changes in the Health Care Cost Trend Rates. The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	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	\$307,590	\$315,751	\$325,251

AURORA ACADEMY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

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

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.
- 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.

AURORA ACADEMY CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2021

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

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$361,698	\$315,751	\$276,492

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 9: COMMITMENTS AND CONTINGENCIES

Claims and Judgments

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

AURORA ACADEMY CHARTER SCHOOL
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2021

NOTE 9: **COMMITMENTS AND CONTINGENCIES** (Continued)

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The Academy believes it has complied with the Amendment.

As required by the Amendment, the Academy has established a reserve for emergencies. At June 30, 2021, the reserve of \$207,800 was recorded as a reservation of fund balance in the General Fund.

NOTE 10: **DEFICIT NET POSITION**

The Net Position of the government type activities is in a deficit position of \$3,631,323 due to the Academy including the Net Pension Liability per GASB No. 68.

NOTE 11: **SUBSEQUENT EVENTS**

Potential subsequent events were considered through October 15, 2021. It was determined that no events were required to be disclosed through this date.

REQUIRED SUPPLEMENTARY INFORMATION

AURORA ACADEMY CHARTER SCHOOL

BUDGETARY COMPARISON SCHEDULE

GENERAL FUND

Year Ended June 30, 2021

	2021		VARIANCE Positive (Negative)	2020 ACTUAL
	ORIGINAL AND FINAL BUDGET	ACTUAL		
REVENUES				
Local Sources				
Per Pupil Revenue	\$ 4,360,345	\$ 4,432,450	\$ 72,105	\$ 4,686,646
Mill Levy Override	1,296,360	1,442,823	146,463	1,296,210
Tuition and Fees	55,050	8,616	(46,434)	13,405
Grants and Donations	2,000	2,323	323	11,798
Interest	15,000	3,475	(11,525)	21,537
Other	105,500	77,856	(27,644)	249,094
State and Federal Sources				
State and Federal Grants	895,234	997,351	102,117	376,930
 TOTAL REVENUES	 6,729,489	 6,964,894	 235,405	 6,655,620
EXPENDITURES				
General Government				
Current				
Salaries	3,221,980	3,335,247	(113,267)	3,086,361
Employee Benefits	986,425	931,937	54,488	1,009,468
Purchased Services	1,484,689	1,380,166	104,523	1,314,576
Supplies and Materials	274,991	315,861	(40,870)	308,390
Property	339,360	532,544	(193,184)	134,090
Contingency	397,313	28,928	368,385	-
Other	24,731	-	24,731	18,921
 TOTAL EXPENDITURES	 6,729,489	 6,524,683	 204,806	 5,871,806
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 -	 440,211	 440,211	 783,814
OTHER FINANCING USES				
Transfers Out	-	(3,584)	(3,584)	-
 NET CHANGE IN FUND BALANCE	 -	 436,627	 436,627	 783,814
FUND BALANCE, Beginning	2,172,349	2,172,346	(3)	1,388,532
FUND BALANCE, Ending	\$ 2,172,349	\$ 2,608,973	\$ 436,624	\$ 2,172,346

See the accompanying independent auditors' report.

AURORA ACADEMY CHARTER SCHOOL

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

Years Ended December 31,

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
Academy's proportionate share of the Net Pension Liability	0.042%	0.042%	0.043%	0.045%	0.048%	0.042%	0.045%	0.057%
Academy's proportionate share of the Net Pension Liability	\$ 5,349,153	\$ 5,759,360	\$ 6,534,605	\$ 13,403,321	\$ 15,457,373	\$ 7,400,305	\$ 6,737,391	\$ 8,686,923
State of Colorado Proportionate Share of the Net Pension Liability associated with the Academy	-	-	-	-	-	1,011,889	1,082,377	-
Total portion of the Net Pension Liability associated with the Academy	\$ 5,349,153	\$ 5,759,360	\$ 6,534,605	\$ 13,403,321	\$ 15,457,373	\$ 8,412,194	\$ 7,819,768	\$ 8,686,923
School's covered payroll	\$ 1,732,228	\$ 1,982,536	\$ 1,873,024	\$ 2,020,446	\$ 2,204,898	\$ 2,297,583	\$ 2,648,639	\$ 3,130,591
School's proportionate share of the Net Pension Liability as a percentage of its covered payroll	308.8%	290.5%	348.9%	663.4%	701.0%	322.1%	254.4%	277.5%
Plan fiduciary net position as a percentage of the total pension liability	64.1%	62.8%	59.2%	43.1%	43.96%	57.01%	64.52%	66.99%

See the accompanying independent auditors' report.

AURORA ACADEMY CHARTER SCHOOL

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
SCHOOL DISTRICT TRUST FUND

Years Ended June 30,

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2020</u>
Statutorily required contributions	\$ 295,035	\$ 355,851	\$ 351,355	\$ 418,590	\$ 445,560	\$ 478,637	\$ 575,628	\$ 622,362
Contributions in relation to the Statutorily required contributions	<u>295,035</u>	<u>355,851</u>	<u>351,355</u>	<u>418,590</u>	<u>445,560</u>	<u>478,637</u>	<u>575,628</u>	<u>622,362</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered payroll	\$ 1,732,228	\$ 1,982,536	\$ 1,873,024	\$ 2,156,461	\$ 2,238,789	\$ 2,375,367	\$ 2,970,216	\$ 3,130,591
Contributions as a percentage of covered payroll	17.03%	17.95%	18.76%	19.41%	19.90%	20.15%	19.38%	19.88%

See the accompanying independent auditors' report.

AURORA ACADEMY CHARTER SCHOOL

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

Years Ended December 31,

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
School's proportionate share of the Net Pension Liability	0.026%	0.027%	0.027%	0.029%	0.033%
School's proportionate share of the Net Pension Liability	\$ 331,751	\$ 352,975	\$ 369,600	\$ 331,095	\$ 315,751
School's covered payroll	\$ 2,020,446	\$ 2,204,898	\$ 2,267,583	\$ 2,648,639	\$ 3,130,591
School's proportionate share of the Net Pension Liability as a percentage of its covered payroll	16.4%	16.0%	16.3%	12.5%	10.1%
Plan fiduciary net position as a percentage of the total pension liability	16.72%	17.53%	17.03%	24.49%	32.78%

See the accompanying independent auditors' report.

AURORA ACADEMY CHARTER SCHOOL

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
HEALTH CARE TRUST FUND

Years Ended June 30,

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
Statutorily required contributions	\$ 21,996	\$ 22,836	\$ 24,229	\$ 30,296	\$ 31,932
Contributions in relation to the Statutorily required contributions	<u>21,996</u>	<u>22,836</u>	<u>24,229</u>	<u>30,296</u>	<u>31,932</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered payroll	2,156,461	\$ 2,238,789	\$ 2,375,367	\$ 2,970,216	\$ 3,130,591
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%	1.02%

See the accompanying independent auditors' report.

INDIVIDUAL FUND FINANCIAL STATEMENTS

AURORA ACADEMY CHARTER SCHOOL

BUDGETARY COMPARISON STATEMENT
 BUILDING CORPORATION
 Year Ended June 30, 2021

	2021		VARIANCE Positive (Negative)	2020 ACTUAL
	ORIGINAL AND FINAL BUDGET	ACTUAL		
REVENUES				
Local Sources				
Investment Income	\$ 18,000	\$ 34,477	\$ 16,477	\$ 55,631
Rent	422,714	422,714	-	422,485
Contributions	-	407,828	407,828	130,822
Transfer In	-	3,584	3,584	-
TOTAL REVENUES	<u>440,714</u>	<u>868,603</u>	<u>427,889</u>	<u>608,938</u>
EXPENDITURES				
Purchased Services	37,700	4,811	32,889	4,824
Other	25,000	-	25,000	121,349
Depreciation	291,768	272,872	18,896	268,206
Amrtization	-	19,662	(19,662)	-
Debt Service				
Principal	259,212	248,129	11,083	259,212
Interest	158,320	146,776	11,544	155,200
TOTAL EXPENDITURES	<u>772,000</u>	<u>692,250</u>	<u>79,750</u>	<u>808,791</u>
CHANGE IN FUND BALANCES (Budget Basis)	<u>\$ (331,286)</u>	176,353	<u>\$ 507,639</u>	(199,853)
Adjustments to Reconcile Budget Basis to GAAP Basis				
Principal Payments		<u>248,129</u>		<u>259,212</u>
CHANGE IN FUND BALANCE (GAAP Basis)		424,482		59,359
FUND BALANCE, Beginning		<u>2,196,052</u>		<u>2,156,355</u>
FUND BALANCE, Ending		<u>\$ 2,620,534</u>		<u>\$ 2,215,714</u>

See the accompanying independent auditors' report.

COMPLIANCE



**JOHN CUTLER
& ASSOCIATES**

To the Board of Directors
Aurora Academy
Aurora, Colorado

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS***

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund and the aggregate remaining fund information of Aurora Academy Charter School as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Aurora Academy's basic financial statements, and have issued our report thereon dated October 15, 2021.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Aurora Academy's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Aurora Academy's internal control. Accordingly, we do not express an opinion on the effectiveness of the Aurora Academy's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a *material weakness*, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Aurora Academy Charter School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose

John Luthr & Associates, LLC

October 15, 2021