Compass Academy

(A Component Unit of Denver Public Schools)

Denver, Colorado

Financial Statements

June 30, 2020

HINKLE & COMPANY PC

Strategic Business Advisors

Compass Academy

(A Component Unit of Denver Public Schools)

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June 30, 2020

HINKLE & COMPANY PC
Strategic Business Advisors

Independent Auditors' Report

Board of Directors
Compass Academy
Denver, Colorado

We have audited the accompanying financial statements of the governmental activities and the major fund of Compass Academy, component unit of Denver Public Schools, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements of Compass Academy, as listed in the table of contents.

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

Auditors' Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' 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 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 internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

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Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of Compass Academy as of June 30, 2020, and the respective changes in financial position 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 and the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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.

Hinkle & Company, PC

Greenwood Village, Colorado
October 20, 2020

Compass Academy
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2020

As management of Compass Academy (Compass or the School), we offer readers of Compass Academy's basic financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information provided in the accompanying financial statements.

Financial Highlights

The year ended June 30, 2020 is the fifth year of operations for Compass. As of June 30, 2020, net position increased by $196,112 to $(372,444). Compass Academy's governmental fund reported an ending fund balance of $1,618,964, an increase of $952,178 from the prior year.

The operations of the School are funded primarily by tax revenue received under the Colorado School Finance Act in Per Pupil Revenue (PPR). Tax revenue for the year from PPR was $2,713,532.

Overview of Financial Statements

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

Government-Wide Financial Statements

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

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

The statement of activities presents information showing how net position 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, revenues 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).

The government-wide statement of activities distinguishes functions/programs of the School supported primarily by Per Pupil Revenue or other revenues passed through from the School's authorizer (Denver Public Schools). The governmental activities of Compass include instruction and supporting services.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School keeps track of these monies to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year.

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

The School maintains one governmental fund and adopts an annually appropriated budget for the fund. A budgetary comparison schedule is included to demonstrate that spending did not exceed the budget.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the financial statements.

Government-Wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of the School's financial position. For the fiscal year ended June 30, 2020, Compass's net position was $(372,444). This position includes a net pension liability in the amount of $1,252,066, representing the School's proportionate share of the Denver Public Schools Division pension liability, administered by the Public Employees' Retirement Association of Colorado (PERA). The School reports this net pension liability, and associated deferred inflows and outflows of resources, as required by GASB (Governmental Accounting Standards Board) 68. The School's net position also includes a net OPEB (Other Post-Employment Benefits) liability in the amount of $101,026, representing the School's proportionate share of the defined benefit Health Care Trust Fund, administered by PERA. The School reports this net OPEB liability, and associated deferred inflows and outflows of resources, as requirement by GASB 75. More information regarding the net pension and OPEB liabilities may be found in the notes to the financial statements.

Of the School's total net position, $124,000 is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment.

Compass Academy
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2020

Compass Academy's Net Position

	2019-2020	**2018-2019**
ASSETS		
Cash	$ 1,476,030	$ 795,569
Accounts Receivable	-	44,577
Grants Receivable	472,567	80,499
Prepaid Expenses	7,573	-
Capital Assets, Net of Accumulated Depreciation	-	6,047
TOTAL ASSETS	1,956,170	926,692
DEFERRED OUTFLOWS OF RESOURCES		
Pensions, Net of Accumulated Amortization	885,303	941,715
OPEB, Net of Accumulated Amortization	62,339	67,562
TOTAL DEFERRED OUTFLOWS OF RESOURCES	947,642	1,009,277
LIABILITIES		
Accounts Payable	14,073	96,174
Accrued Liabilities	731	3,075
Accrued Salaries and Benefits	124,922	143,447
Unearned Revenues	197,480	11,163
Noncurrent Liabilities		
Due Within One Year	225,803	-
Due in More Than One Year	281,797	-
Net Pension Liability	1,252,066	1,810,554
Net OPEB Liability	101,026	121,373
TOTAL LIABILITIES	2,197,898	2,185,786
DEFERRED INFLOWS OF RESOURCES		
Pensions, Net of Accumulated Amortization	1,052,606	304,667
OPEB, Net of Accumulated Amortization	25,752	14,072
TOTAL DEFERRED INFLOWS OF RESOURCES	1,078,358	318,739
NET POSITION		
Net Investment in Capital Assets	-	6,047
Restricted for Emergencies	124,000	136,000
Unrestricted	(496,444)	(710,603)
TOTAL NET POSITION	$ (372,444)	$ (568,556)

Compass Academy
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2020

Compass Academy's Change in Net Position

	2019-2020	2018-2019
REVENUES		
Per Pupil Revenue	$ 2,713,532	$ 2,783,045
Additional At-Risk	4,110	4,651
Mill Levy Override	583,082	576,729
Capital Construction	41,549	47,679
Charges for Services	8,055	19,988
Operating Grants and Contributions	1,090,668	1,361,450
Investment Income	897	994
Other	-	3,878
TOTAL REVENUE	4,441,893	4,798,414
EXPENSES		
Instruction	1,771,482	2,249,780
Support Services	2,474,299	2,664,654
TOTAL EXPENSES	4,245,781	4,914,434
CHANGE IN NET POSITION	196,112	(116,020)
NET POSITION, Beginning	(568,556)	(452,536)
NET POSITION, Ending	$ (372,444)	$ (568,556)

Compass Academy
Management's Discussion and Analysis
Fiscal Year Ending June 30, 2020

Financial Analysis of the Government's Fund

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

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

As of the end of the current fiscal year, the School's General Fund reported an ending fund balance of $1,618,964, an increase of $952,178 from the prior year.

General Fund Budgetary Highlights

Compass recognized $80,102 more revenue than expected and spent $320,305 less than planned, when compared to the final budget. There were budget amendments during the year, which reflected changes in revenues and expenditures. Revisions increased revenues tied to student enrollment as well as corresponding staffing expenditure changes.

Capital Assets & Long-Term Debt

The School has no capital assets.

The School has a loan payable to the U.S. Small Business Administration (SBA) from the Paycheck Protection Program. The School will apply for loan forgiveness in FY 2020-2021.

Economic Factors and Next Year's Budget

The primary factor driving the budget for Compass Academy is student enrollment. Enrollment for the 2019-2020 school year was 298.00 funded students. Enrollment projected for 2020-2021 is 300.00 funded students. This factor was considered when preparing Compass's budget for 2020-2021.

Requests for Information

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

Compass Academy
2285 S. Federal Blvd.
Denver, CO 80219

Basic Financial Statements

Compass Academy
(A Component Unit of Denver Public Schools)
Statement of Net Position
June 30, 2020

	Governmental Activities
Assets	
Cash	$ 1,476,030
Grants Receivable	472,567
Prepaid Expenses	7,573
Capital Assets*, Net of Accumulated Depreciation*	-
Total Assets	1,956,170
Deferred Outflows of Resources	
Pensions*, Net of Accumulated Amortization*	885,303
OPEB, *Net of Accumulated Amortization*	62,339
Total Deferred Outflows of Resources	947,642
Liabilities	
Accounts Payable	14,073
Accrued Liabilities	731
Accrued Salaries and Benefits	124,922
Unearned Revenues	197,480
Noncurrent Liabilities	
Due Within One Year	225,803
Due in More Than One Year	281,797
Net Pension Liability	1,252,066
Net OPEB Liability	101,026
Total Liabilities	2,197,898
Deferred Inflows of Resources	
Pensions*, Net of Accumulated Amortization*	1,052,606
OPEB, *Net of Accumulated Amortization*	25,752
Total Deferred Inflows of Resources	1,078,358
Net Position	
Net Investment in Capital Assets	-
Restricted for Emergencies	124,000
Unrestricted	(496,444)
Total Net Position	$ (372,444)

See Notes to Financial Statements.

Compass Academy

(A Component Unit of Denver Public Schools)

Statement of Activities

For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Change in Net Position: Governmental Activities
Governmental Activities				
Instruction	$ 1,771,482	$ 8,055	$ 976,573	$ (786,854)
Supporting Services	2,474,299	-	114,095	(2,360,204)
Total Governmental Activities	$ 4,245,781	$ 8,055	$ 1,090,668	(3,147,058)
	General Revenues			
	Per Pupil Revenue			2,713,532
	Additional At-Risk Funding			4,110
	District Mill Levy			583,082
	Capital Construction			41,549
	Investment Income			897
	Total General Revenues			3,343,170
	Change in Net Position			196,112
	Net Position, *Beginning of year*			(568,556)
	Net Position, *End of year*			$ (372,444)

See Notes to Financial Statements.

Compass Academy
(A Component Unit of Denver Public Schools)
Balance Sheet
Governmental Fund
June 30, 2020

		General
Assets		
Cash	$	1,476,030
Grants Receivable		472,567
Prepaid Expenses		7,573
Total Assets	$	1,956,170
Liabilities and Fund Balance		
Liabilities		
Accounts Payable	$	14,073
Accrued Liabilities		731
Accrued Salaries and Benefits		124,922
Unearned Revenues		197,480
Total Liabilities		337,206
Fund Balance		
Nonspendable Prepaid Expenditures		7,573
Restricted for Emergencies		
Emergencies		124,000
Multi Year Obligations		507,600
Unrestricted, Unassigned		979,791
Total Fund Balance		1,618,964
Total Liabilities and Fund Balance	$	1,956,170

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

Total Fund Balance of the Governmental Fund	$	1,618,964
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds.		
Forgivable Loan		(507,600)
Net pension liability		(1,252,066)
Pension-related deferred outflows of resources		885,303
Pension-related deferred inflows of resources		(1,052,606)
Net OPEB liability		(101,026)
OPEB-related deferred outflows of resources		62,339
OPEB-related deferred inflows of resources		(25,752)
Total Net Position of Governmental Activities	$	(372,444)

See Notes to Financial Statements.

Compass Academy

(A Component Unit of Denver Public Schools)

Statement of Revenues, Expenditures and Changes in Fund Balance

Governmental Fund

For the Year Ended June 30, 2020

	General
Revenues	
Local Sources	$ 3,786,154
State Sources	376,392
Federal Sources	288,443
Total Revenues	4,450,989
Expenditures	
Instruction	1,673,879
Supporting Services	2,332,532
Total Expenditures	4,006,411
Excess Revenues Over Expenditures	444,578
Other Financing Sources (Uses)	
Proceeds from Forgivable Loan	507,600
Net Change in Fund Balance	952,178
Fund Balance, *Beginning of year*	666,786
Fund Balance, *End of year*	$ 1,618,964

See Notes to Financial Statements.

Compass Academy

(A Component Unit of Denver Public Schools)

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

For the Year Ended June 30, 2020

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:		
Net Change in Fund Balance of the Governmental Fund	$	952,178
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:		
Depreciation expense		(6,047)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This includes changes in the following.		
Proceeds from Forgivable Loan		(507,600)
Net pension liability		558,488
Pension-related deferred outflows of resources		(56,412)
Pension-related deferred inflows of resources		(747,939)
Net OPEB liability		20,347
OPEB-related deferred outflows of resources		(5,223)
OPEB-related deferred inflows of resources		(11,680)
Change in Net Position of Governmental Activities	$	196,112

Note 1: Summary of Significant Accounting Policies

Nature of Operations

Compass Academy (the School) was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within Denver Public Schools (the District). The School began classes in the Fall of 2015.

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

Reporting Entity

The financial reporting entity consists of the School, organizations for which the School is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the School. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the School. Legally separate organizations for which the School is financially accountable are considered part of the reporting entity. Financial accountability exists if the School appoints a voting majority of the organization's governing board and is able to impose its will on the organization, or if the organization has the potential to provide benefits to, or impose financial burdens on, the School. Based upon the application of this criteria, the School does not include additional organizations within its reporting entity.

The School is a component unit of the District. The School's charter is authorized by the District and the majority of the School's funding is provided by the 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 activities of the School. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported in a single column.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 revenues not properly included among program revenues are reported instead as *general revenues*.

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

Note 1: Summary of Significant Accounting Policies (Continued)

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 year or soon thereafter to pay liabilities of the current year. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current year. Intergovernmental revenues, grants and interest income associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the School. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

The School reports the following major governmental fund:

General Fund - This fund is the general operating fund of the School. It is currently used to account for all financial activities of the School.

Assets, Liabilities and Net Position/Fund Balance

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

Prepaid Expenses - Certain payments to vendors reflect costs applicable to future fiscal years and are reported as prepaid expenses.

Capital Assets - Capital assets are reported in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of $5,000 or more, 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 the acquisition value on the date of donation.

Note 1: Summary of Significant Accounting Policies (Continued)

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

Capital assets are depreciated using the straight-line method over the estimated useful lives, as follows:

Equipment	5 year

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

Unearned Revenues - Unearned revenues include grants received before eligibility requirements established by the provider have been met.

Compensated Absences - Employees of the School are allowed to accumulate unused personal leave to a maximum of 10 days. The School does not reimburse or otherwise compensate terminated employees for any unused personal leave. Therefore, no liability is reported in the financial statements for these compensated absences.

Pensions - The School participates in the Denver Public Schools Division Trust Fund (DPS Division), a single-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position, and additions to and deductions from the DPS Division's fiduciary net position 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. Employer contributions are recognized when the compensation is payable to the employees. Investments are reported at fair value.

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

Postemployment Benefits Other Than Pensions (OPEB) - The School participates in the Denver Public Schools Health Care Trust Fund (DPS HCTF), a single-employer postemployment healthcare plan administered by the Public Employees' Retirement Association of Colorado (PERA).

Note 1: Summary of Significant Accounting Policies (Continued)

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

The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position, and additions to and deductions from the DPS HCTF's fiduciary net position 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.

Net Position/Fund Balance - In the government-wide and fund financial statements, net position and fund balance are restricted when constraints placed on the use of resources are externally imposed. The Board of Directors is authorized to establish a fund balance commitment through passage of a resolution, and may assign fund balances to a specific purpose through an informal action.

The School has not established a formal policy for its use of restricted and unrestricted fund balances. However, if both restricted and unrestricted fund balances are available for a specific purpose, the School uses restricted fund balance first, followed by committed, assigned, and unassigned balances.

Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School carries commercial insurance for these risks of loss.

Subsequent Events

The School has evaluated subsequent events through October 20, 2020, the date the financial statements were available to be issued.

Note 2: Cash and Investments

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local governments to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The 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 uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2020, the School had bank deposits of $1,225,830 collateralized with securities held by the financial institution's agent but not in the School's name.

Note 2: Cash and Investments (Continued)

Investments

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

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

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

Credit Risk - State statutes limit certain investments to those with specified ratings from nationally recognized statistical rating organizations, depending on the type of investment.

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

The School had no investments at June 30, 2020.

Note 3: Capital Assets

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

Governmental Activities	Balance 06/30/19	Additions	Deletions	Balance 06/30/20
Capital Assets, B*eing Depreciated*				
Equipment	$ 30,239	$ -	$ -	$ 30,239
Less: Accumulated Depreciation				
Equipment	(24,192)	(6,047)	-	(30,239)
Governmental Activities Capital Assets, *net*	$ 6,047	$ (6,047)	$ -	$ -

Depreciation expense was charged to the instruction program of the School.

Note 4: Long-Term Debt

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

Governmental Activities	Balance 06/30/19	Additions	Deletions	Balance 06/30/20	Due Within One Year
PPP Loan	$ -	$ 507,600	$ -	$ 507,600	$ 225,803

On April 2020, the School obtained a loan from a local bank under the Paycheck Protection Plan (PPP) program administered by the Small Business Administration (SBA) in the amount of $507,600. The terms of the loan require the School to begin repayment on November 1, 2020 with payments of $28,566, including interest at 1%. Subsequent to the date of the loan, the SBA made revisions to the PPP Program that allowed modifications to some of the terms that would allow a borrower to extend the repayment term.

The School will file an application under SBA guidance for forgiveness for the entire amount of the indebtedness. While the SBA has not processed the application, management believes the School has complied with all requirements for forgiveness. Any portion of the loan not forgiven will be repaid under the existing terms of the loans.

Future debt service requirements for the loan, based upon the amount and terms as of June 30, 2020, is as follows:

Year Ended June 30,	Principal	Interest	Total
2021	$ 225,803	$ 4,418	$ 230,221
2022	281,797	1,284	283,081
Total	507,600	5,702	513,302

Note 5: Defined Benefit Pension Plan

General Information

Plan Description - The School contributes to the DPS Division, a single-employer defined benefit pension plan administered by PERA. All employees of the School participate in the DPS Division's. 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 financial report (CAFR) that includes information on the DPS Division's that may be obtained at www.copera.org/investments/pera-financial-reports.

Note 5: Defined Benefit Pension Plan (Continued)

General Information *(Continued)*

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

The lifetime retirement benefit for all eligible retiring employees under the Denver Public Schools (DPS) benefit structure is the greater of the a) highest average salary multiplied by 2.5% and then multiplied by years of service credit, or b) $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.

The lifetime retirement benefit for all eligible retiring employees under the PERA benefit structure is the greater of the a) highest average salary multiplied by 2.5% and then multiplied by years of service credit, or b) the value of the retiring employee's contribution account plus an equal match on eligible amounts as of the retirement date, annualized into a monthly amount 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 contributions upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

As of December 31, 2019, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs), referred to as annual increases in the C.R.S. once certain criteria are met. Pursuant to SB 18-200, the annual increase for 2019 is 0.00 percent for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007, and all benefit recipients of the DPS benefit structure will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S. § 24-51-413. Benefit recipients under the PERA benefit structure who began eligible employment on or after January 1, 2007, will receive the lessor of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the DPS Division. The AAP may raise or lower the aforementioned annual increase by up to 0.25 percent based on the parameters specified C.R.S. § 24-51-413.

Note 5: Defined Benefit Pension Plan (Continued)

General Information *(Continued)*

Disability benefits are available for eligible employees once they reach five years of earned service credit and are determined to meet the definition of a disability. The disability benefit amount is based on the lifetime retirement benefit formula described previously, considering a minimum of twenty 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 in place under which service credit was obtained, and the qualified survivor(s) who will receive the benefits.

Contributions - Eligible employees of the School and the State are required to contribute to the DPS Division at a rate set by Colorado statute. The contribution requirements for the DPS Division are established under C.R.S. § 24-51-401, et seq. and § 24-51-413. The contribution rate for eligible employees is 8.75% of covered salaries during the period of July 1, 2019, through June 30, 2020. The School's contribution rate was 20.40% of covered salaries for July 1, 2019, through June 30, 2020, and 20.15% of covered salaries for January 1, 2019, through June 30, 2019. However, a portion of the School's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 7). Contribution rates for the DPS Division are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

As specified in C.R.S. § 24-51-414, the State is required to contribute $225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the DPS Division based on the proportionate amount of annual payroll of the DPS Division to the total annual payroll of the DPS Division, State Division Trust Fund, School Division Trust Fund, and Judicial Division Trust Fund. A portion of the direct distribution allocated to the DPS Division is considered a nonemployer contribution for financial reporting purposes. During the year ended June 30, 2020, the direct distribution for the DPS Division was $19,201,204.

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

Employer contributions are recognized by the DPS Division in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the DPS Division. The School's contributions to the DPS Division for the year ended June 30, 2020, were $127,712, equal to the required contributions.

Note 5: Defined Benefit Pension Plan (Continued)

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

The net pension liability for the DPS Division was measured at December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll forward the total pension liability to December 31, 2019.

At June 30, 2020, the School reported a net pension liability of $1,252,066, representing its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the School as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the School were as follows:

School's proportionate share of net pension liability	$	1,806,955
Liability as a nonemployer contributing entity associated		(554,889)
Proportionate share of the net pension liability	$	1,252,066

The School's proportion of the net pension liability was based on the School's contributions to the DPS Division for the calendar year ended December 31, 2019, relative to the contributions of all participating employers and the State as a nonemployer contributing entity. At December 31, 2019, the School's proportion was 0.1900398390%, which was an increase of 0.0130379439% from its proportion measured at December 31, 2018.

For the year ended June 30, 2020, the School recognized pension expense of $254,578 which includes $43,565 of support from the state as a nonemployer contributing entity. At June 30, 2020, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources		Deferred Inflows of Resources	
Differences between expected and actual experience	$	193,539	$	735
Changes of assumptions and other inputs		53,177		432
Net difference between projected and actual earnings on plan investments		412,882		869,866
Changes in proportion		143,404		181,573
Contributions subsequent to the measurement date		82,301		-
Total	$	885,303	$	1,052,606

Note 5: Defined Benefit Pension Plan (Continued)

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

School contributions subsequent to the measurement date of $82,301 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows or resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	
2021	$ 16,113
2022	(129,301)
2023	18,340
2024	(154,929)
2025	173
Total	$ (249,604)

Actuarial Assumptions - The actuarial valuation as of December 31, 2018, determined the total pension liability using the following actuarial assumptions and other inputs.

Price inflation	2.4%
Real wage growth	1.1%
Wage inflation	3.5%
Salary increases, including wage inflation	3.5% - 9.7%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-employment benefit increases:	
Hired prior to 1/1/2007	1.25%
Hired after 12/31/2006	ad hoc

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

Note 5: Defined Benefit Pension Plan (Continued)

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

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.

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

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

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

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

Note 5: Defined Benefit Pension Plan (Continued)

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

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

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

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

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

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

Note 5: Defined Benefit Pension Plan (Continued)

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

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200 and the additional 0.50 percent, resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- Employer contributions for the DPS Division Trust Fund are reduced by an amount equal to the principal payments plus interest necessary each year to finance the pension certificates of participation (PCOPs) issued in 1997 and 2008 and refinanced thereafter.
- As specified in law, the State will provide an annual direct distribution of $225 million (actual dollars), which commenced July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered annual increase cap, from 1.50 percent to 1.25 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

Note 5: Defined Benefit Pension Plan (Continued)

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	$ 2,220,994	$ 1,252,066	$ 446,902

Pension Plan Fiduciary Net Position - Detailed information about the DPS Division's fiduciary net position is available in PERA's separately issued financial report, which may be obtained at www.copera.org/investments/pera-financial-reports.

Note 6: Pension Certificates of Participation

Beginning in 2008, the District issued Taxable Pension Certificates of Participation (PCOPs) to fund the liabilities of the DPSD (See Note 5). For the year ended June 30, 2020, the School contributed 9.6% of covered salaries, totaling $189,825, to the District to cover its obligation relating to the PCOPs.

Note 7: Postemployment Healthcare Benefits

General Information

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

Note 7: Postemployment Healthcare Benefits (Continued)

General Information *(Continued)*

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

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

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

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

Note 7: Postemployment Healthcare Benefits (Continued)

General Information *(Continued)*

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

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

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

Contributions - As established by Title 24, Article 51, Section 208 of the C.R.S., as amended, 1.02% of covered salaries of the School's contributions to the DPS Division (Note 5) is apportioned to the DPS HCTF. No employee contributions are required. These contribution requirements are established and may be amended by the State Legislature. Employer contributions are recognized by the DPS HCTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions. The School's apportionment to the DPS HCTF for the year ended June 30, 2020, was $20,169, equal to the required amount.

Note 7: Postemployment Healthcare Benefits (Continued)

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

At June 30, 2020, the School reported a net OPEB liability of $101,026, representing its proportionate share of the net OPEB liability of the DPS HCTF. The net OPEB liability for the DPS HCTF was measured at December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2019.

The School's proportion of the net OPEB liability was based on the School's contributions to the DPS HCTF for the calendar year ended December 31, 2019, relative to the contributions of all participating employers. At December 31, 2019, the School's proportion was 0.2742513415%, which was an increase of 0.0055483627% from its proportion measured at December 31, 2018.

For the year ended June 30, 2020, the School recognized OPEB expense of $17,075. At June 30, 2020, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ -	$ 16,997
Changes of assumptions and other inputs	10	-
Net difference between projected and actual earnings on plan investments	4,288	8,755
Changes in proportion	46,267	-
Contributions subsequent to the measurement date	11,774	-
Total	$ 62,339	$ 25,752

Note 7: Postemployment Healthcare Benefits (Continued)

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

School contributions subsequent to the measurement date of $11,774 will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ended June 30,	
2021	$ 5,004
2022	5,004
2023	6,074
2024	8,934
2025	373
Thereafter	(576)
Total	$ 24,813

Actuarial Assumptions - The actuarial valuation as of December 31, 2018, determined the total OPEB liability using the following actuarial assumptions and other inputs, applied to all periods included in the measurement.

Price inflation	2.4%
Real wage growth	1.1%
Wage inflation	3.5%
Salary increases, including wage inflation	3.5%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates:	
Service-based premium subsidy	0.0%
Medicare plans:	
5.60% for 2019, gradually decreasing to 4.50% in 2029	
Medicare Part A premiums:	
3.50% for 2019, gradually increasing to 4.50% in 2029	

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

Note 7: Postemployment Healthcare Benefits (Continued)

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

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

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

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

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

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

Healthy, post-retirement mortality assumptions for the DPS Division were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

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

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

Note 7: Postemployment Healthcare Benefits (Continued)

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

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

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

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

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

The most recent analysis of the long-term expected rate of return was adopted by PERA's governing board on November 18, 2016 and included the target allocation and best estimates of geometric real rates of return for each major asset class, as presented previously (see Note 5).

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

Note 7: Postemployment Healthcare Benefits (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%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

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

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	$ 119,420	$ 101,026	$ 85,325

Note 7: Postemployment Healthcare Benefits (Continued)

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

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the School's proportionate share of the net OPEB liability calculated using the current healthcare cost trend rates applicable to the PERA benefit structure, ranging from 2.5% to 6.6%, as well as the School's proportionate share of the net OPEB liability if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates, as follows:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Proportionate share of the net OPEB liability	$ 101,004	$ 101,026	$ 101,048

OPEB Plan Fiduciary Net Position - Detailed information about the DPS HCTF's fiduciary net position is available in PERA's separately issued financial report, which may be obtained at www.copera.org/investments/pera-financial-reports.

Note 8: Commitments and Contingencies

Claims and Judgments

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

TABOR Amendment

In November 1992, Colorado voters passed the TABOR Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The Amendment is subject to many interpretations, but the School believes it is in substantial compliance with the Amendment. In accordance with the Amendment, the School has established an emergency reserve representing 3% of qualifying expenditures. At June 30, 2020, the reserve was reported as restricted fund balance in the General Fund, in the amount of $124,000.

Note 8: Commitments and Contingencies (Continued)

Facility Use Agreement

The School approved a facility use agreement with the District to utilize educational facilities owned by the District. For the year ended June 30, 2020, the School paid facility use fees of $770 per student, which total $231,090.

Note 9: Subsequent Event

Subsequent to year-end, the United States of America and the State of Colorado have declared an emergency associated with the Coronavirus Pandemic. The School has been economically impacted by the event, however the full economic effect has yet to be determined.

Required Supplementary Information

Compass Academy

(A Component Unit of Denver Public Schools)

Required Supplementary Information

Schedule of Proportionate Share of the Net Pension Liability and Contributions

Public Employees' Retirement Association of Colorado

Denver Public Schools Division Trust Fund

June 30, 2020

	12/31/19	12/31/18	12/31/17	12/31/16	12/31/15
Proportionate Share of the Net Pension Liability					
School's Proportion of the Net Pension Liability	0.1900398390%	0.1770018951%	0.2123690019%	0.1419521123%	0.1090368165%
School's Proportionate Share of the Net Pension Liability	$ 1,252,066	$ 1,810,554	$ 1,903,909	$ 1,555,046	$ 887,053
School's Covered-Employee Payroll	$ 2,047,943	$ 1,951,132	$ 1,437,301	$ 937,963	$ 341,143
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	61%	93%	132%	166%	260%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	85%	76%	80%	74%	79%

	6/30/20	6/30/19	6/30/18	6/30/17	6/30/16
School Contributions					
Statutorily Required Contribution	$ 127,712	$ 62,060	$ 77,346	$ 40,740	$ 14,592
Contributions in Relation to the Statutorily Required Contribution	(127,712)	(62,060)	(77,346)	(40,740)	(14,592)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
School's Covered-Employee Payroll	$ 1,977,345	$ 2,109,107	$ 1,700,234	$ 1,202,291	$ 725,438
Contributions as a Percentage of Covered Payroll	6.46%	2.94%	4.55%	3.39%	2.01%

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

Compass Academy

(A Component Unit of Denver Public Schools)

Required Supplementary Information
Schedule of Proportionate Share of the Net OPEB Liability and Contributions
Public Employees' Retirement Association of Colorado
Denver Public Schools Health Care Trust Fund
June 30, 2020

	12/31/19	12/31/18	12/31/17
Proportionate Share of the Net OPEB Liability			
School's Proportion of the Net OPEB Liability	0.2742513415%	0.2687029788%	0.2114831230%
School's Proportionate Share of the Net OPEB Liability	$ 101,026	$ 121,373	$ 107,770
School's Covered Payroll	$ 2,047,943	$ 1,951,132	$ 1,512,483
School's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	5%	6%	7%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	47%	35%	30%

	6/30/20	6/30/19	6/30/18
School Contributions			
Statutorily Required Contribution	$ 20,169	$ 21,513	$ 17,342
Contributions in Relation to the Statutorily Required Contribution	(20,169)	(21,513)	(17,342)
Contribution Deficiency (Excess)	$ -	$ -	$ -
School's Covered Payroll	$ 1,977,345	$ 2,109,107	$ 1,787,751
Contributions as a Percentage of Covered Payroll	1.02%	1.02%	0.97%

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

Compass Academy
(A Component Unit of Denver Public Schools)
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance *Positive (Negative)*
Revenues				
Local Sources				
Per Pupil Revenue	$ 2,670,000	$ 2,716,806	$ 2,713,532	$ (3,274)
District Mill Levy	595,290	591,664	583,082	(8,582)
Student Activities and Fees	10,000	7,000	8,055	1,055
Grants	200,000	462,035	480,588	18,553
Investment Income	-	-	897	897
Other	7,000	7,000	-	(7,000)
Total Local Sources	3,482,290	3,784,505	3,786,154	1,649
State Sources				
Additional At-Risk Funding	-	-	4,110	4,110
Capital Construction	39,567	39,303	41,549	2,246
Grants	254,957	322,466	330,733	8,267
Total State Sources	294,524	361,769	376,392	14,623
Federal Sources				
Grants	218,973	224,613	288,443	63,830
Total Revenues	3,995,787	4,370,887	4,450,989	80,102
Expenditures				
Salaries	1,935,649	2,141,939	2,057,086	84,853
Benefits	465,449	568,983	523,672	45,311
Purchased Services	1,323,250	1,398,353	1,292,105	106,248
Supplies and Materials	109,706	106,706	79,005	27,701
Property	36,030	36,030	49,926	(13,896)
Other	73,391	74,705	4,617	70,088
Total Expenditures	3,943,475	4,326,716	4,006,411	320,305
Excess Revenues Over Expenditures	52,312	44,171	444,578	400,407
Other Financing Sources (Uses)				
Proceeds from Forgivable Loan	-	-	507,600	507,600
Net Change in Fund Balance	52,312	44,171	952,178	908,007
Fund Balance, *Beginning of year*	479,197	666,786	666,786	-
Fund Balance, *End of year*	$ 531,509	$ 710,957	$ 1,618,964	$ 908,007

See the accompanying Independent Auditors' Report.

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

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

Changes in Assumptions and Other Inputs

For the year ended June 30, 2020, the total pension liability was determined by an actuarial valuation as of December 31, 2018. The following revised economic and demographic assumptions were effective as of December 31, 2018.

- Investment rate of return assumption of 7.25% per year, compounded annually. This assumption did not change from the prior year.
- Price inflation assumption of 2.4% per year. This assumption did not change from the prior year.
- Real rate of investment return assumption increased from 4.85% per year, net of investment expenses, to 7.25%. The rate reflected in the roll-forward calculation of the collective total pension liability to the measurement date was 7.25%. This assumption did not change from prior year.
- Wage inflation assumption of 3.5% per year. This assumption did not change from the prior year.
- Healthy and disabled mortality assumptions are based on the RP-2014 Mortality Tables.

Note 2: Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

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

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

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

All appropriations lapse at fiscal year-end.