

ODYSSEY SCHOOL OF DENVER

FINANCIAL STATEMENTS
With Independent Auditors' Report

For the Year Ended June 30, 2021

ODYSSEY SCHOOL OF DENVER
TABLE OF CONTENTS
JUNE 30, 2021

	Page
Independent Auditors' Report	
Management Discussion and Analysis	<i>i</i>
Basic Financial Statements:	
Government-wide Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements	
Balance Sheet—General Fund	3
Reconciliation of the Balance Sheet to the Statement of Net Position	4
Statement of Revenues, Expenditures and Change in Fund Balance—General Fund	5
Reconciliation of the Statement of Revenues, Expenditures, and Change in Fund Balance to the Statement of Activities	6
Notes to Financial Statements	7
Required Supplementary Information:	
Schedule of the Employer's Proportionate Share of the Net Pension Liability	35
Schedule of the Employer's Payroll Contributions - Pension	36
Schedule of the Employer's Proportionate Share of the Net OPEB Liability	37
Schedule of the Employer's Payroll Contributions - OPEB	38
Statement of Revenues, Expenditures, and Changes in Fund Balance—Budget and Actual—General Fund	39



INDEPENDENT AUDITORS' REPORT

To the Board of Directors
Odyssey School of Denver

We have audited the accompanying financial statements of the governmental activities and each major fund of Odyssey School of Denver, a component unit of Denver Public Schools, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

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

Other-Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Hoelting & Company Inc.

Colorado Springs, Colorado
September 15, 2021

Odyssey School of Denver
Management Discussion and Analysis
Fiscal Year Ended June 30, 2021

As management of Odyssey School of Denver (the “School”), we offer readers of the School’s financial statements our narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information provided in the accompanying financial statements.

Financial Highlights

Fiscal year ending June 30, 2021 is the 7th year reporting net pension liability and deferred inflows and outflows following Governmental Accounting Standards Board Statement (GASB) No. 68, *Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27*. As such, the School included the Net Pension Liability per GASB Statement No. 68 in the amount of \$863,913 for FY 2021 and \$835,305 for FY 2020 as noncurrent liability on the Statement of Net Position. The School also participates in a Postemployment Healthcare Benefit Plan and as a result of GASB statement No. 75 has recorded a Net OPEB Liability as of June 30, 2021 of \$43,958. For FY 2021 the assets and deferred outflows exceeded the liabilities and deferred inflows of resources by \$122,822, compared to FY 2019 when the liabilities and deferred inflows of resources of the School exceeded its assets and deferred outflows by \$21,275 (net position).

At the close of the fiscal year the School’s governmental funds reported an ending fund balance of \$1,209,531, an increase of \$109,021. The operations of the School are funded primarily by tax revenue received under the State School Finance Act allocated as Per Pupil Revenue (PPR). The School received \$2,188,389 in PPR. The School also received \$437,510 in Mill Levy Override revenue.

Overview of Financial Statements

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

Government-wide Financial Statements

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

Odyssey School of Denver
Management Discussion and Analysis
Fiscal Year Ended June 30, 2021

The statement of net position presents information on all of the School's assets, deferred outflows of resources, liabilities, deferred inflows of resources with the difference reported as net position.

The statement of activities presents information showing how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The government-wide statement of activities distinguishes functions/programs of the School supported primarily by PPR or other revenues passed through from Denver Public Schools (the "District"). The governmental activities of the School include instruction and supporting services expenses.

The government-wide financial statements can be found on pages 1-2 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other governmental units or schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School are categorized as governmental funds.

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. Such information may be useful in evaluating the School's near-term financing requirements.

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

Odyssey School of Denver
Management Discussion and Analysis
Fiscal Year Ended June 30, 2021

The School maintains one individual governmental fund. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund because it is considered to be a major fund.

The School adopts an annual appropriated budget for its general fund. Budgetary comparison statements have been provided for the general fund to demonstrate compliance with 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 government-wide and fund financial statements. This information is provided in pages 7-34.

Government-wide Financial Analysis

The School's assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$122,882 at the close of the most recent fiscal year.

Approximately \$90,000 of these funds is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. In addition, \$79,456 of these funds represents investments in capital assets (net of accumulated depreciation).

**Odyssey School of Denver
Management Discussion and Analysis
Fiscal Year Ended June 30, 2021**

**The Odyssey School's Net Position
Governmental Activities**

	<u>June 30, 2021</u>	<u>June 30, 2020</u>
Cash	\$ 1,147,552	\$1,012,153
Other Assets	67,717	247,456
Capital Assets, Net of Accumulated Depreciation	79,456	95,223
Total Assets	<u>1,294,725</u>	<u>1,354,832</u>
Deferred Outflows of Resources		
Pensions, Net of Accumulated Amortization	802,166	297,291
OPEB	16,362	13,223
Accounts Payable	5,738	10,845
Accrued Liabilities	-	199
Unearned Revenue	-	148,055
Noncurrent Liabilities		
Net Pension Liability	863,913	835,305
Net OPEB Liability	43,958	67,399
Total Liabilities	<u>913,609</u>	<u>1,061,803</u>
Deferred Inflows of Resources		
Pensions, Net of Accumulated Amortization	1,049,326	610,500
OPEB	27,436	14,318
Net Position		
Net Investment in Capital Assets	79,456	95,223
Restricted for Emergencies - TABOR	90,000	80,000
Restricted for Capital Construction	25,159	
Unrestricted	(71,733)	(196,498)
Total Net Position	<u>\$ 122,822</u>	<u>\$ (21,275)</u>

The largest portion of the Schools' assets is in cash: 89% in FY 2021 and 75% in FY 2020. Capital assets, less accumulated depreciation, were 6% in FY 2021 and 7% in FY 2020.

The School's net position increased by \$144,097 in FY 2021 and increased by \$216,062 in FY 2020.

**Odyssey School of Denver
Management Discussion and Analysis
Fiscal Year Ended June 30, 2021**

**The Odyssey School's Statement of Activities
Governmental Activities**

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Program Revenues:		
Charges for Services	-	-
Operating Grants and Contributions	382,130	220,204
Capital Grants and Contributions	<u>39,635</u>	<u>32,486</u>
Total Program Revenues	<u>421,765</u>	<u>252,690</u>
General Revenues:		
Per Pupil Revenues	2,188,389	2,036,362
Mill Levy Override	437,510	298,707
Other	<u>38,609</u>	<u>53,072</u>
Total General Revenues	<u>2,664,508</u>	<u>2,388,141</u>
 Total Revenues	 <u>3,086,273</u>	 <u>2,640,831</u>
Expenses:		
Current:		
Instruction	1,954,918	684,591
Supporting Services	<u>987,198</u>	<u>1,740,178</u>
Total Expenses	<u>2,942,116</u>	<u>2,424,769</u>
 Increase (Decrease) in Net position	 144,157	 216,062
 Beginning Net Position, June 30	 <u>(21,275)</u>	 <u>(237,337)</u>
 Ending Net Position, June 30	 <u>\$ 122,882</u>	 <u>\$ (21,275)</u>

The largest portion of the School's revenues come from per pupil funding – 71% in FY 2021 and 77% in FY 2020. In FY 2021 and FY 2020, 15% and 12%, respectively, of revenues came from program and other revenues. Mill levy overrides comprised 14% of the School's total revenue in FY 2021 and 11% FY 2020. The School's revenue increased by \$445,442 and expenses increased by \$517,347 in FY 2021. Approximately 39% of the increase in revenue came from COVID pandemic related grants.

Odyssey School of Denver
Management Discussion and Analysis
Fiscal Year Ended June 30, 2021

Financial Analysis of the Government's Funds

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

Governmental Funds. The focus of the School's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's future financing requirements. In particular, unreserved 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 \$1,209,531, an increase of \$109,021. The fund balance targeted budget was a decrease of \$22,412. The difference is mainly a result of ceasing student activity programs and spending as a result of COVID related school closures. The Governmental Fund revenues exceeded prior year by \$410,309, which included an increase in PPR revenue of \$152,027, \$138,803 in Mill Levy funds, and \$172,115 from COVID related grants. These increases were partially offset by reductions in student related fees and fundraising of \$37,769.

General Fund Budgetary Highlights.

The School approves a budget in May based on enrollment projections for the following school year. In October, after enrollment stabilizes, adjustments are made to the budget. At year-end, the School had variances between its budgeted and actual activities. Revenues were \$14,588 better than budget and expenses were \$116,845 better than budget prior to appropriated reserves.

Capital Asset and Debt Administration.

Capital assets. The School's investment in capital assets consisting of vehicles and equipment at June 30, 2021 was \$236,793. Accumulated depreciation was \$157,337 resulting in net capital assets of \$79,456. At June 30, 2021, the School owned 5 vehicles for transporting students to activities.

Long-Term Debt. The School has no long-term debt obligations.

Economic Factors and Next Year's Budget

The economic outlook for FY 2022 is expected to increase by 8.3% in the PPR funding rate. This compares to a 4.4% decrease received in FY 2020 due to the COVID pandemic economic impact. Total PPR revenue experienced an overall increase due to a planned increase in enrollment of

Odyssey School of Denver
Management Discussion and Analysis
Fiscal Year Ended June 30, 2021

29 students. The Capital Construction funding per pupil allocation is estimated to increase by 2.5% for 2022.

During FY 2021, the School had a funded pupil count of 262, comparable to 233 in FY 2020. The school approved the expansion of the K-5 program beginning in FY 2021 with projected enrollment of 276 in FY 2022. Enrollment is expected to increase progressively each year to a total of 318 in FY 2025.

Requests for Information

This financial report is designed to provide a general overview of the School's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Odyssey School of Denver - CFO, 6550 East 21st Avenue, Denver, CO 80207.

BASIC FINANCIAL STATEMENTS

ODYSSEY SCHOOL OF DENVER
STATEMENT OF NET POSITION
JUNE 30, 2021

	Governmental Activities
ASSETS	
Cash and investments	\$ 1,147,552
Receivables	14,844
Inventories	1,972
Prepays	50,901
Capital assets, net of accumulated depreciation	79,456
Total Assets	1,294,725
DEFERRED OUTFLOWS OF RESOURCES	
Deferred pension outflows	802,166
Deferred OPEB outflows	16,362
Total Deferred Outflows of Resources	818,528
LIABILITIES	
Accounts payable and other accrued liabilities	5,738
Long-term liabilities	
Net pension liability	863,913
Net OPEB liability	43,958
Total Liabilities	913,609
DEFERRED INFLOWS OF RESOURCES	
Deferred pension inflows	1,049,326
Deferred OPEB inflows	27,436
Total Deferred Inflows of Resources	1,076,762
NET POSITION	
Investment in capital assets	79,456
Restricted for:	
Emergencies	90,000
Capital construction	25,159
Unrestricted	(71,733)
Total Net Position	\$ 122,882

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

**ODYSSEY SCHOOL OF DENVER
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Capital Grants and Contributions</u>	Net (Expense) Revenue and Changes in Net Position
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		<u>Governmental Activities</u>
Governmental activities:					
Instruction	\$ 1,954,918	\$ -	\$ 375,014	\$ -	\$ (1,579,904)
Supporting services	987,198	-	7,116	39,635	(940,447)
Total governmental activities	<u>\$ 2,942,116</u>	<u>\$ -</u>	<u>\$ 382,130</u>	<u>\$ 39,635</u>	<u>(2,520,351)</u>
General revenues:					
Per pupil revenue					2,188,389
District mill levy					437,510
Grants and contributions not restricted to specific programs					33,597
Unrestricted investment earnings					1,603
Other					3,409
Total general revenues					<u>2,664,508</u>
Change in net position					144,157
Net position - beginning (deficit)					<u>(21,275)</u>
Net position - ending					<u>\$ 122,882</u>

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

**ODYSSEY SCHOOL OF DENVER
BALANCE SHEET
GENERAL FUND
JUNE 30, 2021**

ASSETS

Cash and investments	\$ 1,147,552
Receivables	14,844
Inventories	1,972
Prepays	50,901
	50,901

Total Assets	\$ 1,215,269
	1,215,269

LIABILITIES

Accounts payable and other accrued liabilities	\$ 5,738
	5,738

FUND BALANCE

Non-spendable	52,873
Restricted for:	
Emergencies	90,000
Capital construction	25,159
Unassigned	1,041,499
	1,041,499

Total Fund Balance	1,209,531
	1,209,531

Total Liabilities and Fund Balance	\$ 1,215,269
	1,215,269

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

**ODYSSEY SCHOOL OF DENVER
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2021**

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

Total Fund Balance of Governmental Funds	\$	1,209,531
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		79,456
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in government funds:		
Net pension liability	\$ (863,913)	
Pension outflows	802,166	
Pension inflows	(1,049,326)	
Net OPEB liability	(43,958)	
OPEB outflows	16,362	
OPEB inflows	<u>(27,436)</u>	<u>(1,166,105)</u>
Total Net Position of Governmental Activities	\$	<u><u>122,882</u></u>

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

ODYSSEY SCHOOL OF DENVER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

REVENUES

Local sources	\$ 641,975
State sources	2,259,573
Federal sources	<u>184,725</u>
 Total revenues	 <u>3,086,273</u>

EXPENDITURES

Instruction	1,980,021
Supporting services	<u>997,231</u>
 Total expenditures	 <u>2,977,252</u>

Net change in fund balance	109,021
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Fund balance, beginning	<u>1,100,510</u>
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Fund balance, ending	<u><u>\$ 1,209,531</u></u>
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The accompanying notes are an integral part of these financial statements.

**ODYSSEY SCHOOL OF DENVER
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2021**

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

Net Change in Fund Balance of Governmental Funds	\$	109,021
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Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.

Depreciation Expense	\$	(31,533)	
Capital Outlays		15,766	(15,767)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Pension expenses	\$	37,441	
OPEB expenses		13,462	50,903

Change in Net Position of Governmental Activities	\$	<u>144,157</u>
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The accompanying notes are an integral part of these financial statements.

NOTES TO FINANCIAL STATEMENTS

ODYSSEY SCHOOL OF DENVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

The financial reporting entity consists of the School and organizations for which the School is financially accountable. All funds, organizations, institutions, agencies, departments and offices that are not legally separate are part of the School. In addition, any 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 provides benefits to, or imposes financial burdens on, the School.

Based upon the application of these criteria, there are no organizations that should be included in the School's reporting entity.

The School is a component unit of the District. The School's charter was authorized by the District and the majority of the School's funding is provided by the District.

B. BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS

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

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

C. BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS

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

ODYSSEY SCHOOL OF DENVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

The emphasis of fund financial statements is on major funds, each displayed in a separate column. The School reports the following major governmental fund:

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

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue in the fiscal year in which 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 collectible within the period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Intergovernmental revenues and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants recognize revenue when the qualifying expenditures have been incurred and all other grant requirements have been met, and the amount is received during the period or within the availability period of this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the government.

ODYSSEY SCHOOL OF DENVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Cash and cash equivalents

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

Investments

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

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

Receivables

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

Inventories

Inventories are valued using the first-in first-out method. Inventory is recorded as an asset when individual items are purchased and as an expense when consumed.

Prepaid items

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

Capital assets

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

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

ODYSSEY SCHOOL OF DENVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Capital assets (continued)

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

Vehicles	5-8 years
Equipment	5-10 years

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

Odyssey School of Denver 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 (FNP) and additions to/deductions from the FNP of the DPS Division have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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

Health Care Trust Fund

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

ODYSSEY SCHOOL OF DENVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Deferred outflows/inflows of resources

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

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

Net position flow assumption

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

Fund balance classification

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

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

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

Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action that was used when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements.

ODYSSEY SCHOOL OF DENVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund balance classification (continued)

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

Unassigned – This classification includes the residual fund balance for the General Fund. The unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The School would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned resources first to defer the use of these other classified funds.

F. REVENUES AND EXPENDITURES/EXPENSES

Program revenues

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

G. ESTIMATES

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

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

BUDGET INFORMATION

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

Budgets are required by Colorado State Statute for all funds. Management submits to the Board of Directors a proposed budget for all funds for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. Public hearings are conducted by the Board of Directors to obtain taxpayer comments. Prior to June 30, the budget is adopted by formal resolution.

ODYSSEY SCHOOL OF DENVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

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

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

Appropriations are based on total funds expected to be available in each budget year, including beginning fund balances and reserves as established by the Board of Directors. The variances between budget and actual may result from the non-expenditure of reserves, nonoccurrence of anticipated events, and normal operating variances. The Board of Directors may authorize supplemental appropriations during the year. For budgetary management purposes, funds are appropriated for capital outlays.

NOTE 3 – DEPOSITS AND INVESTMENTS

A summary of deposits and investments as of June 30, 2021 is as follows:

Deposits	\$ 61,399
Investments	<u>1,086,153</u>
Total	<u>\$ 1,147,552</u>

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

Cash and investments	<u>\$ 1,147,552</u>
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Cash deposits with financial institutions

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

The carrying amount of the School's deposits at June 30, 2021 was \$61,399 and the bank balances were \$67,983. All of the bank balance was covered by federal deposit insurance.

ODYSSEY SCHOOL OF DENVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Investments

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

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

The investments for fiscal year ending June 30, 2021:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities</u>
CSAFE	\$ 1,086,153	Less than 60 days

Local Government Investment Pool

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

The designated custodial bank provides safekeeping and depository services to CSAFE in connection with the direct investment and withdrawal function of CSAFE. Substantially all securities owned by CSAFE 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 CSAFE. Investments of CSAFE consist of U.S. Treasury bills, notes and note strips, and repurchase agreements collateralized by U.S. Treasury Notes.

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

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

Concentration of Credit Risk: The School places no limit on the amount they may invest in any one issuer. More than 5 percent of the School's investments are in CSAFE. These investments are 100% of the School's total investments.

ODYSSEY SCHOOL OF DENVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 4 - CAPITAL ASSETS

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<i>Governmental Activities</i>				
Capital assets, being depreciated:				
Vehicles	\$ 221,027	\$ -	\$ -	\$ 221,027
Equipment	<u>-</u>	<u>15,766</u>	<u>-</u>	<u>15,766</u>
Total capital assets, being depreciated	<u>221,027</u>	<u>15,766</u>	<u>-</u>	<u>236,793</u>
Less accumulated depreciation for:				
Vehicles	(125,804)	(29,173)	-	(154,977)
Equipment	<u>-</u>	<u>(2,360)</u>	<u>-</u>	<u>(2,360)</u>
Total accumulated depreciation	<u>(125,804)</u>	<u>(31,533)</u>	<u>-</u>	<u>(157,337)</u>
Total capital assets being depreciated, net	<u>\$ 95,223</u>	<u>\$ (15,767)</u>	<u>\$ -</u>	<u>\$ 79,456</u>

Depreciation expense was charged to functions/programs as follows:

<i>Governmental activities</i>	
Instruction	<u>\$ 31,533</u>

NOTE 5 – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

ODYSSEY SCHOOL OF DENVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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.

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

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

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

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

As of December 31, 2020, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S., once certain criteria are met. Pursuant to SB 18-200, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007 and all eligible benefit recipients of the DPS benefit structure will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S. § 24-51-413. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the 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 DPS Division. The AAP may raise or lower the aforementioned annual increase by up to 0.25 percent based on the parameters specified in C.R.S. § 24-51-413.

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.

**ODYSSEY SCHOOL OF DENVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 5 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

	July 1, 2020 Through December 31, 2020	January 1, 2021 Through June 30, 2021
Employer contribution rate	10.90%	10.90%
Amount of employer contribution apportioned to the DPS HCTF as specified in C.R.S. § 24-51-208(1)(f)	(1.02%)	(1.02%)
PCOP offset as specified in C.R.S. § 24-51-412	(12.75%)	(12.09%)
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.50%	5.50%
Total employer contribution rate to the DPS Division	7.13%	7.79%

¹ To conform with this presentation of contribution rates, the 2020 annual PCOP offset of 12.50 percent has been adjusted based on the portion of the PCOP offset used to satisfy employer contribution requirements.

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

As specified in C.R.S. § 24-51-414, the State is required to contribute \$225 million (actual dollars) 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. 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 DPS Division in the period in which the compensation becomes payable to the member and the Odyssey School of Denver is statutorily committed to pay the contributions to the DPS Division. Employer contributions recognized by the DPS Division from Odyssey School of Denver were \$117,701 for the year ended June 30, 2021.

**ODYSSEY SCHOOL OF DENVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

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 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 Odyssey School of Denver proportion of the net pension liability was based on Odyssey School of Denver contributions to the DPS Division 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 DPS Division and is considered to meet the definition of a special funding situation.

At June 30, 2021, the Odyssey School of Denver reported a liability of \$863,913 for its proportionate share of the net pension liability. The amount recognized by the Odyssey School of Denver 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 Odyssey School of Denver were as follows:

Odyssey School of Denver proportionate share of the net pension liability	\$ 863,913
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the Odyssey School of Denver	-
Total	\$ 863,913

At December 31, 2020, the Odyssey School of Denver proportion was 0.1920173964 percent, which was an increase of 0.0652339698 from its proportion measured as of December 31, 2019.

ODYSSEY SCHOOL OF DENVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

For the year ended June 30, 2021, the Odyssey School of Denver recognized pension expense of (\$37,441). At June 30, 2021, the Odyssey School of Denver 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	\$ 127,838	\$ -
Changes of assumptions or other inputs	180,840	-
Net difference between projected and actual earnings on OPEB plan investments	-	859,516
Changes in proportion and differences between contributions recognized and proportionate share of contributions	432,507	189,810
Contributions subsequent to the measurement date	60,981	N/A
Total	\$ 802,166	\$ 1,049,326

\$60,981 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	\$ (119,119)
2023	33,294
2024	(87,368)
2025	(134,948)
2026	-
Thereafter	-

**ODYSSEY SCHOOL OF DENVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 5 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

Healthy mortality assumptions for active members 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.

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.

**ODYSSEY SCHOOL OF DENVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 5 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation:	3.80%-11.50%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (compounded annually)	1.25%
PERA benefit structure hired after 12/31/06 ¹	Financed by the AIR

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

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

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

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

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

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

**ODYSSEY SCHOOL OF DENVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 5 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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.

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

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	54.00%	5.60%
Fixed Income	23.00%	1.30%
Private Equity	8.50%	7.10%
Real Estate	8.50%	4.40%
Alternatives ¹	6.00%	4.70%
Total	100.00%	

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

ODYSSEY SCHOOL OF DENVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 5 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00 percent.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200. Employee contributions for future plan
- 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.
- 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, 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.

**ODYSSEY SCHOOL OF DENVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

NOTE 5 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 1,938,838	\$ 863,913	\$ (23,134)

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

NOTE 6 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

Health Care Trust Fund

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

Benefits provided. The DPS HCTF provides a health care premium subsidy to eligible participating PERA benefit recipients and retirees who choose to enroll in one of the PERA health care plans, however, the subsidy is not available if only enrolled in the dental and/or vision plan(s). The health care premium subsidy is based upon the benefit structure under which the member retires and the member’s years of service credit. For members who retire having service credit with employers in the Denver Public Schools (DPS) Division and one or more of the other four Divisions (State, School, Local Government and Judicial), the premium subsidy is allocated between the Health 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.

ODYSSEY SCHOOL OF DENVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

**NOTE 6 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

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

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

PERA Benefit Structure

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

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

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.

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

ODYSSEY SCHOOL OF DENVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

**NOTE 6 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

Employer contributions are recognized by the DPS HCTF in the period in which the compensation becomes payable to the member and the Odyssey School of Denver is statutorily committed to pay the contributions. Employer contributions recognized by the DPS HCTF from Odyssey School of Denver were \$16,099 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 Odyssey School of Denver reported a liability of \$43,958 for its proportionate share of the net OPEB liability. The net OPEB liability for the DPS 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 Odyssey School of Denver proportion of the net OPEB liability was based on Odyssey School of Denver contributions to the DPS HCTF for the calendar year 2020 relative to the total contributions of participating employers to the DPS HCTF.

At December 31, 2020, the Odyssey School of Denver proportion was 0.1920244588 percent, which was an increase of 0.0090601859 from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the Odyssey School of Denver recognized OPEB expense of (\$13,462). At June 30, 2021, the Odyssey School of Denver 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	\$ -	\$ 16,942
Changes of assumptions or other inputs	4	2,921
Net difference between projected and actual earnings on OPEB plan investments	-	7,573
Changes in proportion and differences between contributions recognized and proportionate share of contributions	8,373	-
Contributions subsequent to the measurement date	7,985	N/A
Total	\$ 16,362	\$ 27,436

ODYSSEY SCHOOL OF DENVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

**NOTE 6 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

\$7,985 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	\$ (4,445)
2023	(3,690)
2024	(4,772)
2025	(3,603)
2026	(1,278)
Thereafter	(1,271)

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% for 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

ODYSSEY SCHOOL OF DENVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

**NOTE 6 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

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

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

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

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

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

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

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 Premiums
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%

**ODYSSEY SCHOOL OF DENVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

**NOTE 6 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

Mortality assumptions for the determination of the total pension liability used in the December 31, 2019, valuation 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.

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

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

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

The actuarial assumptions used in the December 31, 2019, valuation were based on the results of the 2016 experience analysis for the 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.

Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation:	3.80%-11.50%

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

ODYSSEY SCHOOL OF DENVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

**NOTE 6 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

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

Mortality assumptions used in the roll forward calculation for the determination of the total pension liability of the DPS Division as shown below were applied, as applicable, in the roll forward calculation for the DPS HCTF.

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

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

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

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

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

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 head-count weighted basis.

The following health care costs assumptions were updated and used in the roll forward calculation 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 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.

**ODYSSEY SCHOOL OF DENVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

**NOTE 6 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

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

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

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

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

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	54.00%	5.60%
Fixed Income	23.00%	1.30%
Private Equity	8.50%	7.10%
Real Estate	8.50%	4.40%
Alternatives ¹	6.00%	4.70%
Total	100.00%	

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

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

ODYSSEY SCHOOL OF DENVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

**NOTE 6 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

Sensitivity of the Odyssey School of Denver 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	\$43,956	\$43,958	\$43,962

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 DPS 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.

**ODYSSEY SCHOOL OF DENVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021**

**NOTE 6 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

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

Sensitivity of the Odyssey School of Denver 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	\$56,021	\$43,958	\$33,654

OPEB plan fiduciary net position. Detailed information about the DPS 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 7 - RISK MANAGEMENT

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

NOTE 8 – CONCENTRATION OF RISK

The School is funded directly by the District based on the District’s per pupil funding. For the fiscal year ended June 30, 2021, this funding accounted for approximately 71% of the School’s revenues.

ODYSSEY SCHOOL OF DENVER
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2021

NOTE 9 - COMMITMENTS AND CONTINGENCIES

Grants

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

Facility Use Agreement

The School has approved a facility use agreement with the District to utilize educational facilities owned by the District. For the year ended June 30, 2021, the School paid facility use fees of \$838 per student, which totaled \$219,679. The agreement requires facility use fees of \$821 per student for the year ended June 30, 2022.

NOTE 10 – COMPLIANCE

The School has complied with the requirements of the Financial Policies and Procedures Handbook for the 2021 audit period as required by Colorado Statute CRS 22-44-204(3).

NOTE 11 - AMENDMENT TO COLORADO CONSTITUTION

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

The amendment requires emergency reserves be established. These reserves must be at least 3% of fiscal year spending. The School is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary and benefit increases. At June 30, 2021 there is a \$90,000 reservation of fund balance in the General Fund for the amendment.

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

REQUIRED SUPPLEMENTARY INFORMATION

ODYSSEY SCHOOL OF DENVER
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2021

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
School's proportion of the net pension liability (asset)	0.1920173964%	0.1267834266%	0.1132407671%	0.1698557918%	0.1685498148%	0.1763152072%	0.1810841430%	0.1901308091%
School's proportionate share of the net pension liability (asset)	\$ 863,913	\$ 835,305	\$ 1,158,341	\$ 1,522,774	\$ 1,846,416	\$ 1,434,386	\$ 1,130,997	\$ 988,878
State's proportionate share of the net pension liability (asset) associated with the School	-	370,190	600,130	-	-	-	-	-
Total	<u>\$ 863,913</u>	<u>\$ 1,205,495</u>	<u>\$ 1,758,471</u>	<u>\$ 1,522,774</u>	<u>\$ 1,846,416</u>	<u>\$ 1,434,386</u>	<u>\$ 1,130,997</u>	<u>\$ 988,878</u>
School's covered payroll	\$ 1,512,155	\$ 1,371,526	\$ 1,248,279	\$ 1,151,310	\$ 1,113,715	\$ 1,103,272	\$ 1,067,225	\$ 1,036,925
School's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	57.13%	60.90%	92.80%	132.26%	165.79%	130.01%	105.98%	95.37%
Plan fiduciary net position as a percentage of the total pension liability	90.1%	84.7%	75.7%	79.5%	74.0%	79.3%	83.9%	86.3%

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

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

See the accompanying independent auditors' report.

ODYSSEY SCHOOL OF DENVER
SCHEDULE OF THE EMPLOYER'S PAYROLL CONTRIBUTIONS - PENSION
JUNE 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 117,701	\$ 91,154	\$ 71,139	\$ 53,191	\$ 37,094	\$ 22,177	\$ 24,789	\$ 39,957
Contributions in relation to the contractually required contribution	<u>(117,701)</u>	<u>(91,154)</u>	<u>(71,139)</u>	<u>(53,191)</u>	<u>(37,094)</u>	<u>(22,177)</u>	<u>(24,789)</u>	<u>(39,957)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered payroll	\$ 1,577,764	\$ 1,412,153	\$ 1,325,985	\$ 1,179,401	\$ 1,113,934	\$ 1,122,886	\$ 1,101,733	\$ 1,029,820
Contributions as a percentage of covered payroll	7.46%	6.46%	5.37%	4.51%	3.33%	1.98%	2.25%	3.88%

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

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

See the accompanying independent auditors' report.

**ODYSSEY SCHOOL OF DENVER
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
JUNE 30, 2021**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
School's proportion of the net OPEB liability (asset)	0.1920244588%	0.1829642729%	0.1719083985%	0.1694029371%
School's proportionate share of the net OPEB liability (asset)	\$ 43,958	\$ 67,399	\$ 77,651	\$ 86,326
School's covered payroll	\$ 1,512,155	\$ 1,371,526	\$ 1,248,279	\$ 1,151,310
School's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	2.91%	4.91%	6.22%	7.50%
Plan fiduciary net position as a percentage of the total OPEB liability	65.4%	47.0%	34.7%	30.4%

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

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

See the accompanying independent auditors' report.

ODYSSEY SCHOOL OF DENVER
SCHEDULE OF THE EMPLOYER'S PAYROLL CONTRIBUTIONS - OPEB
JUNE 30, 2021

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 16,099	\$ 14,379	\$ 13,498	\$ 12,013
Contributions in relation to the contractually required contribution	<u>(16,099)</u>	<u>(14,379)</u>	<u>(13,498)</u>	<u>(12,013)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered payroll	\$ 1,577,764	\$ 1,412,153	\$ 1,325,985	\$ 1,179,401
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%

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

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

See the accompanying independent auditors' report.

ODYSSEY SCHOOL OF DENVER
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2021

	Budgeted Amounts		Actual Amounts	Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Local sources:				
Taxes	\$ 345,482	\$ 438,327	\$ 437,510	\$ (817)
Interest income	8,000	1,500	1,603	103
Pupil Activities	15,000	-	-	-
Donations and grants	88,474	74,126	102,723	28,597
Fundraising	89,094	84,222	96,730	12,508
Other local revenue	5,676	30,795	3,409	(27,386)
	<u>551,726</u>	<u>628,970</u>	<u>641,975</u>	<u>13,005</u>
State sources:				
Per pupil revenue	2,129,527	2,145,752	2,188,389	42,637
Operating grants	12,350	21,274	31,549	10,275
Capital grants	28,169	28,169	39,635	11,466
	<u>2,170,046</u>	<u>2,195,195</u>	<u>2,259,573</u>	<u>64,378</u>
Federal sources:				
Operating grants	12,918	247,520	184,725	(62,795)
Total revenues	<u>2,734,690</u>	<u>3,071,685</u>	<u>3,086,273</u>	<u>14,588</u>
EXPENDITURES				
Instruction				
Salaries	1,297,904	1,325,883	1,309,423	16,460
Benefits	352,682	323,992	324,747	(755)
Purchased services	28,347	201,059	203,059	(2,000)
Supplies	54,972	54,319	76,349	(22,030)
Property	9,564	63,179	66,443	(3,264)
Supporting services				
Salaries	274,626	354,531	346,463	8,068
Benefits	89,537	79,335	82,444	(3,109)
Purchased services	698,759	632,723	525,916	106,807
Supplies	30,181	33,232	24,229	9,003
Property	15,000	25,844	18,179	7,665
Total expenditures	<u>2,851,572</u>	<u>3,094,097</u>	<u>2,977,252</u>	<u>116,845</u>
Net change in fund balances	(116,882)	(22,412)	109,021	131,433
Fund balances - beginning	<u>1,042,383</u>	<u>1,100,510</u>	<u>1,100,510</u>	<u>-</u>
Fund balance - ending	<u>925,501</u>	<u>1,078,098</u>	<u>\$ 1,209,531</u>	<u>\$ 131,433</u>

See the accompanying Independent Auditors' Report.