

Cardinal Community Academy



FINANCIAL REPORT

Year Ended June 30, 2018

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Independent Auditors' Report

Board of Directors
Cardinal Community Academy
Keenesburg, Colorado

We have audited the accompanying financial statements of the governmental activities and the major fund of Cardinal Community Academy (the School), a component unit of Weld County School District RE-3(J), as of and for the year ended June 30, 2018, 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 by fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion 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 account 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 opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the School as of June 30, 2018, and the changes in the financial position and the budgetary comparison for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Notes 1 and 9 to the basic financial statements, the School adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions* which has resulted in a restatement of the net position as of July 1, 2017. Our opinions are not modified with respect to this matter.

Other Matter

Accounting principles generally accepted in the United States require that management discussion and analysis and pension information 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, 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 evidence sufficient to express an opinion or provide any assurance.

Anderson & Whitney, P.C.

December 21, 2018

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the report provides readers with a narrative overview and analysis of the financial activities of Cardinal Community Academy for the year ended June 30, 2018. We encourage readers to consider the information presented here in conjunction with the basic financial statements to enhance their understanding of the School's financial performance.

FINANCIAL HIGHLIGHTS

- Cardinal Community Academy's assets exceeded liabilities by \$236,365 at June 30, 2018.
- The General Fund balance was \$846,016 as of June 30, 2018.
- The June 30, 2018 General Fund balance is \$1,578,843 less than the previous year from spending on construction. The total fund balance is 55% of 2018 General Fund operating expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The basic financial statements contain three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. In addition to the basic statements, this report also contains other supplementary information.

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

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

The *statement of activities* presents information showing how the School's net position changed during the 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 the statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected fees).

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. Cardinal Community Academy, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Cardinal Community Academy are recorded in a General Fund.

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 a government'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 long-term impact of the government's near-term financing decisions. 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*.

Cardinal Community Academy maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund.

The basic governmental fund financial statements can be found on pages 10 through 13 of this report.

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. The notes to the financial statements can be found on pages 14 through 39 of this report.

Budgetary Comparisons. Cardinal Community Academy adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided for the General Fund on page 41 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of June 30, 2018, assets exceeded liabilities by \$236,365.

The following table provides a summary of the School's net position for 2018 and 2017.

June 30	Governmental Activities	
	2018	2017
Assets:		
Current and other assets	\$ 933,560	\$ 2,485,565
Capital assets	3,222,175	1,261,667
Total assets	4,155,735	3,747,232
Deferred Outflows of Resources	1,405,161	1,719,403
Liabilities:		
Current and other liabilities	87,544	60,706
Long-term liabilities	5,038,646	4,688,125
Total liabilities	5,126,190	4,748,831
Deferred Inflows of Resources	198,341	20,140
Net Position:		
Net investment in capital assets	3,147,061	1,152,420
Restricted	58,312	1,644,205
Unassigned	(2,969,008)	(2,098,961)
Total net position(deficit)	\$ 236,365	\$ 697,664

A significant portion of Cardinal Community Academy’s net position represents an unrestricted net deficient of \$2,969,008 which may be used to meet the School’s ongoing obligations to students and creditors.

An additional \$58,312 of the School’s net position represents resources that are subject to external restriction on how they may be used. Included in this category is the TABOR emergency reserve of \$58,312.

Another significant portion of the School’s net position reflects its investment in capital assets. These assets include land, buildings, and equipment. These capital assets are used to provide services to students; consequently, they are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. The only long-term debt is the loan issued for the construction of the school buildings.

The following table indicates the changes in net position:

	<u>Governmental Activities</u>	
	2018	2017
Revenues:		
Program revenues:		
Operating grants and contributions	\$ 193,497	\$ 203,345
Capital grants and contributions	46,998	1,646,631
General revenues:		
Per Pupil Revenue	1,310,196	1,173,322
Mill Levy override	377,589	318,020
Investment earnings	15,439	6,521
Total revenues	1,943,719	3,347,839
Expenses:		
Instruction	1,805,609	1,499,968
Student services	77,119	86,539
General administrative services	343,703	432,375
Operations and maintenance	104,636	90,578
Unallocated depreciation	67,751	57,133
Interest on long-term debt	6,200	8,116
Total expenses	2,405,018	2,174,709
Increase (Decrease) in net position	\$ (461,299)	\$ 1,173,030

Governmental Activities. Governmental activities decreased Cardinal Community Academy’s net position by \$461,299 in 2018. Key elements of this increase are as follows:

- Total revenues were \$1,943,719, which represents a 41% decrease from the prior year. This is primarily due to a capital contribution in 2017 from the RE-3(J) bond election.
- Expenses totaled \$2,405,018, which represents a 10% increase from the previous year, primarily due to GASB Statement No. 68 and significant additional expense from the deteriorating financial position of Colorado PERA.

FINANCIAL ANALYSIS OF THE SCHOOLS FUNDS

As noted earlier, Cardinal Community Academy uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The School has one major governmental fund, the General Fund.

General Fund. This is the primary operating fund of the Cardinal Community Academy. It accounts for the School's core services, such as instruction and student services. The general fund balance was \$846,016 as of June 30, 2018. The 2018 fund balance is \$1,578,843 less than the previous year, primarily due to the payment for capital projects financed from the 2016 RE-3(J) District bond election.

GENERAL FUND BUDGETARY HIGHLIGHTS

The School's budget is prepared according to Colorado statutes. The most significant budgeted fund is the General Fund.

2018 General Fund Budget

	Final Budget	Actual
Beginning Fund Balance	\$ 2,424,859	\$ 2,424,859
Revenue	1,911,684	1,943,719
Expenditures	(3,826,370)	(3,522,562)
Ending Fund Balance	\$ 510,173	\$ 846,016

The original budget was amended by \$11,968 to allow for improvements approved in the November 2016 bond election of the Cardinal Community Academy, which were not included in the original budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. Cardinal Community Academy's investment in capital assets for its governmental type activities as of June 30, 2018 totals \$3,222,175 (net of accumulated depreciation). This investment includes all land, buildings, and equipment. The total increase in investment in capital assets for the current year was \$1,960,508, due to completion of construction.

The School implemented the straight-line depreciation method under GASB 34 for its capital assets, except for land which is not depreciated.

Additional information on the School's capital assets can be found in Note 2 of this report.

Long-term Debt. At June 30, 2018, Cardinal Community Academy had \$75,114 of notes payable, funded from Per Pupil Revenue. It is anticipated to be repaid over approximately two years.

Additional information on Cardinal Community Academy's debt can be found in Note 5.

OTHER MATTERS

The following factors are expected to have a significant effect on the School's financial position and results of operations and were taken into account in developing the 2018-2019 budget:

- Please see pages 27 and 28 for a description of the anticipated impacts from Senate Bill 18-200 which modified Colorado PERA to potentially reach a fully funded status over time.
- Based on the October 1, 2017 student count, the enrollment for 2018-2019 has decreased to approximately 175 FTE from 178 FTE in 2017-2018.
- CCA intends to make improvements or modifications in the following areas: building/maintenance, technology, student instructional initiatives and staff retention and recruitment.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Cardinal Community Academy's finances for all those with an interest in the School's finances. Questions concerning any of the information provided or requests for additional financial information should be addressed to the School, 3101 WCR 65, Keenesburg, Colorado 80643.

CARDINAL COMMUNITY ACADEMY

STATEMENT OF NET POSITION

June 30, 2018

ASSETS

Current Assets:

Cash	\$	895,517
Grants receivable		38,043

Total Current Assets		933,560
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Noncurrent Assets:

Capital assets		3,957,243
Less: Accumulated depreciation		(735,068)

Total Noncurrent Assets		3,222,175
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Total Assets		4,155,735
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Deferred Outflows of Resources:

Pension Plan		1,405,161
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LIABILITIES

Current Liabilities:

Accrued salaries and benefits		69,133
Accounts payable		18,411
Current portion of long-term debt		36,443

Total Current Liabilities		123,987
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Noncurrent Liabilities:

Notes payable		38,671
Net postemployment benefits liability		113,065
Net pension liability		4,850,467

Total Liabilities		5,126,190
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Deferred Inflows of Resources:

Pension Plan		198,341
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NET POSITION

Net investment in capital assets		3,147,061
Restricted for TABOR emergencies		58,312
Unassigned		(2,969,008)

TOTAL NET POSITION	\$	236,365
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See Accompanying Notes to Financial Statements.

CARDINAL COMMUNITY ACADEMY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2018	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs:					
Governmental activities:					
Instruction	\$ 1,805,609	\$ -	\$ 193,497	\$ -	\$ 1,612,112
Support services:					
Student services	77,119	-	-	-	77,119
General administration	343,703	-	-	-	343,703
Operations and maintenance	104,636	-	-	46,998	57,638
Unallocated depreciation	67,751	-	-	-	67,751
Interest on long-term debt	6,200	-	-	-	6,200
Total Support Services	599,409	-	-	46,998	552,411
TOTAL GOVERNMENTAL ACTIVITIES	\$ 2,405,018	\$ -	\$ 193,497	\$ 46,998	\$ 2,164,523
General Revenues:					
Per pupil revenue				\$	1,310,196
Mill levy override					377,589
Investment earnings					15,439
Total General Revenue					1,703,224
Change in Net Position					(461,299)
Net Position - Beginning					697,664
NET POSITION - Ending				\$	236,365

See Accompanying Notes to Financial Statements.

CARDINAL COMMUNITY ACADEMY

BALANCE SHEET - GENERAL FUND

June 30, 2018

ASSETS

Cash	\$ 895,517
Grants Receivable	38,043

TOTAL ASSETS	\$ 933,560
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LIABILITIES

Accrued Salaries and Benefits	\$ 69,133
Accounts Payable	18,411

Total Liabilities	87,544
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EQUITY

Fund Balance:	
Reserved for TABOR Emergencies	58,312
Unassigned	787,704

Total Equity	846,016
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TOTAL LIABILITIES AND EQUITY	\$ 933,560
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See Accompanying Notes to Financial Statements.

CARDINAL COMMUNITY ACADEMY

RECONCILIATION OF THE GENERAL FUND BALANCE SHEET WITH THE STATEMENT OF NET POSITION

June 30, 2018

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

Total General Fund Balance	\$	846,016
Capital assets used in governmental activities are not financial resources and therefore not reported as net assets in the general fund.		
Cost of capital assets		3,957,243
Accumulated depreciation		(735,068)
Deferred inflows and outflows of resources related to pensions		1,206,820
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported as liabilities in the general fund. Long-term liabilities at year-end consist of:		
Notes payable		(75,114)
Net pension liability		(4,850,467)
Net other postemployment benefits liability		(113,065)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES		\$ 236,365

See Accompanying Notes to Financial Statements.

CARDINAL COMMUNITY ACADEMY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - General Fund

Year Ended June 30, 2018	General Fund
Revenue:	
Local sources	\$ 377,589
State sources	1,431,106
Interest income	15,439
Contributions and other	119,585
Total Revenue	1,943,719
Expenditures:	
Current:	
Instruction	948,525
Supporting services	525,458
Capital outlay	2,008,246
Debt service	40,333
Total Expenditures	3,522,562
Revenue Under Expenditures	(1,578,843)
Fund Balance, Beginning of Year	2,424,859
Fund Balance, End of Year	\$ 846,016

See Accompanying Notes to Financial Statements.

CARDINAL COMMUNITY ACADEMY

RECONCILIATION OF THE GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

Year Ended June 30, 2018

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

Total net change in governmental fund fund balance	\$(1,578,843)
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as depreciation expense in the statement of activities:	
Capital Outlay	2,028,259
Depreciation Expense	(67,751)
Repayment of loan principal is an expenditure in the governmental funds, but it reduces long-term debt in the statement of net position and does not affect the statement of activities	34,133
The governmental funds report District pension and OPEB contributions as expenditures. However, in the statement of activities, the cost of pension and OPEB benefits earned, net of employee contributions, is reported pension and OPEB expense	(877,097)
<hr/>	
Change in Net Position of Governmental Activities	\$ (461,299)

See Accompanying Notes to Financial Statements.

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies:

The accounting and reporting policies of Cardinal Community Academy (the School) conform to generally accepted accounting principles. The following summary of significant accounting policies is presented to assist the reader in evaluating the School's financial statements.

Reporting Entity:

The School was formed as a Colorado nonprofit corporation in 1998 to operate a charter school under the Charter Schools Act (Colorado Revised Statute §22-30.5). As such, the School is a public school within Weld County School District RE-3(J) (the District), operating under a charter granted by the District's board of education. The charter is effective until June 30, 2025, at which time it may be renewed by the District. Under the terms of the charter, the School is responsible for its own operation, including preparation of a budget, contracting for services, and personnel matters. It may not obligate the District or pledge the full faith and credit of the District.

The School is funded at 100% of per pupil revenue (PPR) as defined by the State of Colorado, reduced by administrative charges incurred by the District. As such, future funding is dependent on the level of the PPR set by the State of Colorado Legislature and number of full-time equivalent (FTE) students. As of the designated count day, October 1, 2017, there were 178 funded students enrolled.

The financial report of the School includes all of the integral parts of the School's operations. The School has determined that it has no fiscal accountability for any other agency which would require it to be in the reporting entity. The School is reported as a discretely presented component unit of the District.

Basis of Presentation:

Government-wide Financial Statements:

The School's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund financial statements which provide a more detailed level of financial information. The government-wide focus is more on the sustainability of the School as an entity and the change in aggregate financial position resulting from activities of the fiscal period.

The statement of net position and the statement of activities display information about the school as a whole. The government-wide statement of net position is presented on a consolidated basis. These statements include the financial activities of the primary government, except for fiduciary activities. For the most part, the effect of interfund activity has been removed from these statements.

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Basis of Presentation - Continued:

Government-wide Financial Statements – Continued:

The government-wide statement of activities reflects both the direct expenses and net cost of each function of the School's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges paid by the recipient for the goods or services offered by the program. Grants and contributions that are restricted to meeting the operational requirements of a particular program are included in operating grants and contributions. Grants and contributions that are restricted to capital requirements of a particular program are included in capital grants and contributions. Revenues which are not classified as program revenues are presented as general revenues of the School. The comparison of direct expenses with program revenues identifies the extent to which each government function is self-financing or draws from the general revenues of the School.

Fund Financial Statements:

The financial transactions of the School are recorded in individual funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. Any remaining governmental funds would be aggregated and presented as non-major funds.

The School reports the following Governmental Fund:

General Fund:

The General Fund is a general operating fund of the School and accounts for all financial resources of the School that are not properly accounted for in other funds. It is used to account for the instructional and support services programs of the School. The revenue of the fund consists primarily of funding provided through the District.

Measurement Focus:

Governmental-wide Statements:

The government-wide statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the School gives (or receives) value without directly receiving (or giving) equal value in exchange, include per pupil revenue, grants, and donations. Revenue from per pupil revenue is recognized in the fiscal year for which the funding is provided. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Measurement Focus - Continued:

Governmental-wide Statements - Continued:

Under the terms of grant agreements, the School funds certain programs by a combination of specific grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the School's policy to first apply grant resources (restricted net position) to such programs and then general revenues (unrestricted net position).

Fixed Assets:

Fixed assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

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.

All reported capital assets, except for land, are depreciated. Depreciation on all assets is provided on the straight-line method over the following estimated useful lives:

Buildings	30 - 40 years
Equipment	3 - 10 years

Estimates:

Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. As such, actual results could differ from those estimates.

Budget:

An annual budget and appropriation resolution is adopted by the Board of Directors. The budget is prepared on a basis consistent with generally accepted accounting principles.

Any budget revisions that alter the total appropriation must be approved by the Board of Directors through a supplemental appropriation resolution. The budget was amended during the year ended June 30, 2018.

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Employee Leave:

Full-time salaried employees receive eight days of personal leave each school year. Personal leave can be accrued and carried forward, but cannot exceed 20 days in any academic year.

Income Taxes:

The School is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code, and is not classified as a private foundation. Accordingly, no provision is made in these financial statements for income taxes.

Net Position:

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation reduced by the outstanding balances of borrowing used for acquisition and construction of improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

Deferred Outflows and 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 future periods and so will not be recognized as an outflow of resources (expense/expenditures) until then. The School has one item that qualifies for reporting in this category: changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

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 future periods and so will not be recognized as an inflow of resources (revenue) until that time. The School has one type of item that qualifies for reporting in this category: changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Pensions:

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

During the 2018 legislative session, 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 Probability the Unfunded Liability of the Plan Within the Next Thirty Years. Governmental accounting standards require the net pension liability and related amounts of the SCHDTF for financial reporting purposes be measured using the plan provisions in effect as of the SCHDTF's measurement date of December 31, 2017. As such, the disclosures in Note 6 do not include the changes to plan provisions required by Senate Bill 18-200 with the exception of the section titled *Changes Between the Measurement Date of the Net Pension Liability and June 30, 2018*.

Other Postemployment Benefits (OPEB):

Cardinal Community Academy participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by 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 and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Implementation of GASB Statement No. 75:

As of July 1, 2017, Cardinal Community Academy adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The implementation of this standard requires governments calculate and report the costs and obligations associated with postemployment benefits in their basic financial statements. Employers are required to recognize other postemployment benefit amounts for all benefits provided through the plan which include the net postemployment liability, deferred outflows of resources, deferred inflows of resources, and postemployment expense.

NOTE 2 - Changes in Capital Assets:

	Balance, 7/1/17	Additions	Deletions	Balance, 6/30/18
Land and Improvements	\$ 115,780	\$ --	\$ --	\$ 115,780
Building and Improvements	1,166,102	2,225,700	6,355	3,385,447
Furniture and Equipment	398,297	163,036	105,317	456,016
Construction in Progress	357,617	--	357,617	--
	2,037,796	2,388,736	469,289	3,957,243
Less: Accumulated Depreciation	776,129	67,751	108,812	735,068
Total Capital Assets	\$ 1,261,667	2,320,985	\$360,477	\$ 3,222,175

NOTE 3 – Cash and Investments:

The School's bank accounts are with commercial banks. At June 30, 2018, the School's carrying amount for deposits was \$612,303. FDIC insurance covers \$250,000 of the balance, with the remainder being collateralized through the Public Deposit Protection Act.

At June 30, 2018, the School had invested \$283,214 in the Colorado Local Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds, COLOTRUST operates similarly to a money market fund and each share is valued at the net asset value (NAV) of \$1.00. Investments of COLTRUST consist of bills, notes, and bonds issued by the U.S. Treasury or a government agency, and repurchase agreements secured by such obligations. COLOTRUST is rated AAA by Standard & Poor's. The School's interest is valued at NAV.

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - Accrued Salaries and Benefits:

Salaries of certain personnel are paid over a twelve-month period from August to July, but are earned during a school year of approximately nine months. The salaries and benefits earned, but unpaid, as of June 30, 2018 are estimated to be \$69,133.

NOTE 5 - Long-Term Debt:

June 30	2018
Note payable to a bank in monthly installments of \$3,361 with balance due in June 2020, interest of 6.5%, collateralized by property	\$ 75,114

Changes in long-term debt were as follows:

	Balance, 07/01/17	Additions	Deductions	Balance, 06/30/18
Note payable – bank	\$ 109,247	\$ --	\$ 34,133	\$ 75,114

Future maturities of long-term debt are as follows:

Year Ending June 30	Annual Maturities
2019	\$ 36,443
2020	38,671
	\$ 75,114

NOTE 6 – Defined Benefit Pension Plan:

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

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – Defined Benefit Pension Plan – Continued:

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

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

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

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

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

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – Defined Benefit Pension Plan – Continued:

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. Benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 receive an annual increase of 2 percent, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 2 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 receive an annual increase of the lesser of 2 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's annual increase reserve for the SCHDTF.

Contributions: Eligible employees and the Cardinal Community Academy are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* Eligible employees are required to contribute 8 percent of their PERA-includable salary. The employer contribution requirements are summarized as follows:

Years Ended December 31	2018	2017
Employer contribution rate as a percentage of salary	10.15%	10.15%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)	(1.02)
Amount Apportioned to the SCHDTF	9.13	9.13
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	5.00
Total Employer Contribution Rate to the SCHDTF	19.13%	18.63%

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the Cardinal Community Academy is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the Cardinal Community Academy were \$131,115 for the year ended June 30, 2018.

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – Defined Benefit Pension Plan – Continued:

At June 30, 2018, Cardinal Community Academy reported a liability of \$4,850,467 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll forward the total pension liability to December 31, 2017. Cardinal Community Academy proportion of the net pension liability was based on the Cardinal Community Academy contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers to the SCHDTF.

At December 31, 2017, Cardinal Community Academy proportion was .015 percent, which was approximately the same as its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, Cardinal Community Academy recognized pension expense of \$1,027,473. At June 30, 2018, Cardinal Community Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

June 30, 2018	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 89,180	\$ --
Net difference between projected and actual earnings on pension plan investments	--	190,482
Changes in assumptions and other inputs	1,238,504	7,859
Contributions subsequent to the measurement date	77,477	--
Total	\$ 1,405,161	\$ 198,341

Deferred outflows of resources related to pensions of \$77,477, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Years Ending June 30	Amount
2019	\$ 763,544
2020	433,478
2021	3,981
2022	(71,660)
	\$ 1,129,343

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – Defined Benefit Pension Plan – Continued:

Actuarial assumptions: The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Price inflation	2.4 percent
Real wage growth	1.1 percent
Wage inflation	3.5 percent
Salary increases, including wage inflation	3.5 – 9.70 percent
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25 percent
Discount rate	5.26 percent

Future post-retirement benefit increases:

PERA Benefit Structure hired prior to 1/1/07 (automatic)	2.0 percent
PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

A discount rate of 4.78 percent was used in the roll-forward calculation of the total pension liability to the measurement date of December 31, 2017.

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

The actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study for the period January 1, 2012 through December 31, 2015, adopted by PERA's Board on October 28, 2016, and an economic assumption study, adopted by PERA's Board on November 18, 2016.

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

The SCHDTF's long-term expected rate of return on pension plan investments was determined using 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 weighing the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – Defined Benefit Pension Plan – Continued:

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

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

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

Discount rate. The discount rate used to measure the total pension liability was 4.78 percent. The projection of cash flows used to determine the discount rate applied to actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Updated economic and demographic actuarial assumptions adopted by PERA’s Board on November 18, 2016.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employee contributions were assumed to be made at the current member contribution rate. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – Defined Benefit Pension Plan – Continued:

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law, including current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included 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 and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. As the ad hoc post-retirement benefit increases financed by the AIR are defined to have a present value at the long-term expected rate of return on plan investments equal to the amount transferred for their future payment, AIR transfers to the fiduciary net position and the subsequent AIR benefit payments have no impact on the Single Equivalent Interest Rate (SEIR) determination process when the timing of AIR cash flows is not a factor (i.e., the plan's fiduciary net position is not projected to be depleted). When AIR cash flow timing is a factor in the SEIR determination process (i.e., the plan's fiduciary net position is projected to be depleted), AIR transfers to the fiduciary net 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 end of the month.

Based on the above assumptions and methods, the projection test indicates the SCHDTF's fiduciary net position was projected to be depleted in 2041 and, as a result, the municipal bond index rate was used in the determination of the discount rate. The long-term expected rate of return of 7.25 percent on pension plan investments was applied to periods through 2041 and the municipal bond index rate, the December average of the Bond Buyer General Obligation 20-year Municipal Bond Index published weekly by the Board of Governors of the Federal Reserve System, was applied to periods on and after 2041 to develop the discount rate. For the measurement date, the municipal bond index rate was 3.43 percent, resulting in a discount rate of 4.78 percent.

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – Defined Benefit Pension Plan – Continued:

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25 percent and the municipal bond index rate of 3.86 percent were used in the discount rate determination resulting in a discount rate of 5.26 percent, 0.48 percent higher compared to the current measurement date.

Sensitivity of the Cardinal Community Academy proportionate share of the net pension liability to changes in the discount rate: The following presents the proportionate share of the net pension liability calculated using the discount rate of 4.78 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 one percentage-point lower (3.78 percent) or one percentage-point higher (5.78 percent) than the current rate:

June 30, 2018	1% Decrease (3.78%)	Current Discount Rate (4.78%)	1% Increase (5.78%)
Proportionate share of the net pension liability	\$ 6,126,965	\$ 4,850,467	\$ 3,810,267

Pension plan fiduciary net position: Detailed information about the SCHDTF’s fiduciary net position is available in PERA’s comprehensive annual financial report which can be obtained at www.copera.org/investments/pera-financial-reports.

Employees of the Cardinal Community Academy that are also members of the SCHDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S, as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available comprehensive annual financial report for the Plan. That report can be obtained at www.copera.org/investments/pera-financial-reports.

The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions, employer contributions and investment earnings.

Changes Between the Measurement Date of the Net Pension Liability and June 30, 2018: During the 2018 legislative session, the Colorado General Assembly passed significant pension reform through Senate Bill 18-200: Concerning Modifications To the Public Employees’ Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to the plans administered by PERA with the goal of eliminating the unfunded actuarial accrued liability of the Division Trust Funds and thereby reach a 100 percent funded ratio for each division within the next 30 years.

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – Defined Benefit Pension Plan – Continued:

A brief description of some of the major changes to plan provisions required by SB 18-200 are listed below. A full copy of the bill can be found online as www.leg.colorado.gov.

- Increases employer contribution rates by 0.25 percent on July 1, 2019;
- Increases employee contribution rates by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019);
- Directs the state to allocate \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution will be allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the other divisions eligible for the direct distribution;
- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, modifying the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees;
- Member contributions, employer contributions, the direct distribution from the state, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

At June 30, 2018, Cardinal Community Academy reported a net pension liability of approximately \$4.8 million for its proportionate share of the net pension liability which was measured using the plan provisions in effect as of the pension plan's year-end based on a discount rate of 4.78%. For comparative purposes, the following schedule presents an estimate of what Cardinal Community Academy's proportionate share of the net pension liability and associated discount rate would have been had the provisions of SB 18-200, applicable to the SCHDTF, become law on December 31, 2017. This pro forma information was prepared using the fiduciary net position of the SCHDTF as of December 31, 2017. Future net pension liabilities reported could be materially different based on changes in investment markets, actuarial assumptions, plan experience and other factors:

Estimated Discount Rate Calculated Using Plan Provisions Required by SB 18-200 (pro forma)	Proportionate Share of the Estimated Net Pension Liability Calculated Using Plan Provisions Required by SB 18-200 (pro forma)
7.25%	\$ 2,191,399

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Other Postemployment Benefits:

Cardinal Community Academy participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit Other Postemployment Benefit Plan (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 and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the OPEB Plan:

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

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

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Other Postemployment Benefits – 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 basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

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.

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

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Other Postemployment Benefits – Continued:

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and Cardinal Community Academy is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from Cardinal Community Academy were \$7,179 for the year ended June 30, 2018.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At June 30, 2018, Cardinal Community Academy reported a liability of \$113,065 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2017. Cardinal Community Academy proportion of the net OPEB liability was based on Cardinal Community Academy contributions to the HCTF for the calendar year 2017 relative to the total contributions of participating employers to the HCTF.

At December 31, 2017, Cardinal Community Academy proportion was .009% percent, which was approximately the same as its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, Cardinal Community Academy recognized OPEB expense of \$7,446. At June 30, 2018, Cardinal Community Academy did not have deferred outflows of resources and deferred inflows of resources related to OPEB that were material to the financial statements.

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Other Postemployment Benefits – Continued:

Actuarial assumptions. The total OPEB liability in the December 31, 2016 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent in aggregate
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	5.00 percent
Medicare Part A premiums	3.00 percent for 2017, gradually rising to 4.25 percent in 2023

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

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Other Postemployment Benefits – Continued:

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 heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2016, 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 that were used to measure the total OPEB liability are summarized in the table below:

Year	PERACare Medicare Plans	Medicare Part A Premiums
2017	5.00%	3.00%
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.00%
2023	5.00%	4.25%
2024	5.00%	4.25%

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

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

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Other Postemployment Benefits – Continued:

Healthy, post-retirement mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

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

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

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

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

The following economic and demographic assumptions were specifically developed for, and used in, the measurement of the obligations for the HCTF:

- The assumed rates of PERACare participation were revised to reflect more closely actual experience.
- 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 2017 plan year.

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Other Postemployment Benefits – Continued:

- The percentages of PERACare enrollees who will attain age 65 and older ages and are assumed to not qualify for premium-free Medicare Part A coverage were revised to more closely reflect actual experience.
- The percentage of disabled PERACare enrollees who are assumed to not qualify for premium-free Medicare Part A coverage were revised to reflect more closely actual experience.
- Assumed election rates for the PERACare coverage options that would be available to future PERACare enrollees who will qualify for the “No Part A Subsidy” when they retire were revised to more closely reflect actual experience.
- Assumed election rates for the PERACare coverage options that will be available to those current PERACare enrollees, who qualify for the “No Part A Subsidy” but have not reached age 65, were revised to more closely reflect actual experience.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.
- The rates of PERACare coverage election for spouses of eligible inactive members and future retirees were revised to more closely reflect actual experience.
- The assumed age differences between future retirees and their participating spouses were revised to reflect more closely actual experience.

The actuarial assumptions used in the December 31, 2016, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA’s actuary, as needed.

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

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Other Postemployment Benefits – Continued:

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

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

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

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

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Other Postemployment Benefits – Continued:

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.00%	3.00%	4.00%
Ultimate Medicare Part A trend rate	3.25%	4.25%	5.25%
Net OPEB Liability	\$ 109,954	\$ 113,065	\$ 116,802

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, 2017, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Other Postemployment Benefits – Continued:

- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the end of the month.

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
June 30, 2018			
Proportionate share of the net OPEB liability	\$ 127,121	\$ 113,065	\$101,068

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

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - Contingencies:

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 and other risks of loss, including workers' compensation, employee fidelity, and director liability. Settled claims have not exceeded this coverage in the past three years.

In 1992 the Colorado voters approved the "Taxpayer's Bill of Rights" (TABOR). Included in the accompanying financial statements are emergency reserves of at least 3% of fiscal year spending as required. Emergencies exclude economic conditions, revenue shortfalls or salary or fringe benefit increases.

NOTE 9 – Restatement of Beginning Net Position:

As of July 1, 2017, Cardinal Community Academy has adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits other than Pensions*. The implementation of this standard requires governments to calculate and report the cost and obligations associated with pensions in their financial statements, including additional note disclosures and required supplementary information. Beginning net position was restated to retroactively report the beginning net postemployment benefits liability and deferred outflows of resources related to contributions made after the measurement date.

The adjustment to the beginning balance of net position is as follows:

Net position – June 30, 2017, as previously reported	\$ 810,462
Restatement due to implementation of GASB 75	(112,798)
Net position – June 30, 2017, as restated	\$ 697,664

REQUIRED SUPPLEMENTARY INFORMATION

CARDINAL COMMUNITY ACADEMY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

Year Ended June 30, 2018	Actual	Original Budget	Amended Budget	Variance
Revenue:				
Weld County School District RE-3(J) PPR	\$ 1,310,196	\$ 1,297,791	\$ 1,322,251	\$ (12,055)
Mill Levy override	377,589	352,360	356,360	21,229
Colorado Department of Education grants	93,256	68,705	68,705	24,551
State Grant - Rural Funds	27,654	-	-	27,654
Contributions, interest, and other	135,024	164,368	164,368	(29,344)
Total Revenue	1,943,719	1,883,224	1,911,684	32,035
Expenditures:				
Current:				
Instruction:				
Teachers' salaries	520,621	544,616	522,692	2,071
Substitute teachers	14,210	15,000	15,000	790
Teachers aides	97,621	75,710	85,362	(12,259)
After school staff	3,942	7,992	7,548	3,606
Supplemental contracts	3,500	3,000	3,000	(500)
Incentives	3,144	2,800	2,800	(344)
PERA contributions	119,850	127,350	125,336	5,486
Other benefits	51,181	69,024	68,803	17,622
Special education	71,296	87,840	87,840	16,544
Educational equipment & furniture	25,299	30,000	30,000	4,701
Instructional materials & supplies	37,861	40,000	40,000	2,139
Total Instruction	948,525	1,003,332	988,381	39,856
Supporting Services:				
RE-3(J) administrative withholding	76,391	65,000	65,000	(11,391)
Director salary	70,601	70,601	70,601	-
Office staff salary	63,371	61,474	61,474	(1,897)
Staff development	12,862	18,000	21,500	8,638
Accountability/evaluation	886	4,200	4,200	3,314
PERA contributions	30,793	32,720	32,203	1,410
Other benefits	-	-	-	-
Custodian	26,477	26,477	26,477	-
Utilities	38,008	48,000	48,000	9,992
Telephone	2,415	5,000	5,000	2,585
Office supplies	5,918	8,500	8,500	2,582
Building expense	18,066	40,000	40,000	21,934
Insurance	20,297	22,000	22,000	1,703
Equipment rentals	9,777	9,500	9,500	(277)
Water/wastewater	9,893	10,000	10,000	107
Contracted services	25,618	16,400	16,400	(9,218)
Fundraising expense	62,075	75,000	75,000	12,925
PTO expense	38,330	75,000	75,000	36,670
Miscellaneous expense	13,680	6,800	6,800	(6,880)
Total Supporting Services	525,458	594,672	597,655	72,197
Capital Outlay	2,008,246	2,200,000	2,200,000	191,754
Debt service (principal)	34,133	22,639	22,639	(11,494)
Interest expense	6,200	17,695	17,695	11,495
Total Expenditures	3,522,562	3,838,338	3,826,370	303,808
Revenue Over (Under) Expenditures	(1,578,843)	(1,955,114)	(1,914,686)	335,843
Fund Balance, Beginning of Year	2,424,859	2,424,859	2,424,859	419,147
Fund Balance, End of Year	\$ 846,016	\$ 469,745	\$ 510,173	\$ 754,990

CARDINAL COMMUNITY ACADEMY

SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS

Year Ended June 30	Statutorily Required Contributions	Contributions Made	Covered Payroll	% of Covered Payroll
2018	\$ 150,643	\$ 150,643	\$ 784,936	19.2%
2017	130,184	130,184	725,567	17.9%
2016	125,837	125,837	683,636	18.4%
2015	115,288	115,288	669,194	17.2%

Until a full 10-year trend is compiled, the School will present information for those years for which information is available.

SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS

Year Ended June 30	Statutorily Required Contributions	Contributions Made	Covered Payroll	% of Covered Payroll
2018	\$ 7,179	\$ 7,179	\$ 784,936	1.0%
2017	6,844	6,844	725,936	1.0%

Until a full 10-year trend is compiled, the School will present information for those years for which information is available.

CARDINAL COMMUNITY ACADEMY

**SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
OF NET PENSION LIABILITY**

Year Ended June 30	Cumulative Proportion of Net Pension Liability	Cumulative Proportionate Share	Covered Payroll	% of Covered Payroll	Plan Net Position as a % of Net Pension Liability
2018*	0.015%	\$ 4,850,467	\$ 784,936	618%	44.0%
2017	0.015%	4,466,080	725,567	615%	43.1%
2016	0.015%	2,295,674	672,599	341%	59.2%
2015	0.015%	2,030,293	669,194	308%	62.8%

Until a full 10-year trend is compiled, the School will present information for those years for which information is available.

* Significant changes in assumptions made by Colorado PERA.

**SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
OF NET OPEB LIABILITY**

Year Ended June 30	Cumulative Proportion of Net OPEB Liability	Cumulative Proportionate Share	Covered Payroll	% of Covered Payroll	Plan Net Position as a % of Net OPEB Liability
2018	0.009%	\$ 113,065	\$ 784,936	14.4%	17.5%
2017	0.009%	112,798	725,567	15.5%	16.7%

Until a full 10-year trend is compiled, the School will present information for those years for which information is available.