# CROWN POINTE ACADEMY

# BASIC FINANCIAL STATEMENTS

# June 30, 2019

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JOHN CUTLER
& ASSOCIATES

Board of Directors
Crown Pointe Academy
Westminster, Colorado

## INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Crown Pointe Academy, as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Academy, as listed in the table of contents.

**Management's Responsibility for the Financial Statements**

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

**Auditor's Responsibility**

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes 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, each major fund, and the aggregate remaining fund information of the Crown Pointe Academy as of June 30, 2019, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, schedule of the school's proportionate share, and schedule of the school's contributions on pages 45-49 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.

*Other Information*

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

John Cutler & Associates, LLC

October 15, 2019

# Management's Discussion and Analysis

As management of the Crown Pointe Academy (the School), we offer readers of the Crown Pointe Academy's financial statements this narrative overview and analysis of the financial activities of the Crown Pointe Academy for the fiscal year ended June 30, 2019.

## Financial Highlights

At the close of its 22nd year of operations, the liabilities of the Crown Pointe Academy exceeded its assets by $7,319,608 (a negative net position). The reason for the large negative balance is due to the implementation of the Governmental Accounting Standards Board Statement 68 (GASB), this new pension plan liability was required to be reported beginning in 2015. The School participates in the state wide defined benefit pension plan for schools called PERA or Public Employees Retirement Association. The government wide impact of this disclosure and GASB 75 (Post-Employment Benefits other Than Pensions, OPEB), is $9,610,263 and if removed the government wide net position would be a positive $2,290,655.

At the close of the fiscal year Crown Pointe Academy's governmental fund (the General Fund) reported an ending fund balance of $1,192,746, an increase of $123,269 or 11.5%. The operations of the School are funded primarily by tax revenue received under the State's School Finance Act (the Act). State per pupil revenue for the year was $3,548,736.

## Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the Crown Pointe Academy's basic financial statements. The Crown Pointe Academy'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 Crown Pointe Academy's finances, in a manner similar to a private-sector business.

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

The statement of 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 (e.g. uncollected grant expenses and earned but unpaid salaries and benefits).

The government-wide financial statement of activities distinguishes functions/programs of the Crown Pointe Academy supported primarily by per pupil revenue (PPR) or property, income, and sales taxes passed through from the Charter School Institute (CSI) received from the County and State. The governmental activities of the Crown Pointe Academy 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 Crown Pointe Academy, like other governmental units or charter schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Crown Pointe Academy can be divided into three categories: governmental funds, proprietary funds and fiduciary 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 long-term impact of the School's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balance provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Crown Pointe Academy maintains one governmental fund, the general fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the General Fund.

Crown Pointe Academy adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget and is presented on page 45.

**Proprietary Funds** The Crown Pointe Academy Building Corporation, considered a component unit of the School, has one fund, an enterprise fund. It is presented with a statement of net position, a statement of revenues, expenses and changes in net position, and a statement of cash flows. The fund ended the year with a net position of $1,123,225 a decrease of $100,307 or 8.2% due to costs associated with the debt refinancing.

**Fiduciary Funds** Fiduciary funds are used to account for resources held for the benefit of parties outside the School. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the School's own programs. Total assets and liabilities of the student activity agency fund were $126,862 for the period ending June 30, 2019.

**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 10-44.

**Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial condition. Crown Pointe Academy's net position is a negative ($7,319,608). The negative balance is due primarily to the adoption of GASB Statement No. 68 and 75 resulting in a liability of $11,600,076 which represents the School's proportionate share of PERA's net pension and OPEB liability.

**Crown Pointe Academy's Net Position Governmental and Business-Type Activities for the period ending June 30, 2019 and 2018 respectively:**

| | June 30, 2019 | June 30, 2018 |
|---|---|---|
| Cash and Investments | $1,322,033 | $1,007,150 |
| Restricted Cash and Investments | 6,798,460 | 988,473 |
| Other Assets | 135,634 | 232,342 |
| Capital Assets, Net | 6,943,107 | 7,001,568 |
| Total Assets | 15,199,234 | 9,229,533 |
| Deferred Outflows of Resources | 1,989,813 | 3,829,260 |
| Accrued Salaries, Benefits, and A/P | 258,573 | 167,282 |
| Accrued Interest | 159,244 | 151,342 |
| Noncurrent Liabilities | 12,490,762 | 6,640,266 |
| Net Pension/OPEB Liability | 6,555,686 | 13,169,415 |
| Total Liabilities | 19,464,265 | 20,128,305 |
| Deferred Inflows of Resources | 5,044,390 | 695,631 |
| Net Position | | |
| Net Investment in Capital Assets | 1,276,121 | 887,073 |
| Restricted for | | |
| Emergencies Tabor | 117,500 | 117,500 |
| Debt Service | - | 189,959 |
| Repair & Replacement | - | 146,500 |
| Unrestricted | (8,713,229) | (9,106,175) |
| Total Net Position | $ (7,319,608) | $ (7,765,143) |

A large portion of the Crown Pointe Academy's Governmental and Business Type assets (45.7%) is in net capital assets. 53.3 percent of total assets represent cash and all investments. 1% represents accounts receivable and prepaid assets. The government-wide improved net position reflects a decrease of 5.7% or $(445,535) over the prior year.

**Crown Pointe Academy's Change in Net Position Governmental and Business-Type Activities for the period ending June 30, 2019 and 2018 respectively:**

| | June 30, 2019 | June 30, 2018 |
|---|---|---|
| Program Revenue: | | |
| Charges for Services | $ 63,816 | $ 98,329 |
| Grants and Contributions | 672,703 | 357,564 |
| Total Program Revenue | 736,519 | 455,893 |
| General Revenue: | | |
| Per Pupil Operating Revenue | 3,548,736 | 3,343,494 |
| Capital Construction Revenue | 134,988 | 118,781 |
| At Risk Funding/Mill Levy Override | 148,152 | 213,955 |
| Contributions - Unrestricted | 4,386 | 11,577 |
| Interest Income | 84,784 | 1,357 |
| Other | 15,702 | 5,916 |
| Total General Revenue | 3,936,748 | 3,695,080 |
| Total Revenue | 4,673,267 | 4,150,973 |
| Expenses: | | |
| Current: | | |
| Instruction | 2,200,740 | 4,159,021 |
| Supporting Services | 1,393,379 | 1,625,307 |
| Food Service | 90,686 | 111,969 |
| Interest, Fiscal Charges, Depreciation | 542,927 | 511,508 |
| Total Expenses | 4,227,732 | 6,407,805 |
| Increase (Decrease) in Net Position | 445,535 | (2,256,832) |
| Beginning Net Position, June 30 | (7,765,143) | (5,508,311) |
| Ending Net Position, June 30 | $ (7,319,608) | $ (7,765,143) |

**Financial Analysis of the Government's Funds**

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

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

Operationally Crown Pointe assumed the financial responsibility for the Food Service program. Prior to FY15 the District, Westminster 50, financed the program and retained the State and Federal subsidies. The program operated close to break-even but required internal support of approximately $3,452 or 3.9% of total food service expenditures for FY19.

As of the end of the current fiscal year, June 30, 2019, the School's governmental fund reported an ending fund balance of $1,192,746, an increase of $123,269. The increase represents 11.5% of the beginning fund balance. The new debt covenants call for a 10% of MADS increase in Fund Balance annually or approximately $47,000. The unreserved portion of ending fund balance was $862,240 which represents approximately 86 days of available operating reserves.

**General Fund Budgetary Highlights**

The School approves a budget in June based on enrollment projections for the upcoming school year. In October, after enrollment is finalized, adjustments are made to the budget. The total budgeted general fund appropriation for FY19 was $4,449,591 with actual expenditures of $4,433,150 resulting in a positive budget variance of $67,148. Enrollment for FY19 remained relatively flat as the School is at capacity. Per Pupil Revenue (PPR) was based on 450.3 funded pupil count (FPC), or 474 students. PPR represented 79.6% of total General Fund revenue.

**Capital Asset and Debt Administration**

**Capital Assets** Crown Pointe Academy's net investment in capital assets was $1,276,121. Total depreciation for FY19 was $175,354. There was $116,893 in new capital asset purchases during the year. Improvements included the added cost of turf and equipment. Please refer to Note 4 for a breakdown on capital assets.

**Long-Term Lease Agreement**

Crown Pointe Academy entered into a lease agreement with the Crown Pointe Academy Building Corporation in 2009 for use of the new facility. The bonds under which the lease was based were issued October 1, 2009. The 2009 bonds were refunded in July of 2019. The new debt, $6,004,605 is for ten years with a 3.64% interest rate. $4,257,118 will need to be refinanced on July 1, 2029. Base rental payments

**Economic Factors and Next Year's Budget**

In November of 2000 voters in Colorado approved a provision to the Colorado constitution providing that K-12 funding would increase with pupil growth, plus inflation, plus 1% for 10 years and thereafter, growth plus inflation. This provision expired in FY 10/11 and continues without the 1% increase. We are cautiously optimistic K-12 funding will outpace inflation in the coming years as the Colorado economy continues to improve. The PPR increase for FY20 is approximately 4.3% over FY19. With Colorado unemployment at historically low levels and very strong sales tax revenue growth, we should expect an increase close to 4% for FY21.

**Requests for Information**

This financial report is designed to provide a general overview of the Crown Pointe Academy's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Crown Pointe Academy, Attn: Bart A. Skidmore, CPA, 2900 W. 86th Avenue, Westminster, CO 80031.

# BASIC FINANCIAL STATEMENTS

CROWN POINTE ACADEMY

STATEMENT OF NET POSITION
As of June 30, 2019

| | Governmental Activities |
|---|---|
| ASSETS | |
| Cash and Investments | $ 1,322,033 |
| Restricted Cash and Investments | 6,798,460 |
| Accounts Receivable | 92,329 |
| Prepaid Items | 43,305 |
| Capital Assets, not Depreciated | 1,036,924 |
| Capital Assets, Depreciated, Net of Accumulated Depreciation | 5,906,183 |
| TOTAL ASSETS | 15,199,234 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Related to OPEB Liability | 18,758 |
| Related to Pensions | 1,971,055 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 1,989,813 |
| LIABILITIES | |
| Accounts Payable | 83,195 |
| Accrued Salaries and Benefits | 175,378 |
| Interest Payable | 159,244 |
| Noncurrent Liabilities | |
| Due in One Year | 6,784,180 |
| Due in More than One Year | 5,706,582 |
| OPEB Liability | 311,841 |
| Net Pension Liability | 6,243,845 |
| TOTAL LIABILITIES | 19,464,265 |
| DEFERRED INFLOWS OF RESOURCES | |
| Related to OPEB Liability | 4,301 |
| Related to Pensions | 5,040,089 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 5,044,390 |
| NET POSITION | |
| Net Investment in Capital Assets | 1,276,121 |
| Restricted for Emergencies | 117,500 |
| Unrestricted | (8,713,229) |
| TOTAL NET POSITION | $ (7,319,608) |

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

CROWN POINTE ACADEMY

STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

| | | PROGRAM REVENUES | | | NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION |
|---|---|---|---|---|---|
| FUNCTIONS/PROGRAMS | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Governmental Activitities |
| PRIMARY GOVERNMENT | | | | | |
| **Governmental Activities** | | | | | |
| Instructional | $ 2,200,740 | $ 63,816 | $ 555,810 | $ - | $ (1,581,114) |
| Supporting Services | 1,484,065 | - | - | 251,881 | (1,232,184) |
| Interest on Long-Term Debt | 542,927 | - | - | - | (542,927) |
| Total Governmantal Activities | $ 4,227,732 | $ 63,816 | $ 555,810 | $ 251,881 | (3,356,225) |

| | |
|---|---|
| GENERAL REVENUES | |
| Per Pupil Revenue | 3,548,736 |
| Mill Levy Override | 148,152 |
| Unrestricted State Aid | 4,386 |
| Interest | 84,784 |
| Other | 15,702 |
| TOTAL GENERAL REVENUES | 3,801,760 |
| CHANGE IN NET POSITION | 445,535 |
| NET POSITION, Beginning | (7,765,143) |
| NET POSITION, Ending | $ (7,319,608) |

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

CROWN POINTE ACADEMY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

| | GENERAL FUND |
|---|---|
| ASSETS | |
| Cash and Investments | $ 1,322,033 |
| Accounts Receivable | 92,329 |
| Prepaid Items | 36,957 |
| TOTAL ASSETS | $ 1,451,319 |
| LIABILITIES AND FUND BALANCES | |
| LIABILITIES | |
| Accounts Payable | $ 83,195 |
| Accrued Salaries | 175,378 |
| TOTAL LIABILITIES | 258,573 |
| FUND BALANCES | |
| Nonspendable | 36,957 |
| Restricted for Emergencies | 117,500 |
| Unassigned | 1,038,289 |
| TOTAL FUND BALANCES | 1,192,746 |
| Amounts reported for governmental activities in the statement of net position are different because: | |
| Long-term liabilities and related assets related to pensions and OPEB are not due and payable in the current period and therefore, are not reported in the funds. This liability includes net pension liability ($6,243,845), OPEB liability ($311,841), deferred outflows related to pensions and OPEB $1,989,813, deferred inflows related to pensions and OPEB ($5,044,390), and accrued compensated absences ($25,316). | (9,635,579) |
| Internal Service funds are used by management to charge the lease costs to governmental funds. The assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position. | 1,123,225 |
| Net position of governmental activities | $ (7,319,608) |

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

CROWN POINTE ACADEMY

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2019

| | GENERAL FUND |
|---|---|
| REVENUES | |
| Local Sources | $ 3,831,845 |
| State and Federal Sources | 679,231 |
| TOTAL REVENUES | 4,511,076 |
| EXPENDITURES | |
| Current | |
| Instruction | 2,521,611 |
| Supporting Services | 1,911,539 |
| TOTAL EXPENDITURES | 4,433,150 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | 77,926 |
| OTHER FINANCING SOURCES | |
| Transfers In | 45,343 |
| NET CHANGE IN FUND BALANCES | 123,269 |
| FUND BALANCES, Beginning | 1,069,477 |
| FUND BALANCES, Ending | $ 1,192,746 |

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

CROWN POINTE ACADEMY

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

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

| | | |
|---|---|---|
| Net change in fund balances - total governmental funds | $ | 123,269 |
| Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This includes the change in accrued compensated absences. | | (2,950) |
| Deferred Charges related to pension and OPEB are not recognized in the governmental funds. However, for the government-wide funds that amount is capitalized and amortized. | | 425,523 |
| The Internal Service fund is used by management to charge the cost of lease payments to the governmental funds. The net revenue of the internal service fund is reported with the governmental activities. | | (100,307) |
| Change in net position of governmental activities | $ | 445,535 |

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

CROWN POINTE ACADEMY

STATEMENT OF NET POSITION
PROPRIETARY FUND TYPE
June 30, 2019

| | Governmental Activities |
|---|---|
| | Internal Service Fund |
| ASSETS | |
| Current Assets | |
| Restricted Cash and Investments | $ 6,798,460 |
| Prepaid Expenses | 6,348 |
| Total Current Assets | 6,804,808 |
| Long-term Assets | |
| Capital Assets, Net of Accumulated Depreciation | 6,943,107 |
| Total Long-term Assets | 6,943,107 |
| TOTAL ASSETS | 13,747,915 |
| LIABILITIES | |
| Current Liabilities | |
| Interest Payable | 159,244 |
| Bonds Payable - Current | 6,758,864 |
| Total Current Liabilities | 6,918,108 |
| Long-Term Liabilities | |
| Bonds Payable | 5,706,582 |
| TOTAL LIABILITIES | 12,624,690 |
| NET POSITION | |
| Net Investment in Capital Assets | 1,116,877 |
| Unrestricted | 6,348 |
| TOTAL NET POSITION | $ 1,123,225 |

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

CROWN POINTE ACADEMY

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION
PROPRIETARY FUND TYPE
Year Ended June 30, 2019

| | Governmental Activities Internal Service Fund |
|---|---|
| OPERATING REVENUES | |
| Charges for Services | $ 505,511 |
| TOTAL OPERATING REVENUES | 505,511 |
| OPERATING EXPENSES | |
| Depreciation | 175,353 |
| TOTAL OPERATING EXPENSES | 175,353 |
| OPERATING INCOME | 330,158 |
| NON-OPERATING EXPENSES | |
| Investment Income | 40,912 |
| Bond Issue Costs | (200,183) |
| Interest Expense | (342,744) |
| TOTAL NON-OPERATING EXPENSES | (502,015) |
| INCOME (LOSS) BEFORE TRANSFERS AND CAPITAL CONTRIBUTIONS | (171,857) |
| Contributed Capital Assets | 116,893 |
| Transfers Out | (45,343) |
| NET INCOME | (100,307) |
| NET POSITION, Beginning | 1,223,532 |
| NET POSITION, Ending | $ 1,123,225 |

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

CROWN POINTE ACADEMY

STATEMENT OF CASH FLOWS
PROPRIETARY FUND TYPE
Year Ended June 30, 2019
Increase (Decrease) in Cash

| | Governmental Activities |
|---|---|
| | Internal Service Fund |
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Cash Received from Rental Operations | $ 501,897 |
| Net Cash Provided by Operating Activities | 501,897 |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| Investment Income | 40,912 |
| Net Cash Provided by Investing Activities | 40,912 |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Purchase of Capital Assets | - |
| Proceeds from Debt Issuance | 6,004,605 |
| Principal Payments on Bonds | (157,059) |
| Bond Issue Costs | (200,183) |
| Interest Expense | (334,842) |
| Payments to Other Funds | (45,343) |
| Net Cash Used by Capital and Related Financing Activities | 5,267,178 |
| NET INCREASE (DECREASE) IN CASH | 5,809,987 |
| CASH, Beginning | 988,473 |
| CASH, Ending | $ 6,798,460 |
| RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES | |
| Operating Income | $ 330,158 |
| Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities | |
| Depreciation Expense | 175,353 |
| Changes in Assets | |
| Accounts Receivable | 2,734 |
| Prepaid Expenses | (6,348) |
| Total Adjustments | 171,739 |
| Net Cash Provided by Operating Activities | $ 501,897 |
| NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES | |
| Capital Contribution from the District | $ 116,893 |

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

CROWN POINTE ACADEMY

AGENCY FUND
STATEMENT OF FIDUCIARY NET POSITION
As of June 30, 2019

| | 2019 |
|---|---|
| ASSETS | |
| Cash | $ 126,862 |
| TOTAL ASSETS | 126,862 |
| LIABILITIES | |
| Due to Student Groups | 126,862 |
| TOTAL LIABILITIES | 126,862 |
| TOTAL NET POSITION | $ - |

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

## NOTE 1: ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

Crown Pointe Academy (the "Academy") was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school. On July 1, 2015, the School entered into a contract with the Colorado Charter School Institute (the "Institute") pursuant to the Colorado Charter School Institute Act, for an initial term of five years. The current contract expires on June 30, 2020.

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

### Reporting Entity

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

Based upon the application of these criteria, the following organization is included in the Academy's reporting entity.

Crown Pointe Academy Building Corporation

The Crown Pointe Academy Building Corporation (the "Building Corporation") is considered to be financially accountable to the Academy. The Building Corporation was formed exclusively for the purpose of holding title, as nominee or otherwise, to real and/or personal property for, and to make same available for use by, the School, and to otherwise provide facilities, equipment and other physical plant and related support to the School. The Building Corporation is blended into the Academy's financial statements as an internal service fund. Separate financial statements are not available for the Building Corporation.

### Government-Wide and Fund Financial Statements

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

**NOTE 1:** ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*** (Continued)

**Government-Wide and Fund Financial Statements** (Continued)

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

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

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

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

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

**NOTE 1:** ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*** (Continued)

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations.

Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

The Academy reports the following major funds:

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

Additionally, the Academy reports the following fund types:

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

**Assets, Liabilities and Fund Balance/Net Position**

*Investments* – Investments are recorded at fair value.

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

**NOTE 1:** ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*** (Continued)

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

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net position in the government-wide financial statements. Depreciation has been provided over the following estimated useful lives of the capital assets using the straight-line method: buildings, 40-48 years; land improvements, 15 years; equipment, 5-10 years.

*Long-term Debt* – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

*Unearned Revenues* – Unearned revenues include tuition revenues that have been collected but the corresponding expenditure that have not been incurred.

*Compensated Absences* – Employees of the Academy are allowed to accumulate unused paid time off (PTO). Unused leave may be reimbursed, accumulated into a Medical Leave Bank carried year to year, or a combination of the two. Unused flex days will be reimbursed to the employee at a rate of $100 per unused day. A long-term liability has been reported in the government-wide financial statements for these accrued compensated absences. This liability is expected to be liquidated with revenues of the General Fund.

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

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

**NOTE 1:** ***<u>SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES</u>*** (Continued)

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

- <u>Nonspendable</u> – This classification includes amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. The Academy considers Prepaid Items as nonspendable.

- <u>Restricted</u> – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Academy has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies.

- <u>Committed</u> – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Academy did not have any committed resources as of June 30, 2019.

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

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

**Deferred Outflows/Inflows of Resources**

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

**NOTE 1:** ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES*** (Continued)

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

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

**NOTE 2:** ***STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY***

**Budgets and Budgetary Accounting**

A budget is adopted for the General Fund on a basis consistent with generally accepted accounting principles. Academy management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July1. The budget is adopted by the Board of Directors prior to June 30. Expenditures may not legally exceed appropriations at the fund level. Revisions must be approved by the Board of Directors. The budget includes proposed expenditures and the means of financing them. All appropriations lapse at fiscal year end.

**NOTE 3:** ***CASH AND INVESTMENTS***

Cash and Investments at June 30, 2019 consisted of the following:

| | |
|---|---|
| Cash on Hand | $ 350 |
| Deposits | 7,167,365 |
| Investments | 1,079,640 |
| Total | $ 8,247,355 |

The above amounts are classified in the statement of Net Position as follows:

| | |
|---|---|
| Cash and Investments | $ 1,322,033 |
| Restricted Cash and Investments | 6,798,460 |
| Agency Fund Cash and Investments | 126,862 |
| Total | $ 8,247,355 |

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

**Deposits**

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At June 30, 2019, State regulatory commissioners have indicated that all financial institutions holding deposits for the Academy are eligible public depositories.

Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

The Academy has no policy regarding custodial credit risk for deposits.

At June 30, 2019, the Academy had deposits with financial institutions with a carrying amount of $7,167,365. The bank balances with the financial institutions were $7,206,423. Of this amount, $500,000 was covered federal depository insurance and $6,706,423 was covered by collateral held by authorized escrow agents in the financial institutions name (PDPA).

**Investments**

As of June 30, 2019, the Academy had the following investments and maturities:

| | | Maturities (in Years) | | |
|---|---|---|---|---|
| Type of Investment | Fair Value | 0 – 1 Years | 1 – 5 Years | 5 – 10 Years |
| Money Market Fund | $ 3,016 | $ 3,016 | $ - | $ - |
| U.S. Government Agencies | 648,672 | 149,764 | 298,904 | 200,004 |
| Local Government Investment Pools | 427,952 | 427,952 | - | - |
| **Total** | **$ 1,079,640** | **$ 580,732** | **$ 298 904** | **$ 200,004** |

Interest Rate Risk

The Academy does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

**Investments** (Continued)

Credit Risk

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

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

Local Government Investment Pool

The Academy had invested $427,952 in the Colorado Government Liquid Asset Trust (ColoTrust) which has a credit rating of AAAm by Standard and Poor's. ColoTrust is an investment vehicle established for local government entities in Colorado to pool surplus funds and is regulated by the State Securities Commissioner. It operates similarly to a money market fund and each share is equal in value to $1.00. Investments consist of U.S. Treasury and U.S. Agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities.

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

Fair Value

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

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

**Investments** (Continued)

At June 30, 2019, the Academy held investments in government agency mutual funds in the amount of $648,672 with maturity dates of less than one year to six years. These investments are rated AA+ by Standard and Poor's. The Academy also held investments in a money market fund, which is not rated. Given the low risk of this type of investment, the Academy has not established a policy limiting the amount of investments in this type of security and deems it unnecessary at this time. These investments are valued with Level 1 inputs.

**Restricted Cash and Investments**

Investments totaling $15,781 are restricted in the Internal Service Fund for the Academy's ongoing debt service and cash in the amount of $6,782,679 is restricted in the Internal Service Fund for the July 2019 redemption of the Academy's 2009 Bonds.

## NOTE 4: ***CAPITAL ASSETS***

Capital Assets activity for the year ended June 30, 2019, is summarized below.

| | Balance June 30, 2018 | Additions | Deletions | Balance June 30, 2019 |
|---|---|---|---|---|
| **Governmental Activities** | | | | |
| Capital Assets, Not Depreciated | | | | |
| Land | $ 1,036,924 | $ - | $ - | $ 1,036,924 |
| Capital Assets, Depreciated | | | | |
| Land Improvements | 189,150 | 109,619 | - | 298,769 |
| Buildings and Improvements | 6,776,248 | - | - | 6,776,248 |
| Furniture and Equipment | 186,142 | 7,274 | - | 193,416 |
| Total Capital Assets, Depreciated | 7,151,540 | 116,893 | - | 7,268,433 |
| Accumulated Depreciation | | | | |
| Land Improvements | 21,216 | 19,309 | - | 40,525 |
| Buildings and Improvements | 1,060,791 | 142,167 | - | 1,202,958 |
| Furniture and Equipment | 104,889 | 13,878 | - | 118,767 |
| Total Accumulated Depreciation | 1,186,896 | 175,354 | - | 1,362,250 |
| Total Capital Assets, Depreciated, Net | 5,964,644 | (58,461) | - | 5,906,183 |
| Net Capital Assets | **$ 7,001,568** | **$ (58,461)** | **$ -** | **$ 6,943,107** |

Depreciation has been charged to the Supporting Services program of the Academy.

## NOTE 5: ***ACCRUED SALARIES AND BENEFITS***

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from August to July but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, as of June 30, 2019, were $175,378.

## NOTE 6: ***LONG-TERM DEBT***

Following is a summary of the Academy's long-term debt transactions for the year ended June 30, 2019:

| | Balance June 30, 2018 | Additions | Payments | Balance June 30, 2019 | Due In One Year |
|---|---|---|---|---|---|
| 2019 Building Loan | $ - | $6,004,605 | $ - | $6,004,605 | $ 138,864 |
| 2009 Building Loan | 6,785,000 | - | 165,000 | 6,620,000 | 6,620,000 |
| 2009 Discount | (167,100) | - | (7,941) | (159,159) | - |
| Compensated Absences | 22,366 | 16,605 | 13,655 | 25,316 | 25,316 |
| **Total** | **$ 6,640,266** | **$ 6,021,210** | **$ 170,714** | **$ 12,490,762** | **$ 6,784,180** |

**2009 Building Loan**

In September 2009, the Colorado Educational and Cultural Facilities Authority (CECFA) issued $7,755,000 Charter School Revenue Bonds, Series 2009. Proceeds of the bonds were loaned to the Building Corporation under a mortgage and loan agreement to acquire land and construct an educational facility. The School is obligated under a lease agreement to make monthly lease payments to the Building Corporation for using the facilities. This Loan was currently refunded on July 15, 2019 with proceeds from the 2019 Building Loan.

**2019 Building Loan**

In June 2019, the Public Finance Authority (PFA) issued $6,004,605 Charter School Refunding Revenue Bonds, Series 2019. Proceeds of the bonds were loaned to the Building Corporation to currently refund the 2009 Building Loan. The Academy is required to make lease payments to the Building Corporation for the use of the building. The Building Corporation is required to make equal lease payments to the Trustee, for payment of principal and interest on the bonds. Interest accrues at a rate 3.64% per year. The lease matures in July 2029.

**NOTE 6:** ***LONG-TERM DEBT*** (Continued)

Future debt service requirements are as follows:

| Year Ended June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2020 | $ 6,758,864 | $ 481,900 | $ 7,240,764 |
| 2021 | 155,643 | 312,325 | 467,968 |
| 2022 | 161,107 | 303,537 | 464,644 |
| 2023 | 167,120 | 294,274 | 461,394 |
| 2024 | 173,043 | 284,537 | 457,580 |
| 2025-2029 | 5,208,828 | 1,259,883 | 6,468,711 |
| Total | **$ 12,624,605** | **$ 2,936,456** | **$ 15,561,061** |

**NOTE 7:** ***INTERFUND TRANSACTIONS***

During the year ended June 30, 2019, the Building Corporation transferred $45,343 to the School to refund excess escrow deposits remaining after the closing of the 2019 Building Loan.

**NOTE 8:** ***DEFINED BENEFIT PENSION PLAN***

**Summary of Significant Accounting Policies**

*Pensions.* The Academy participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position 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.

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

**NOTE 8:** ***DEFINED BENEFIT PENSION PLAN*** (Continued)

**Summary of Significant Accounting Policies** (Continued)

- Increases employer contribution rates for the SCHDTF by 0.25 percent on July 1, 2019.

- Increases employee contribution rates for the SCHDTF by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).

- As specified in C.R.S. § 24-51-413, the State is required to contribute $225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes.

- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, increases 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.

**General Information about the Pension Plan**

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

*Benefits provided as of December 31, 2018.* 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.

## NOTE 8: ***DEFINED BENEFIT PENSION PLAN***

**General Information about the Pension Plan** (Continued)

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

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit

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

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

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit.

- $15 times the first 10 years of service credit plus $20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

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

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

As of December 31, 2018, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments in certain years, referred to as annual increases in the C.R.S. Pursuant to SB 18-200, there are no annual increases (AI) for 2018 and 2019 for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure will receive an annual increase, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 1.5 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year.

## NOTE 8: ***DEFINED BENEFIT PENSION PLAN***

**General Information about the Pension Plan** (Continued)

Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 will receive the lessor of an annual increase of 1.5 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The automatic adjustment provision may raise or lower the aforementioned AI for a given year by up to one-quarter of 1 percent based on the parameters specified C.R.S. § 24-51-413.

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

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

*Contributions provisions as of June 30, 2019:* Eligible employees, the Academy and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 8 percent of their PERA-includable salary during the period of July 1, 2018 through June 30, 2019. Employer contribution requirements are summarized in the table below:

| | January 1, 2018 Through December 31, 2018 | January 1, 2019 Through December 31, 2019 |
|---|---|---|
| Employer contribution rate[1] | 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] | (1.02)% | (1.02)% |
| Amount apportioned to the SCHDTF[1] | 9.13% | 9.13% |
| Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 [1] | 4.50% | 4.50% |
| Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 [1] | 5.50% | 5.50% |
| **Total employer contribution rate to the SCHDTF** | **19.13%** | **19.13%** |

**NOTE 8:** ***DEFINED BENEFIT PENSION PLAN***

**General Information about the Pension Plan** (Continued)

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

As specified in C.R.S. § 24-51-413, the State is required to contribute $225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes.

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the Academy is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the Academy were $384,913 for the year ended June 30, 2019.

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

The net pension liability for the SCHDTF was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total pension liability to December 31, 2018. The Academy's proportion of the net pension liability was based on the Academy's contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2019, the Academy reported a liability of $6,243,845 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the Academy as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with Academy were as follows:

| | |
|---|---|
| School's proportionate share of the net pension liability | $6,243,845 |
| The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the School | $853,759 |
| Total | $7,097,604 |

**NOTE 8:** ***DEFINED BENEFIT PENSION PLAN*** (Continued)

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

At December 31, 2018, the Academy proportion was .03526 percent, which was a decrease of .000456 percent from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019 the Academy recognized pension income of $46,663 and revenue of $4,386 for support from the State as a nonemployer contributing entity. At June 30, 2019, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Difference between expected and actual experience | $ 211,798 | N/A |
| Changes of assumptions or other inputs | 1,165,441 | $ 3,883,000 |
| Net difference between projected and actual earnings on pension plan investments | 340,329 | N/A |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | 57,849 | 1,157,089 |
| Contributions subsequent to the measurement date | 195,638 | N/A |
| Total | **$ 1,971,055** | **$ 5,040,089** |

$195,638 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, 2020. 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, | |
|---|---|
| 2020 | ($691,356) |
| 2021 | ($1,661,984) |
| 2022 | ($1,097,497) |
| 2023 | $186,165 |

**NOTE 8:** ***DEFINED BENEFIT PENSION PLAN*** (Continued)

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

*Actuarial assumptions.* The total pension liability in the December 31, 2017 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 – 9.70 percent |
| Long-term investment rate of return, net of pension plan investment expenses, including price inflation | 7.25 percent |
| Discount rate | 4.78 percent |
| Post-retirement benefit increases: | |
| PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic) | 2.00 percent compounded annually |
| PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic) | Financed by the Annual Increase Reserve |

The revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2017 to December 31, 2018:

| | |
|---|---|
| Discount rate | 7.25 percent |
| Post-retirement benefit increases: | |
| PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic) | 0% through 2019 and 1.5% compounded annually, thereafter |
| PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic) | Financed by the Annual Increase Reserve |

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.

**NOTE 8:** ***DEFINED BENEFIT PENSION PLAN*** (Continued)

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

Healthy, post-retirement mortality assumptions reflect the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

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

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

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

The actuarial assumptions used in the December 31, 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.

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

Several factors were considered in evaluating the long-term rate of return assumption for the SCHDTF, 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:

**NOTE 8:** ***DEFINED BENEFIT PENSION PLAN*** (Continued)

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

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

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

*Discount rate.* The discount rate used to measure the total pension liability was 7.25 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 3.50%.

- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

**NOTE 8:** ***DEFINED BENEFIT PENSION PLAN*** (Continued)

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

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions 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.

- As specified in law, the State 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.

- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

- Benefit payments and contributions were assumed to be made at the middle of the year.

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

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 3.43 percent were used in the discount rate determination resulting in a discount rate of 4.78 percent, 2.47 percent lower compared to the current measurement date.

**NOTE 8:** ***DEFINED BENEFIT PENSION PLAN*** (Continued)

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

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

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|---|---|---|---|
| Proportionate share of the net pension liability | $7,937,980 | $6,243,845 | $4,822,179 |

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

*Benefits provided as of December 31, 2017.* 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.

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

## NOTE 8: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

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

- $15 times the first 10 years of service credit plus $20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

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

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

## NOTE 9: ***DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN***

**Summary of Significant Accounting Policies**

*OPEB*. The Academy participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position 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.

**NOTE 9: *DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN*** (Continued)

**General Information about the OPEB Plan**

*Plan description.* Eligible employees of the 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 (CAFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

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

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

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

**NOTE 9:** ***DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN*** (Continued)

**General Information about the OPEB Plan** (Continued)

*PERA Benefit Structure*
The maximum service-based premium subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is $115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The 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.

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

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

**NOTE 9:** ***DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN*** (Continued)

**General Information about the OPEB Plan** (Continued)

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the Academy is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the Academy were $20,523 for the year ended June 30, 2019.

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

At June 30, 2019, the Academy reported a liability of $311,841 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2018. The Academy's proportion of the net OPEB liability was based on Academy's contributions to the HCTF for the calendar year 2018 relative to the total contributions of participating employers to the HCTF.

At December 31, 2018, the Academy proportion was .02292 percent, which was an increase of .00030 peercent from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the Academy recognized OPEB expense of $26,578. At June 30, 2019, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

**NOTE 9:** ***DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN***
(Continued)

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Difference between expected and actual experience | $ 1,132 | $ 475 |
| Changes of assumptions or other inputs | 2,188 | N/A |
| Net difference between projected and actual earnings on OPEB plan investments | 1,793 | N/A |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | 3,214 | 3,826 |
| Contributions subsequent to the measurement date | 10,431 | N/A |
| Total | **$ 18,758** | **$ 4,301** |

$10,431 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, 2020. 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,** | |
|---|---|
| 2020 | $457 |
| 2021 | $457 |
| 2022 | $458 |
| 2023 | $1,701 |
| 2024 | $914 |
| 2025 | $39 |

**NOTE 9: *DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN***
(Continued)

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

*Actuarial assumptions.* The total OPEB liability in the December 31, 2017 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 | 3.25 percent for 2018, gradually rising to 5.00 percent in 2025 |
| DPS benefit structure: | |
| Service-based premium subsidy | 0.00 percent |
| PERACare Medicare plans | N/A |
| Medicare Part A premiums | N/A |

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.

The actuarial assumptions used in the December 31, 2017, 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 discussed below.

**NOTE 9: *DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN***
(Continued)

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

In determining the additional liability for PERACare enrollees who are age sixty–five or older and who are not eligible for premium–free Medicare Part A, the following monthly costs/premiums are assumed for 2018 for the PERA Benefit Structure:

| **Medicare Plan** | **Cost for Members Without Medicare Part A** | **Premiums for Members Without Medicare Part A** |
|---|---|---|
| Self-Funded Medicare Supplement Plans | $736 | $367 |
| Kaiser Permanente Medicare Advantage HMO | 602 | 236 |
| Rocky Mountain Health Plans Medicare HMO | 611 | 251 |
| UnitedHealthcare Medicare HMO | 686 | 213 |

The 2018 Medicare Part A premium is $422 per month.

In determining the additional liability for PERACare enrollees in the PERA Benefit Structure who are age sixty–five or older and who are not eligible for premium–free Medicare Part A, the following chart details the initial expected value of Medicare Part A benefits, age adjusted to age 65 for the year following the valuation date:

| **Medicare Plan** | **Cost for Members Without Medicare Part A** |
|---|---|
| Self-Funded Medicare Supplement Plans | $289 |
| Kaiser Permanente Medicare Advantage HMO | 300 |
| Rocky Mountain Health Plans Medicare HMO | 270 |
| UnitedHealthcare Medicare HMO | 400 |

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.

**NOTE 9:** ***DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN***
(Continued)

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

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, 2017, 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 |
|---|---|---|
| 2018 | 5.00% | 3.25% |
| 2019 | 5.00% | 3.50% |
| 2020 | 5.00% | 3.75% |
| 2021 | 5.00% | 4.00% |
| 2022 | 5.00% | 4.25% |
| 2023 | 5.00% | 4.50% |
| 2024 | 5.00% | 4.75% |
| 2025+ | 5.00% | 5.00% |

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.

**NOTE 9:** ***DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN***
(Continued)

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

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

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2018 plan year.

**NOTE 9:** ***DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN*** (Continued)

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

- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

Several factors were considered in evaluating the long-term rate of return assumption for the 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:

**NOTE 9:** ***DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN***
(Continued)

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

| 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%.

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

**NOTE 9:** ***DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN***
(Continued)

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

| | 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 | 2.25% | 3.25% | 4.25% |
| Ultimate Medicare Part A trend rate | 4.00% | 5.00% | 6.00% |
| Net OPEB Liability | $303,230 | $311,841 | $321,745 |

*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, 2018, measurement date.

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.

- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.

**NOTE 9:** ***DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN*** (Continued)

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

- Benefit payments and contributions were assumed to be made at the middle of the year.

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

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

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|---|---|---|---|
| Proportionate share of the net OPEB liability | $348,923 | $311,841 | $280,139 |

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

## NOTE 10: ***RISK MANAGEMENT***

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

## NOTE 11: ***COMMITMENTS AND CONTINGENCIES***

**Claims and Judgments**

The Academy participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Academy may be required to reimburse the grantor government. As of June 30, 2019, significant amounts of grant expenditures have not been audited, but the Academy believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Academy.

**Tabor Amendment**

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The Academy believes it has complied with the Amendment. As required by the Amendment, the Academy has established a reserve for emergencies. At June 30, 2019, the reserve of $117,500 was recorded as a restriction of fund balance in the General Fund.

## NOTE 12: ***DEFICIT NET POSITION***

The Net Position of the government type activities is in a deficit position of $7,319,608 due to the Academy including the Net Pension and OPEB Liabilities per the requirements of GASB Statements No. 68 and 75.

# REQUIRED SUPPLEMENTARY INFORMATION

CROWN POINTE ACADEMY

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2019

| | 2019 | | |
|---|---|---|---|
| | ORIGINAL AND FINAL BUDGET | ACTUAL | VARIANCE Positive (Negative) |
| REVENUES | | | |
| Local Sources | | | |
| Per Pupil Revenue | $ 3,694,109 | $ 3,548,736 | $ (145,373) |
| Mill Levy Override | 149,310 | 148,152 | (1,158) |
| Tuition and Fees | 94,100 | 63,816 | (30,284) |
| Contributions | 10,500 | 11,567 | 1,067 |
| Investment Income | 4,500 | 43,872 | 39,372 |
| Other | 3,750 | 15,702 | 11,952 |
| State and Federal Sources | | | - |
| Grants and Donations | 493,322 | 679,231 | 185,909 |
| TOTAL REVENUES | 4,449,591 | 4,511,076 | 61,485 |
| EXPENDITURES | | | |
| Salaries | 2,081,262 | 2,175,881 | (94,619) |
| Employee Benefits | 754,525 | 771,779 | (17,254) |
| Purchased Services | 1,161,561 | 1,068,874 | 92,687 |
| Supplies and Materials | 206,889 | 263,445 | (56,556) |
| Property | 104,750 | 148,801 | (44,051) |
| Other | 17,828 | 4,370 | 13,458 |
| Contingency | 122,776 | - | 122,776 |
| TOTAL EXPENDITURES | 4,449,591 | 4,433,150 | 16,441 |
| EXCESS OF REVENUES OVER (UNDER) EXPENDITURES | - | 77,926 | 77,926 |
| OTHER FINANCING SOURCES | | | |
| Transfers In | - | 45,343 | 45,343 |
| NET CHANGE IN FUND BALANCE | - | 123,269 | 123,269 |
| FUND BALANCE, Beginning | 834,170 | 1,069,477 | 235,307 |
| FUND BALANCE, Ending | $ 834,170 | $ 1,192,746 | $ 358,576 |

See the accompanying independent auditors' report.

CROWN POINTE ACADEMY

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

Years Ended December 31,

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|---|---|
| School's proportionate share of the Net Pension Liablility | 0.036% | 0.038% | 0.040% | 0.041% | 0.040% | 0.035% |
| School's proportionate share of the Net Pension Liablility | $ 4,650,686 | $ 5,120,721 | $ 6,130,663 | $ 12,080,679 | $ 12,875,395 | $ 6,243,845 |
| State of Colorado's Proportionate Share of the Net Pension Liability associated with the School | $ - | $ - | $ - | $ - | $ - | $ 853,759 |
| Total portion of the Net Pension Liability associated with the School | $ 4,650,686 | $ 5,120,721 | $ 6,130,663 | $ 12,080,679 | $ 12,875,395 | $ 7,097,604 |
| School's covered payroll | $ 1,469,889 | $ 1,582,792 | $ 1,746,879 | $ 1,821,068 | $ 1,836,710 | $ 1,938,535 |
| School's proportionate share of the Net Pension Liablility as a percentage of its covered payroll | 316.4% | 323.5% | 350.9% | 663.4% | 701.0% | 366.1% |
| Plan fiduciary net position as a percentage of the total pension liability | 64.1% | 62.8% | 59.2% | 43.1% | 44.0% | 57.0% |

Notes:

This schedule is reported as of December 31, as that is the plan year end.

This schedule will report ten years of data when it is available.

CROWN POINTE ACADEMY

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
SCHOOL DIVISION TRUST FUND

Years Ended June 30,

| | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|---|---|---|---|---|---|---|
| Statutorily required contributions | $ 244,095 | $ 280,181 | $ 321,693 | $ 336,063 | $ 352,050 | $ 384,913 |
| Contributions in relation to the Statutorily required contributions | 244,095 | 280,181 | 321,693 | 336,063 | 352,050 | 384,913 |
| Contribution deficiency (excess) | $ - | $ - | $ - | $ - | $ - | $ - |
| School's covered payroll | $ 1,527,074 | $ 1,658,896 | $ 1,814,051 | $ 1,828,213 | $ 1,864,226 | $ 2,012,095 |
| Contributions as a percentage of covered payroll | 15.98% | 16.89% | 17.73% | 18.38% | 18.88% | 19.13% |

Notes:

This schedule will report ten years of data when it is available.

See the accompanying independent auditors' report.

CROWN POINTE ACADEMY

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

Years Ended December 31,

| | 2016 | 2017 | 2018 |
|---|---|---|---|
| School's proportionate share of the Net OPEB Liability | 0.014% | 0.023% | 0.023% |
| School's proportionate share of the Net OPEB Liability | $ 186,674 | $ 294,020 | $ 311,841 |
| School's covered payroll | $ 1,136,888 | $ 1,916,552 | $ 1,938,535 |
| School's proportionate share of the Net OPEB Liability as a percentage of its covered payroll | 16.4% | 15.3% | 16.1% |
| Plan fiduciary net position as a percentage of the total OPEB liability | 16.7% | 17.5% | 17.0% |

Notes:

This schedule is reported as of December 31, as that is the plan year end.

This schedule will report ten years of data when it is available.

See the accompanying independent auditors' report.

CROWN POINTE ACADEMY

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
HEALTH CARE TRUST FUND

Years Ended June 30,

| | 2017 | 2018 | 2019 |
|---|---|---|---|
| Statutorily required contributions | $ 18,648 | $ 19,015 | $ 20,523 |
| Contributions in relation to the Statutorily required contributions | 18,648 | 19,015 | 20,523 |
| Contribution deficiency (excess) | $ - | $ - | $ - |
| School's covered payroll | $ 1,828,213 | $ 1,864,226 | $ 2,012,095 |
| Contributions as a percentage of covered payroll | 1.02% | 1.02% | 1.02% |

Notes:

This schedule will report ten years of data when it is available.

See the accompanying independent auditors' report.

**SUPPLEMENTARY INFORMATION**

CROWN POINTE ACADEMY

AGENCY FUND
STATEMENT OF CHANGES IN ASSETS AND LIABILITIES
Year Ended June 30, 2019

| | BALANCE JULY 1, 2018 | ADDITIONS | DELETIONS | BALANCE JUNE 30, 2019 |
|---|---|---|---|---|
| ASSETS | | | | |
| Cash | $ 110,883 | $ 77,305 | $ 61,326 | $ 126,862 |
| TOTAL ASSETS | 110,883 | 77,305 | 61,326 | 126,862 |
| LIABILITIES | | | | |
| Due to Student Groups | 110,883 | 77,305 | 61,326 | 126,862 |
| TOTAL LIABILITIES | 110,883 | 77,305 | 61,326 | 126,862 |

See the accompanying independent auditors' report.