

PROSPECT RIDGE ACADEMY

FINANCIAL STATEMENTS

June 30, 2020



Logan *and* Associates, LLC
CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
Prospect Ridge Academy
Broomfield, Colorado

We have audited the accompanying financial statements of the governmental activities, the major fund and the aggregate remaining fund information of the Prospect Ridge Academy (the "Academy"), a component unit of Adams County School District No. 12, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Prospect Ridge Academy.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the 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 an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Academy'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 Academy'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 reasonable 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, the major fund and the aggregate remaining fund information of the Prospect Ridge Academy as of June 30, 2020, and the respective changes in financial position for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion on pages i – vi, and budgetary comparison schedule, schedule of proportionate share of the net pension liability, the schedule of Academy contributions, schedule of proportionate share of the net OPEB liability and the schedule of Academy OPEB contributions and notes to required supplementary information on pages 39 – 44, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB 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.

Logan and Associates, LLC

Aurora, Colorado
October 22, 2020

Management's Discussion and Analysis

As management of Prospect Ridge Academy Charter School (PRA), we offer readers of PRA Charter School's financial statements our narrative overview and analysis of the financial activities of PRA for the fiscal year ended June 30, 2020, the 9th year of operations as a school.

Financial Highlights

At the close of the ninth fiscal year FY2019-2020 PRA Charter School's governmental activities reported an increase in ending net position to \$(14,408,456).

At the close of the eighth fiscal year FY2018-2019 PRA Charter School's governmental activities reported an ending net position of \$(16,643,200).

Overview of Financial Statements

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

Government-wide Financial Statements

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

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

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 salary and benefits).

The government-wide statement of activities distinguishes functions/programs of PRA Charter School supported primarily by Per Pupil Operating Revenue or other revenues passed through from the District (Adams 12 Five Star Schools). The governmental activities of PRA Charter School include instruction and supporting services.

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. PRA Charter School, like other governmental units or schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

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

PRA Charter School maintains one individual governmental fund and one internal service fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund, the schools major fund.

PRA Charter School adopts an annual appropriated budget for its funds. Budgetary comparison statements have been provided for the funds to demonstrate compliance with the budget.

The PRA Building Corporation is considered a component unit of PRA and is reported as an internal service fund. Information is presented in the statement of net position, statement of revenues, expenses and changes in net position and the statement of cash flows.

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.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the School's financial position. PRA Charter School liabilities exceeded assets by \$14,408,456 at the end of FY2019-2020. This was due to the Academy's proportionate share of the PERA net pension liability. GASB 68 requires PRA to report the net pension liability of the school's proportionate share in the PERA pension plan.

PRA Charter School's Net Position
Governmental
Activities

ASSETS	<u>June 30, 2019</u>	<u>June 30, 2020</u>
Cash and investment	\$ 3,372,402	\$ 5,588,359
Restricted Cash & Investments	2,713,664	7,382,534
Accounts Receivable	20,687	102,963
Prepaid Expenses	78,061	114,359
Capital Assets, Not Depreciated	4,758,319	4,758,319
Capital Assets, Net of Acc Depreciation	30,014,372	28,808,273
	-----	-----
Total Assets	<u>\$40,957,505</u>	<u>\$46,754,807</u>
 DEFERRED OUTFLOWS OF RESOURCES		
Def. Outflows of Res related to Pensions	<u>8,544,008</u>	<u>3,927,376</u>
 LIABILITIES		
Accounts Payable	61,303	64,488
Accrued Liabilities	54,732	239,419
Accrued Salaries and Benefits	524,627	661,427
Deferred Revenue	127,475	52,234
Accrued Interest Payable	483,890	314,451
Noncurrent Liabilities		
Due Within One Year	637,100	52,200
Due in More than one Year	33,685,000	40,021,431
Net Pension Liability	18,284,802	16,060,686
Net OPEB Liability	913,214	789,440
	-----	-----
Total Liabilities	<u>\$ 54,772,143</u>	<u>\$ 58,255,776</u>
 DEFERRED INFLOWS OF RESOURCES		
Def. Inflows of Res related to Pensions	<u>11,372,510</u>	<u>6,834,863</u>
 NET Position		
Net Investment in Capital Assets	1,271,464	(6,454,839)
Restricted For		
Emergencies	373,332	396,456
Special Education	200,005	200,005
Debt Service	1,425,064	2,211,138
Unrestricted	(19,913,065)	(10,761,216)
	-----	-----
TOTAL NET POSITION	<u>\$(16,643,200)</u>	<u>\$(14,408,456)</u>
	=====	=====

PRA Charter School's Statement of Activities
Governmental
Activities

	<u>June 30, 2019</u>	<u>June 30, 2020</u>
REVENUES		
General Revenues		
Per Pupil Revenue	\$10,895,164	\$11,546,577
Mill Levy Override		1,959,763
	862,791	
Other	131,497	214,653
Donations & Fundraising not restricted to Specific programs	391,475	243,401
Investment Income	58,749	46,845
Program Revenues		
Tuition & Fees	610,793	450,111
Operating Grants and Cont.	374,778	203,727
Capital Grants & Cont.	411,380	387,602
 Total Revenues	 13,736,627	 15,052,679
 EXPENSES		
Instructional	2,258,258	5,816,271
Supporting Services	3,423,289	5,505,556
Interest & Fiscal Charges	1,863,789	1,496,108
 Total Expenses	 7,545,336	 12,817,935
 Change in Net Position	 6,191,291	 2,234,744
Other Financing Transfer IN		
 Net Position, Beginning	 (\$22,834,491)	 (\$16,643,200)
Net Position, Ending	(16,643,200)	(\$14,408,456)

Financial Analysis of the Government's Funds

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

Governmental Funds

The focus of PRA Charter School's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing PRA Charter School's financing requirements. In particular, Net Change fund balance may serve as a useful measure of the School's net resources available for spending at the end of the fiscal year. At the end of the 2019-2020 fiscal year the School's Fund reported a net change in fund balances of \$2,085,100.

The Internal service fund and refunding- In 2019-2020 the PRA Building Corporation, issued \$33,860,000 in Series 2020A and \$915,000 in Federally Taxable Series 2020B in charter school revenues bonds through the Colorado Educational and Cultural Facilities Authority, CECFA, in an effort to refinance the debt from the Series 2016 and Series 2017 bond issues.

General Fund Budgetary Highlights

The School typically approves a budget in May for the following school year based on enrollment projections. If necessary, revisions are made to the budget based on final enrollment figures. The school's board may approve additional revisions to the budget at its discretion throughout the year if funding resources or needs change. At year-end, the school reported variances between its final budget and actual results. Recognized revenue exceeded budget by approximately \$102,725, primarily driven by exceeding fundraising and donation goals as well fees related to athletics. Expenses were under the budgeted amount by \$512,795.

Capital assets & Long-Term Debt

April 2020, the Colorado Educational and Cultural Facilities Authority (CECFA) issued the \$34,775,000 Charter School Revenue Bonds, Series 2020 to refund the 2016-2017 bonds. The bonds on March 15, 2055. The Building Corporation is responsible for making the required loan payments to the Bond Trustee for payment of the bond interest and principal obligations that are due semi-annually. The School is required to make monthly lease payments to the Building Corporation for the use of the facilities, which the Building Corporation uses to fund the debt service on the bonds. Interest on the bonds accrues at rates ranging from 4.0 to 5.0% per annum. The details of long-term debt are in Note 5 to the financial statements.

Economic Factors and Next Year's Budget

The primary factor driving the budget for PRA Charter School is student enrollment as a function of lateral expansion of the number of classes. Enrollment for the FY2020-2021 is projected at 1407. Additional funding from the CARES Act for Covid-19 relief is also in consideration as a subsequent event for the FY2020-2021 school year.

Requests for Information

This financial report is designed to provide a general overview of PRA Charter School's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the school's Business and Finance Director.

David Mallett
Finance and Business Director
Prospect Ridge Academy Charter School
2555 Preble Creek Parkway
Broomfield, CO 80023

BASIC FINANCIAL STATEMENTS

PROSPECT RIDGE ACADEMY

STATEMENT OF NET POSITION

June 30, 2020

	<u>GOVERNMENTAL ACTIVITIES</u>
ASSETS	
Cash and Investments	\$ 5,588,359
Restricted Cash and Investments	7,382,534
Accounts Receivable	102,963
Prepaid Expenses	114,359
Capital Assets, Not Depreciated	4,758,319
Capital Assets, Net of Accumulated Depreciation	<u>28,808,273</u>
TOTAL ASSETS	<u>46,754,807</u>
DEFERRED OUTFLOWS OF RESOURCES	
Cost of Refunding, Net of Accumulated Amortization	159,973
Deferred Outflows of Resources Related to Pensions	3,607,813
Deferred Outflows of Resources Related to OPEB	<u>159,590</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>3,927,376</u>
LIABILITIES	
Accounts Payable	64,488
Accrued Liabilities	239,419
Accrued Salaries and Benefits	661,427
Unearned Revenue	52,234
Accrued Interest Payable	314,451
Noncurrent Liabilities	
Due Within One Year	52,200
Due in More Than One Year	40,021,431
Net Pension Liability	16,060,686
Net OPEB Liability	<u>789,440</u>
TOTAL LIABILITIES	<u>58,255,776</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred Inflows of Resources Related to Pensions	6,713,629
Deferred Inflows of Resources Related to OPEB	<u>121,234</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>6,834,863</u>
NET POSITION	
Net Investment in Capital Assets	(6,454,839)
Restricted for	
Emergencies	396,456
Special Education	200,005
Debt Service	2,211,138
Unrestricted	<u>(10,761,216)</u>
TOTAL NET POSITION	<u>\$ (14,408,456)</u>

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

PROSPECT RIDGE ACADEMY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2020

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE)
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	REVENUE AND CHANGE IN NET POSITION
PRIMARY GOVERNMENT					GOVERNMENTAL ACTIVITIES
Governmental Activities					
Instruction	\$ 5,816,271	\$ 450,111	\$ 203,727	\$ -	\$ (5,162,433)
Supporting Services	5,505,556	-	-	387,602	(5,117,954)
Interest on Long-Term Debt	1,496,108	-	-	-	(1,496,108)
Total Governmental Activities	<u>\$ 12,817,935</u>	<u>\$ 450,111</u>	<u>\$ 203,727</u>	<u>\$ 387,602</u>	<u>(11,776,495)</u>
		GENERAL REVENUES			
					11,546,577
					1,959,763
					243,401
					46,845
					<u>214,653</u>
					<u>14,011,239</u>
					2,234,744
					<u>(16,643,200)</u>
					<u>\$ (14,408,456)</u>

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

PROSPECT RIDGE ACADEMY

BALANCE SHEET
GOVERNMENTAL FUND
 June 30, 2020

	<u>GENERAL FUND</u>
ASSETS	
Cash and Investments	\$ 5,588,359
Accounts Receivable	102,963
Prepaid Expenses	<u>114,359</u>
TOTAL ASSETS	<u>\$ 5,805,681</u>
LIABILITIES AND FUND BALANCE	
LIABILITIES	
Accounts Payable	\$ 64,488
Accrued Liabilities	239,419
Accrued Salaries and Benefits	661,427
Unearned Revenue	<u>52,234</u>
TOTAL LIABILITIES	<u>1,017,568</u>
FUND BALANCE	
Nonspendable	114,359
Restricted for:	
Emergencies	396,456
Special Education	200,005
Committed for:	
Discretionary Purchases	470,000
Working Capital Reserve	729,602
Unassigned	<u>2,877,691</u>
TOTAL FUND BALANCE	<u>4,788,113</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 5,805,681</u>

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

PROSPECT RIDGE ACADEMY

RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET POSITION
June 30, 2020

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

Total Fund Balance of Governmental Fund	\$ 4,788,113
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the fund.	122,452
Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds:	
Deferred outflows of resources - difference in expected vs actual experience	623,790
Deferred outflows of resources - difference in expected vs actual experience - OPEB	2,188
Deferred outflows of resources - change in proportionate share of net pension liability	1,975,685
Deferred outflows of resources - change in proportionate share of net OPEB liability	116,051
Deferred outflows of resources - pension contributions from the measurement date	681,585
Deferred outflows of resources - OPEB contributions from the measurement date	35,883
Deferred outflows of resources - change in assumptions or other inputs	326,753
Deferred outflows of resources - change in assumptions or other inputs - OPEB	5,468
Deferred inflows of resources - difference in projected vs actual investment earnings	(1,522,038)
Deferred inflows of resources - change in assumptions or other inputs	(5,191,591)
Deferred inflows of resources - difference in projected vs actual investment earnings - OPEB	(10,542)
Deferred inflows of resources - difference in expected vs actual experience - OPEB	(110,692)
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in the funds. This is the amount of accrued compensated absences (\$42,100), net pension liability of (\$18,284,802) and net OPEB liability (\$913,214).	(16,902,326)
An internal service fund is used by management to charge the lease costs to governmental funds. These assets and liabilities of the internal service fund are included in the governmental activities in the statement of net position.	650,765
Total Net Position of Governmental Activities	\$ (14,408,456)

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

PROSPECT RIDGE ACADEMY

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUND
 Year Ended June 30, 2020

	<u>GENERAL FUND</u>
REVENUES	
Local Sources	\$ 14,622,553
State Sources	<u>541,892</u>
TOTAL REVENUES	<u>15,164,445</u>
EXPENDITURES	
Current	
Instruction	7,276,511
Supporting Services	<u>6,804,935</u>
TOTAL EXPENDITURES	<u>14,081,446</u>
EXCESS OF REVENUES OVER EXPENDITURES	1,082,999
OTHER FINANCING SOURCES	
Transfers In	<u>1,002,101</u>
NET CHANGE IN FUND BALANCE	2,085,100
FUND BALANCE, Beginning	<u>2,703,013</u>
FUND BALANCE, Ending	<u>\$ 4,788,113</u>

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

PROSPECT RIDGE ACADEMY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCE OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

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

Net Change in Fund Balance of the Governmental Fund	\$ 2,085,100
Capital outlays to purchase or build capital assets are reported in the governmental fund as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount of depreciation expense in the current year.	(14,702)
In the statement of activities, certain operating expenses, pension expense, are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used or due (the amounts actually paid). This amount represent the net effect of pension and OPEB related amounts, including amortization of deferred outflows and deferred inflows of resources related to pensions and OPEB, and a special funding situation from non-employer contributions, in the statement of activities.	2,092,409
In the statement of activities, certain operating expenses, pension expense, are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used or due (the amounts actually paid). This amount represent the net effect of OPEB related amounts, including amortization of deferred outflows and deferred inflows of resources related to OPEB, in the statement of activities.	16,583
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This includes the increase in accrued compensated absences in the current year.	(10,100)
The internal service fund is used by management to charge the cost of lease payments to the governmental fund. The net revenue (expense) of the internal service fund is reported with the governmental activities	<u>(1,934,546)</u>
Change in Net Position of Governmental Activities	<u>\$ 2,234,744</u>

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

PROSPECT RIDGE ACADEMY

STATEMENT OF NET POSITION
PROPRIETARY FUND TYPE
BUILDING CORPORATION
 June 30, 2020

	<u>Governmental Activities Internal Service Fund</u>
ASSETS	
Current Assets	
Restricted Cash and Investments	<u>\$ 7,382,534</u>
Total Current Assets	<u>7,382,534</u>
Noncurrent Assets	
Capital Assets, Not Being Depreciated	4,758,319
Capital Assets, Net of Accumulated Depreciation	<u>28,685,821</u>
Total Noncurrent Assets	<u>33,444,140</u>
TOTAL ASSETS	40,826,674
DEFERRED OUTFLOWS OF RESOURCES	
Cost of Refunding, Net of Accumulated Amortization	<u>159,973</u>
LIABILITIES	
Current Liabilities	
Accrued Interest Payable	<u>314,451</u>
Total Current Liabilities	<u>314,451</u>
Noncurrent Liabilities	
Building Lease Payable	<u>40,021,431</u>
TOTAL LIABILITIES	<u>40,335,882</u>
NET POSITION	
Net Investment in Capital Assets	(6,417,318)
Restricted for Capital Projects	4,856,945
Restricted for Debt Service	<u>2,211,138</u>
TOTAL NET POSITION	<u>\$ 650,765</u>

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

PROSPECT RIDGE ACADEMY

STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET POSITION

PROPRIETARY FUND TYPE
BUILDING CORPORATION
Year Ended June 30, 2020

	<u>Governmental Activities Internal Service Fund</u>
OPERATING REVENUES	
Building Rent	\$ 2,233,157
Investment Income	45,790
Other Income	<u>61,170</u>
TOTAL OPERATING REVENUES	<u>2,340,117</u>
 OPERATING EXPENSES	
Depreciation	<u>1,191,397</u>
OPERATING INCOME (LOSS)	<u>1,148,720</u>
NON-OPERATING REVENUE (EXPENSES)	
Debt Issue Costs	(585,057)
Interest Expense and Fiscal Charges	<u>(1,496,108)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(2,081,165)</u>
INCOME (LOSS) BEFORE TRANSFERS OUT	(932,445)
TRANSFERS OUT	<u>(1,002,101)</u>
CHANGE IN NET POSITION	(1,934,546)
NET POSITION, Beginning	<u>2,585,311</u>
NET POSITION, Ending	<u>\$ 650,765</u>

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

PROSPECT RIDGE ACADEMY

STATEMENT OF CASH FLOWS

PROPRIETARY FUND TYPE

BUILDING CORPORATION

Increase (Decrease) in Cash and Cash Investments
Year Ended June 30, 2020

	<u>Governmental Activities Internal Service Fund</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Rental Operations	\$ 2,233,157
Investment Income	45,790
Cash Received from Others	<u>61,170</u>
Net Cash Provided by Operating Activities	<u>2,340,117</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Lease Principal Payments	(34,280,000)
Lease Proceeds	34,775,000
Lease Premium	5,246,431
Lease Issue Costs	(585,057)
Cost of Refunding	(159,973)
Interest Paid on Lease	(1,665,547)
Transfer to General Fund	<u>(1,002,101)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>2,328,753</u>
Increase in Cash and Cash Investments	4,668,870
CASH AND CASH INVESTMENTS, Beginning	<u>2,713,664</u>
CASH AND CASH INVESTMENTS, Ending	<u>\$ 7,382,534</u>
RECONCILIATION OF OPERATING INCOME(LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES	
Operating Income (Loss)	\$ 1,148,720
Adjustments to Reconcile Operating Income (Loss) to Net Cash Provided by Operating Activities	
Depreciation	<u>1,191,397</u>
Net Cash Provided by Operating Activities	<u>\$ 2,340,117</u>

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

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Prospect Ridge Academy (the "Academy") was formed pursuant to the Colorado Charter Schools Act to form and operate a K-8 charter school within Adams County School District No. 12 (the "District"). The Academy is governed by a six-member Board of Directors.

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

Reporting Entity

The definition of the reporting entity is based primarily on financial accountability. The Academy is financially accountable for organizations that make up its legal entity. It is also financially accountable for legally separate organizations if Academy officials appoint a voting majority of the organization's governing body and either it is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to, or to impose specific financial burdens on, the Academy. The Academy may also be financially accountable for organizations that are fiscally dependent upon it.

Based on the application of this criteria, the Academy will include the following organization in its reporting entity.

PRA Building Corporation

During May, 2013, the PRA Building Corporation (the "Building Corporation") was formed to provide a mechanism for financing and construction of a high school building and other facilities for use by the Academy in the future. The Building Corporation is considered to be financially accountable to the Academy and will be part of the Academy for financial reporting purposes because its resources are entirely for the direct benefit of the Academy. In addition, certain board members and an employee of the Academy are board members governing the Building Corporation. Separate financial statements are not available.

The Academy is a component unit of Adams County School District No. 12.

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the 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.

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The statement of net position reports all financial, capital and debt resources of the Academy. The difference between the assets plus deferred outflows of resources and liabilities and deferred inflows of resources of the Academy is reported as net position.

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to students or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted intergovernmental revenues not properly included among program revenues are reported instead as general revenues.

Major individual governmental funds are reported as 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 the liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the Academy considers revenues to be available if they are collected within 60 days of the end of the current year.

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

In the fund financial statements, the Academy reports the following major governmental fund:

General Fund is the Academy's primary operating fund that accounts for all financial resources of the Academy, except those required to be accounted for in another fund.

Additionally, the Academy reports the following non-major governmental fund:

Capital Improvements Fund is used to account for the activity of the 2016 bond funds received from the Adams 12 School District as a result of the bond election.

Additionally, the Academy reports the following fund type:

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

Assets, Liabilities and Net Position/Fund Balances

Cash and Investments – Cash equivalents include investments with original maturities of three months or less. Investments are stated at fair value.

Prepaid Expenses – Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

Capital Assets - Capital assets, which include land, building and improvements, and equipment, are reported in the government-wide financial statements. Prior to July 1, 2014, 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. The limit was increased to \$10,000 after July 1, 2014. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Unearned Revenue – Unearned revenue include amounts received from parents to reserve full-day kindergarten slots, as well as activity fees for the upcoming school year.

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

Deferred Outflows/Inflows of Resources – In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement classification represents a consumption of net position that applies to a future period(s) and therefore will not be recognized as an outflow of resources (expense/expenditures) until then. The Academy has items related to costs of refunding, pensions and other postemployment benefits that are reported as deferred outflows of resources at June 30, 2020.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement classification represents an acquisition of net position that applies to a future period(s) and therefore will not be recognized as an inflow of resources (revenue) until then. The Academy has an item related to pensions and other postemployment benefits that are reported as deferred inflows of resources at June 30, 2020.

Net Position – In the government-wide financial statements, net position is restricted when constraints placed on the net position are externally imposed.

- Net Investment in Capital Assets – this classification is intended to report the portion of net position which is associated with non-liquid, capital assets less outstanding debt related to those capital assets.
- Restricted Net Position – this classification includes liquid assets which have third party limitations on their use.
- Unrestricted Net Position – this classification includes assets that do not have any third party limitation 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:

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- Nonspendable – This classification includes amounts that cannot be spent because they are either (a) not in spendable form (such as prepaid items) or (b) are legally or contractually required to be maintained intact. The Academy had nonspendable resources at June 30, 2020 in the form of prepaid expenses.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Academy has classified emergency reserves as being restricted because its use is restricted by State statute for declared emergencies. The Academy had restricted fund balance at June 30, 2020 for a special education reserve as required by the charter school agreement, a debt service reserve as required by the building lease.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Academy’s highest level of decision-making authority, the Board of Directors. The constraint may be removed or changed only through formal action of the Board of Directors. The Academy had committed resources at June 30, 2020 for working capital reserve and future discretionary purchases.
- Assigned – This classification includes amounts that are constrained by the Academy’s intent to be used for specific purposes, but is neither restricted nor committed. Intent is expressed by the Board of Directors to be used for a specific purpose. Constraints imposed on the use of assigned amounts are more easily removed or changed than those imposed on committed amounts. The Academy did not have any assigned fund balance at June 30, 2020.
- Unassigned – This classification includes the remaining residual fund balance for the General Fund at June 30, 2020. 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 has not established a formal policy for its use of restricted and unrestricted fund balance. However, if both the restricted and unrestricted fund balances are available the Academy uses restricted fund balance first.

Compensated Absences – The Academy’s policy allows employees to accumulate paid annual leave (PAL) up to a maximum of 20 days. Upon termination, any unused days are paid out to the employees at the current substitute teachers’ daily rate. These compensated absences are recognized as current salary costs when paid in the governmental fund. A liability is reported in the government-wide financial statements for the accrued compensated absences.

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Pensions

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

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

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, benefit payments 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.

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 purchases commercial insurance for these risks of loss and for directors and officers liability.

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Income Taxes

The Academy is exempt from income tax under Section 501(c)(3) of the US Internal Revenue Code. The Academy's tax filings are subject to audit by various taxing authorities. The Academy's ending open audit periods are June 30, 2017, 2018, 2019 and 2020. The Academy believes it has no significant uncertain tax provisions for the period ended June 30, 2020.

Subsequent Events

The Academy has evaluated events subsequent to the year ended June 30, 2020 through October 22, 2020, the date these financial statements were issued, and has incorporated any required recognition into these financial statements.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Accountability

The Governmental Activities had a deficit net position of \$14,408,456 at June 30, 2020. The Governmental Activities deficit is primarily related to the net pension liability and net OPEB liability reported in the Academy's financial statements as required by the GASB. Management cannot determine if this deficit net position will increase or decrease in the future.

NOTE 3: CASH AND INVESTMENTS

At June 30, 2020, the Academy had the following cash and investments.

Cash and Investments	\$ 5,588,359
Restricted Cash and Investments	<u>7,382,534</u>
Total	<u>\$ 12,970,893</u>

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all local government entities deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of Federal Deposit Insurance Corporation (FDIC) levels must be collateralized by eligible collateral as determined by the PDPA. The FDIC insures depositors up to \$250,000 for each financial institution. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 3: CASH AND INVESTMENTS (Continued)

Deposits (Continued)

At June 30, 2020, the Academy had bank deposits of \$5,634,417, of which \$250,000 was insured by the Federal Deposit Insurance Corporation (FDIC) and \$5,384,417 was collateralized with securities held by the financial institutions' agents but not in the Academy's name.

Investments

The Academy does not have a formal investment policy; however, the Academy follows state statutes regarding investments. The Academy generally limits its concentration risk of investments to Local Government Investment Pools, obligations of the United States and certain U. S. government agency securities, which are believed to have minimal credit risk, minimal interest rate risk and no foreign currency risk. Additionally, the Academy is not subject to concentration of risk for investments that are in the possession of another party. Colorado revised statutes limit investment maturities to five years or less unless formally approved by the Board of Trustees. Such actions are generally associated with a debt service reserve or sinking fund requirements.

State statutes specify investment instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest, which include the following.

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

At June 30, 2020, the Academy had the following investments:

	<u>Maturity</u>	<u>2020</u>
Colorado Liquid Government Asset Trust (COLOTRUST)	Weighted Average under 60 days	<u>\$ 7,382,534</u>

The Academy invested in the Colorado Local Government Liquid Asset Trust (COLOTRUST) (the Trust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces all State statutes governing the Trust. The Trust operates

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 3: CASH AND INVESTMENTS (Continued)

Investments (Continued)

similarly to a money market fund and each share is equal in value to \$1.00. The Trust offers shares in two portfolios, COLOTRUST PRIME and COLOTRUST PLUS +. Both portfolios may invest in U.S. Treasury securities and repurchase agreements collateralized by U.S. Treasury securities. COLOTRUST PLUS+ may also invest in certain obligations of U.S. government agencies, highest rates commercial paper and any security allowed under CRS 24-75-601. A designated custodial bank serves as custodian for the Trust's investment portfolios and provides services as the depository in connection with direct investments and withdrawals. The custodian's internal records segregate investments owned by the Trust. COLOTRUST is rated AAAM by Standard & Poor's. COLOTRUST records its investments at fair value and the Academy records its investment in COLOTRUST using the net asset value method. There are no unfunded commitments, the redemption frequency is daily and there is no redemption notice period.

Interest Rate Risk - State statutes generally limit investments to an original maturity of five years unless the governing board authorizes the investment for a period in excess of five years. The Academy does not have a policy for managing credit risk or interest rate risk.

Restricted Cash and Investments

Cash and investments of \$7,382,534 are restricted for the Building Corporation's project costs, bond reserves, and bond principal and interest.

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS
June 30, 2020

NOTE 4: CAPITAL ASSETS

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

	Balances 6/30/2019	Additions	Deletions	Balances 6/30/2020
Governmental Activities:				
Capital Assets, not being depreciated				
Land	\$ 4,758,319	\$ -	\$ -	\$ 4,758,319
Capital Assets, being depreciated				
Buildings	25,855,926	-	-	25,855,926
Buildings and Improvements	181,288	-	-	181,288
Athletic Facilities	7,242,359	-	-	7,242,359
Equipment	12,999	-	-	12,999
Total Capital Assets, being depreciated	33,292,572	-	-	33,292,572
Less accumulated depreciation				
Buildings	(2,891,534)	(861,864)	-	(3,753,398)
Buildings and Improvements	(44,134)	(14,702)	-	(58,836)
Athletic Facilities	(329,533)	(329,533)	-	(659,066)
Furniture and Equipment	(12,999)	-	-	(12,999)
Total accumulated depreciation	(3,278,200)	(1,206,099)	-	(4,484,299)
Total Capital Assets, being depreciated, net	30,014,372	(1,206,099)	-	28,808,273
Governmental Activities Capital Assets, net	<u>\$ 34,772,691</u>	<u>\$ (1,206,099)</u>	<u>\$ -</u>	<u>\$ 33,566,592</u>

Depreciation expense will be charged to the Supporting Services program of the Academy.

NOTE 5: LONG-TERM DEBT

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

	Balances 6/30/2019	Additions	Deletions	Balances 6/30/2020	Due Within One Year
Governmental Activities					
Building Lease - 2016	\$ 20,995,000	\$ -	\$ 20,995,000	\$ -	\$ -
Building Lease - 2017	13,285,000	-	13,285,000	-	-
Building Lease - 2020	-	34,775,000	-	34,775,000	-
Premium - 2020	-	5,284,175	37,744	5,246,431	-
Compensated Absences	42,100	52,200	42,100	52,200	52,200
Total	<u>\$ 34,322,100</u>	<u>\$ 40,111,375</u>	<u>\$ 34,359,844</u>	<u>\$ 40,073,631</u>	<u>\$ 52,200</u>

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 5: LONG-TERM DEBT (Continued)

Compensated absences are expected to be liquidated with revenues of the General Fund.

Building Lease

On April 23, 2020, the Colorado Educational and Cultural Facilities Authority (CECFA) issued the \$33,860,000 Charter School Refunding and Improvement Revenue Bonds, Series 2020A and \$915,000 Charter School Refunding and Improvement Revenues Bonds, Federally Taxable Series 2020B. These bonds were issued to refund the Charter School Revenue Bonds, Series 2017 and 2016, and to loan to the Building Corporation to fund the debt service reserve and accrued interest account, pay certain issuance costs and fund the project account. The bonds mature March 15, 2055. Interest accrues at rates ranging from 4.0% to 5.0%, per annum. The bonds may be called at par on March 15, 2030, or any principal or interest payment date, thereafter.

On March 11, 2016, the Colorado Educational and Cultural Facilities Authority (CECFA) issued the \$21,630,000 Charter School Refunding and Improvement Revenue Bonds, Series 2016 (Prospect Ridge Academy Project). These bonds were issued to refund the Charter School Revenue Bonds, Series 2013, and to loan to the Building Corporation to fund the debt service reserve and accrued interest account, pay certain issuance costs and fund the project account. The bonds mature March 15, 2023. Interest accrues at 4.85%, per annum. The bonds may be called at par on March 15, 2019, or any principal or interest payment date, thereafter. These bonds were called an paid-in-full on April 23, 2020, with the issuance of the Charter School Refunding and improvement Revenue Bonds, Series 2020A and Federally Taxable Series 2020B.

On March 15, 2017, the Colorado Educational and Cultural Facilities Authority (CECFA) issued the \$13,500,000 Charter School Revenue Bonds, Series 2017 (Prospect Ridge Academy Project). These bonds were issued to loan to the Building Corporation in order to finance the cost of acquiring land and existing facilities where the Academy's K-8th grade school operates. In addition, the bonds will fund the capitalized interest, partial fund of the bond reserve and pay certain issuance costs. The bonds mature March 15, 2023. Interest accrues at 5.0%, per annum. The bonds may be called at par on March 15, 2019, or any principal or interest payment date, thereafter. These bonds were called an paid-in-full on April 23, 2020, with the issuance of the Charter School Refunding and improvement Revenue Bonds, Series 2020A and Federally Taxable Series 2020B.

The Academy is obligated to make monthly lease payments to the Building Corporation for use of the buildings and facilities. The Building Corporation is required to make equal loan payments to the Trustee, for payment of the bonds.

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 5: LONG-TERM DEBT (Continued)

Future Debt Service Requirements

Annual debt service requirements at June 30, 2020, were as follows.

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ -	1,507,513	\$ 1,507,513
2022	-	1,685,419	1,685,419
2023	445,000	1,685,419	2,130,419
2024	465,000	1,664,838	2,129,838
2025	490,000	1,643,331	2,133,331
2026 - 2030	2,815,000	7,826,500	10,641,500
2031 - 2035	3,590,000	7,048,750	10,638,750
2036 - 2040	4,585,000	6,057,000	10,642,000
2041 - 2045	5,835,000	4,799,700	10,634,700
2046 - 2050	7,340,000	3,302,050	10,642,050
2051 - 2055	9,210,000	1,426,500	10,636,500
	<u>\$ 34,775,000</u>	<u>\$ 38,647,020</u>	<u>\$ 73,422,020</u>

NOTE 6: DEFINED BENEFIT 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 that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits Provided as of December 31, 2019. 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.

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 6: DEFINED BENEFIT 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% and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100% match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100% 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% or 100% on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

As of December 31, 2019, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments (COLAs) in certain years, referred to as annual increases in the C.R.S. Pursuant to SB 18-200, there was no annual increase (AI) for 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 of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S. § 24-51-413. Benefit recipients under the PERA benefit structure who began eligible employment on or after January 1, 2007, will receive the lesser of an annual increase of 1.25% or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25 percent based on the parameters specified in C.R.S. § 24-51-413.

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

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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, 2020. Eligible employees and the Academy are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 8.75% percent of their PERA-includable salary during the period of July 1, 2019 through June 30, 2020. The employer contribution requirements are summarized in the table below:

	July 1, 2019 through June 30, 2020
	(1)
Employer Contribution Rate	10.40%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. 24-51-208(1)(f)	-1.02%
Amount Apportioned to the SCHDTF	9.38%
Amortization Equalization Disbursement (AED) as specified in C.R.S. 24-51-1411	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. 24-51-1411	5.50%
Total Employer Contribution Rate to the SCHDTF	<u>19.38%</u>

(1) - Rates 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.

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

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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 \$1,216,443 for the Plan year ended December 31, 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, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total pension liability to December 31, 2019. The Academy's proportion of the net pension liability was based on 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, 2020, the Academy reported a liability of \$16,060,686 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 the Academy were as follows:

Prospect Ridge Academy proportionate share of the NPL	\$16,060,686
The State's proportionate share of the NPL as a nonemployer contributing entity associated with Prospect Ridge Academy	<u>1,807,798</u>
Total	<u>\$17,868,484</u>

At December 31, 2019, the Academy's proportion was .10750%, which was an increase of .00424% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the Academy recognized a decrease in pension expense of \$2,311,135 and decrease in revenue of \$218,726 for support from the State as a nonemployer contributing entity.

At June 30, 2020, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 623,790	\$ -
Changes in assumptions or other inputs	326,753	(5,191,591)
Net difference between projected and actual earnings on pension plan investments	-	(1,522,037)
Changes in proportion and differences between contributions recognized and proportionate share of contributions	1,975,685	-
Contributions subsequent to the measurement date	<u>681,585</u>	<u>-</u>
Total	<u>\$ 3,607,813</u>	<u>\$ (6,713,629)</u>

\$681,585 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,

2021	\$ (908,817)
2022	(1,436,188)
2023	(1,061,886)
2024	(380,510)

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

Actuarial Cost Method:	Entry age
Price inflation:	2.40%
Real wage growth:	1.10%
Wage inflation:	3.50%
Salary increases, including wage inflation:	3.50% – 9.70%
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation:	7.25%
Discount rate:	7.25%
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07:	1.25% compounded annually
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic):	Financed by the Annual Increase Reserve (AIR)

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

The revised assumptions shown below are reflected in the roll-forward calculation of the total pension liability from December 31, 2017 to December 31, 2019:

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

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% factor applied to male rates and a 55% factor applied to female rates.

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% factor applied to rates for ages less than 80, a 113% 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% factor applied to rates for ages less than 80, a 106% factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was changed to reflect 90% of the RP-2014 Disabled Retiree Mortality Table.

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

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

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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 by the investment consultant 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 allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
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%
Corer Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	<u>100.00%</u>	

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

Discount Rate. The discount rate used to measure the total pension liability was 7.25%. The basis for the projection of liabilities and the FNP used to determine the discount rate 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%.

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200 and the additional .50% resulting from the 2018 AAP assessment statutorily recognized July 1, 2019, effective July 1, 2020. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- As specified in law, the State of Colorado, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018 and is proportioned between the State, School, Judicial and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distributions ceases when all Division Trust Funds are fully funded.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200 and the additional .50% resulting from the 2018 AAP assessment statutorily recognized July 1, 2019, effective July 1, 2020. Employer contributions also include 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 provides an annual direct distribution of \$225 million, which commenced July 1, 2018, that is proportioned between the State, School, Judicial and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP and the subsequent AIR benefit payments were estimated and included in the projections.

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

- The projected benefit payments reflect the lowered annual increase cap, from 1.50% to 1.25% resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, 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% 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%. There was no change in the discount rate from the prior measurement date.

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 collective net pension liability calculated using the discount rate of 7.25%, 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%) or 1-percentage-point higher (8.25%) than the current rate:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Net Pension Liability	<u>\$ 21,299,908</u>	<u>\$ 16,060,686</u>	<u>\$ 11,661,902</u>

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

NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (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

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

necessary in order to carry out the purposes of the PERACare program, including the administration of the premium subsidies. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report that can be obtained at www.copera.org/investments/pera-financial-reports.

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

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.

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

PERA Benefit Structure. The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The basis for the maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5% 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.

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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

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 \$64,415 for the Plan year ended December 21, 2019.

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

At June 30, 2020, the Academy reported a liability of \$789,440 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2019. The Academy's proportion of the net OPEB liability was based on Academy contributions to the HCTF for the calendar year 2019 relative to the total contributions of participating employers to the HCTF.

At December 31, 2019, the Academy's proportion was 0.07024%, which was an increase of 0.00311% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the Academy recognized a decrease in OPEB expense of \$16,583. At June 30, 2020, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 2,188	\$ (110,692)
Changes in assumptions or other inputs	5,468	-
Net difference between projected and actual earnings on OPEB plan investments	-	(10,542)
Changes in proportion and differences between contributions recognized and proportionate share of contributions	116,051	-
Contributions subsequent to the measurement date	35,883	-
Total	<u>\$ 159,590</u>	<u>\$ (121,234)</u>

\$35,883 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,

2021	\$ 4,034
2022	4,034
2023	4,034
2024	4,034
2025	(13,290)
2026	(373)

Actuarial assumptions. The total OPEB liability in the December 31, 2018 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial Cost Method:	Entry age
Price inflation:	2.40%
Real wage growth:	1.10%
Wage inflation:	3.50%
Salary increases, including wage inflation:	3.50% in aggregate
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation:	7.25%
Discount rate:	7.25%
Health care cost trend rates	
PERA Benefit Structure:	
Service-based premium subsidy	0.00%

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

PERACare Medicare plans	5.60% in 2019, gradually Decreasing to 4.5% in 2029
Medicare Part A premiums	3.50% for 2019, gradually increasing to 4.5% in 2029

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

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

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 2019 for the PERA Benefit Structure:

Medicare Plan	Cost for Members Without Medicare Part A	Premiums for Members Without Medicare Part A
Medicare Advantage/Self-Insured Prescription	\$601	\$240
Kaiser Permanente Medicare Advantage HMO	605	237

The 2019 Medicare Part A premium is \$437 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
Medicare Advantage/Self-Insured Prescription	\$562
Kaiser Permanente Medicare Advantage HMO	571

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and 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, 2018, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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
2019	5.60%	3.50%
2020	8.60%	3.50%
2021	7.30%	3.50%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	3.75%
2025	5.30%	4.00%
2026	5.10%	4.00%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029+	4.50%	4.50%

Mortality assumptions 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.

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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% factor applied to male rates and a 55% factor applied to female rates.

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 2019 using the MP-2015 projection scale, a 73% factor applied to rates for ages less than 80, a 108% 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% factor applied to rates for ages less than 80, a 109% factor applied to rates for ages 80 and above, and further adjustments for credibility.

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

- **Males:** Mortality improvement projected to 2019 using the MP-2015 projection scale, a 93% factor applied to rates for ages less than 80, a 113% 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% factor applied to rates for ages less than 80, a 106% factor applied to rates for ages 80 and above, and further adjustments for credibility.

For disabled retirees, the mortality assumption was based on 90% 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 2019 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
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	<u>100.00%</u>	

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:

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

	1% Decrease in Trend Rates	Current Trend Rate	1% Increase in Trend Rates
Initial PERACare Medicare Trend Rate	4.60%	5.60%	6.60%
Ultimate PERACare Medicare Trend Rate	3.50%	4.50%	5.50%
Initial Medicare Part A Trend Rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A Trend Rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$ 770,688	\$ 789,440	\$ 811,111

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

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

Based on the above assumptions and methods, the projection test indicates the HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% 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%.

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%, 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%) or 1-percentage-point higher (8.25%) than the current rate:

PROSPECT RIDGE ACADEMY

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Proportionate Share of Net OPEB Liability	\$ 770,688	\$ 789,440	\$ 811,111

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

NOTE 8: 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, 2020, 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 an amendment to the State Constitution, Article X, Section 20 (the “Tabor Amendment”), which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government.

Fiscal year 2012 provided 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 Tabor Amendment is complex and subject to judicial interpretation. The Academy believes it has complied with the Amendment.

The Academy has established an emergency reserve, representing 3% of qualifying expenditures, as required by the Amendment. At June 30, 2020, the emergency reserve of \$396,456 was reported as a restriction of net position and fund balance in the Governmental Activities and General Fund, respectively.

REQUIRED SUPPLEMENTARY INFORMATION

PROSPECT RIDGE ACADEMY

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2020

(With Comparative Actual Totals for the Year Ended June 30, 2019)

	2020			VARIANCE Positive (Negative)	2019 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL		
REVENUES					
Local Sources					
Per Pupil Revenue	\$ 11,173,376	\$ 11,673,367	\$ 11,546,577	\$ (126,790)	\$ 10,895,164
Tuition and Fees	585,285	440,000	450,111	10,111	610,793
Grants	139,095	167,070	268,163	101,093	213,439
Mill Levy Override	2,059,565	1,965,228	1,959,763	(5,465)	862,791
Fundraising	300,000	297,000	243,401	(53,599)	391,475
Investment Income	-	-	1,055		1,504
Other	176,172	130,000	153,483	23,483	131,497
Total Local Sources	<u>14,433,493</u>	<u>14,672,665</u>	<u>14,622,553</u>	<u>(51,167)</u>	<u>13,106,663</u>
State Sources					
Capital Construction	357,026	388,000	387,602	(398)	411,380
PERA-On Behalf Contribution	-	-	154,290	154,290	148,495
Total Local Sources	<u>357,026</u>	<u>388,000</u>	<u>541,892</u>	<u>153,892</u>	<u>559,875</u>
TOTAL REVENUES	<u>14,790,519</u>	<u>15,060,665</u>	<u>15,164,445</u>	<u>102,725</u>	<u>13,666,538</u>
EXPENDITURES					
Instruction					
Salaries and Benefits	6,758,058	6,758,058	6,755,608	2,450	5,783,730
Purchased Services	84,231	84,231	85,768	(1,537)	133,361
Supplies and Materials	522,521	522,521	384,773	137,748	505,511
Property	191,685	191,685	44,601	147,084	68,549
Other	3,550	3,550	5,761	(2,211)	5,862
Total Instruction	<u>7,560,045</u>	<u>7,560,045</u>	<u>7,276,511</u>	<u>285,745</u>	<u>6,497,013</u>
Supporting Services					
School Administration					
Salaries and Benefits	2,868,676	2,868,676	2,680,947	187,729	2,396,655
Purchased Services	3,542,964	3,619,006	3,610,087	8,919	3,384,427
Supplies and Materials	372,777	382,084	312,786	69,298	308,582
Property	23,031	137,923	181,683	(43,760)	2,686,429
Other	24,298	24,298	19,432	4,866	21,280
Total Supporting Services	<u>6,831,746</u>	<u>7,031,987</u>	<u>6,804,935</u>	<u>227,052</u>	<u>8,797,373</u>
TOTAL EXPENDITURES	<u>14,391,791</u>	<u>14,592,032</u>	<u>14,081,446</u>	<u>512,797</u>	<u>15,294,386</u>
EXCESS OF REVENUES OVER EXPENDITURES	<u>398,728</u>	<u>468,633</u>	<u>1,082,999</u>	<u>614,366</u>	<u>(1,627,848)</u>
OTHER FINANCING SOURCES					
Transfers In	-	-	1,002,101	1,002,101	-
NET CHANGE IN FUND BALANCE	<u>398,728</u>	<u>468,633</u>	<u>2,085,100</u>	<u>1,616,467</u>	<u>(1,627,848)</u>
FUND BALANCE, Beginning	<u>2,355,451</u>	<u>2,703,013</u>	<u>2,703,013</u>	<u>-</u>	<u>4,330,861</u>
FUND BALANCE, Ending	<u>\$ 2,754,179</u>	<u>\$ 3,171,646</u>	<u>\$ 4,788,113</u>	<u>\$ 1,616,467</u>	<u>\$ 2,703,013</u>

See the accompanying Independent Auditor's Report.

PROSPECT RIDGE ACADEMY

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PERA School Division Trust Fund Pension Plan
 Last Ten Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Proportion of the Net Pension Liability (Asset)	0.10750%	0.10326%	0.11206%	0.09952%	0.08682%	0.07944%	0.04731%
Proportionate Share of the Net Pension Liability (Asset)	\$ 16,060,686	\$ 18,284,802	\$ 36,237,262	\$ 29,630,061	\$ 13,277,946	\$ 10,766,501	\$ 6,034,596
Covered Employee Payroll	\$ 6,315,340	\$ 5,863,272	\$ 5,169,342	\$ 4,466,490	\$ 3,753,503	\$ 2,890,172	\$ 2,369,201
Proportionate Share of Net Pension Liability as a Percentage of its Covered Employee Payroll	254.31%	311.85%	701.00%	663.39%	353.75%	372.52%	254.71%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	64.52%	57.01%	43.96%	43.13%	59.16%	62.84%	64.07%
Calculation of Collective Net Pension Liability (\$ in thousands)							
Total Pension Liability	\$ 42,111,180	\$ 41,184,604	\$ 57,699,176	\$ 52,354,913	\$ 37,447,062	\$ 36,473,966	\$ 35,494,976
Plan Fiduciary Net Position	27,171,397	23,477,550	25,362,730	22,581,046	22,152,768	22,920,607	22,740,003
Net Pension Liability	<u>\$ 14,939,783</u>	<u>\$ 17,707,054</u>	<u>\$ 32,336,446</u>	<u>\$ 29,773,867</u>	<u>\$ 15,294,294</u>	<u>\$ 13,553,359</u>	<u>\$ 12,754,973</u>

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

NOTE: Information for the prior three years was not available to report.

See the accompanying Independent Auditor's Report.

PROSPECT RIDGE ACADEMY

SCHEDULE OF ACADEMY CONTRIBUTIONS
 PERA School Division Trust Fund Pension Plan
 Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 1,216,443	\$ 1,121,644	\$ 963,049	\$ 809,777	\$ 733,517	\$ 581,438	\$ 391,905	\$ 334,674
Contributions in Relation to the Contractually Required Contribution	<u>1,216,443</u>	<u>1,121,644</u>	<u>963,049</u>	<u>809,777</u>	<u>733,517</u>	<u>581,438</u>	<u>391,905</u>	<u>334,674</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 6,315,240	\$ 5,863,272	\$ 5,169,342	\$ 4,405,750	\$ 4,137,152	\$ 3,444,538	\$ 2,452,469	\$ 2,219,324
Contributions as a Percentage of Covered Employee Payroll	19.26%	19.13%	18.63%	18.38%	17.73%	16.88%	15.98%	15.08%

NOTE: Information for the prior two years was not available to report.

See the accompanying Independent Auditor's Report.

PROSPECT RIDGE ACADEMY

SCHEDULE OF THE PROPORTIONATE SHARE OF THE NET OPEB LIABILITY

PERA Health Care Trust Fund Plan

Last Ten Years*

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Proportion of the Net Pension Liability (Asset)	0.07024%	0.06712%	0.06367%	0.05657%
Proportionate Share of the Net Pension Liability (Asset)	\$ 789,440	\$ 913,214	\$ 827,506	\$ 733,406
Covered Employee Payroll	\$ 6,315,340	\$ 5,863,272	\$ 5,169,342	\$ 4,466,500
Proportionate Share of Net Pension Liability as a Percentage of its Covered Employee Payroll	12.50%	15.58%	16.01%	16.42%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	24.49%	17.03%	17.53%	16.72%
Calculation of Collective Net Pension Liability (\$ in thousands)				
Total Pension Liability	\$ 1,488,508	\$ 1,639,734	\$ 1,575,822	\$ 1,556,762
Plan Fiduciary Net Position	364,510	279,192	276,222	260,228
Net Pension Liability	<u>\$ 1,123,998</u>	<u>\$ 1,360,542</u>	<u>\$ 1,299,600</u>	<u>\$ 1,296,534</u>

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

NOTE: Information for the prior six years was not available to report.

See the accompanying Independent Auditor's Report.

PROSPECT RIDGE ACADEMY

SCHEDULE OF ACADEMY OPEB CONTRIBUTIONS
 PERA Health Care Trust Fund Plan
 Last Ten Fiscal Years

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Contractually Required Contribution	\$ 64,415	\$ 59,805	\$ 52,727	\$ 45,558
Contributions in Relation to the Contractually Required Contribution	<u>64,415</u>	<u>59,805</u>	<u>52,727</u>	<u>45,558</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 6,315,340	\$ 5,863,272	\$ 5,169,342	\$ 4,466,500
Contributions as a Percentage of Covered Employee Payroll	1.02%	1.02%	1.02%	1.02%

NOTE: Information for the prior six years was not available to report.

See the accompanying Independent Auditor's Report.

PROSPECT RIDGE ACADEMY

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

June 30, 2020

NOTE 1: BUDGETARY INFORMATION

Budgets and Budgetary Accounting

A budget is legally adopted for the General Fund of the Academy on a basis consistent with generally accepted accounting principles (GAAP).

The Academy follows these procedures in establishing the budgetary data reflected in the financial statements:

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