



FINANCIAL REPORT

Year Ended June 30, 2020



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Independent Auditors' Report

Board of Directors
Cardinal Community Academy
Keenesburg, Colorado

We have audited the accompanying financial statements of the governmental activities and the major fund of Cardinal Community Academy (the School), a component unit of Weld County School District RE-3(J), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the governmental activities and the major fund of the School as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matter

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

Anderson & Whitney, P.C.

December 17, 2020

MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the report provides readers with a narrative overview and analysis of the financial activities of Cardinal Community Academy for the year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with the basic financial statements to enhance their understanding of the School's financial performance.

FINANCIAL HIGHLIGHTS

- Cardinal Community Academy's assets exceeded liabilities by \$1,207,186 at June 30, 2020.
- The General Fund balance was \$1,432,333 as of June 30, 2020.
- The June 30, 2020 General Fund balance is \$630,132 more than the previous year from increased enrollment. The total fund balance is 84% of 2020 General Fund operating expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Cardinal Community Academy, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Cardinal Community Academy are recorded in a General Fund.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources, as well as on balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

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

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

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

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14 through 38 of this report.

Budgetary Comparisons. Cardinal Community Academy adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided for the General Fund on page 40 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position. As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of June 30, 2020, assets exceeded liabilities by \$1,207,186.

The following table provides a summary of the School's net position for 2020 and 2019.

| June 30 | Governmental Activities | |
|---------------------------------------|-------------------------|-------------------|
| | 2020 | 2019 |
| Assets: | | |
| Current and other assets | \$ 1,621,756 | \$ 1,101,898 |
| Capital assets | 3,342,688 | 3,442,634 |
| Total assets | 4,964,444 | 4,544,532 |
| Deferred Outflows of Resources | 208,636 | 812,371 |
| Liabilities: | | |
| Current and other liabilities | 215,826 | 337,925 |
| Long-term liabilities | 2,532,097 | 2,774,425 |
| Total liabilities | 2,747,923 | 3,112,350 |
| Deferred Inflows of Resources | 1,217,971 | 1,651,782 |
| Net Position: | | |
| Net investment in capital assets | 3,126,313 | 3,075,158 |
| Restricted | 59,926 | 59,926 |
| Unassigned | (1,979,053) | (2,542,313) |
| Total net position | \$ 1,207,186 | \$ 592,771 |

A significant portion of Cardinal Community Academy’s net position represents an unrestricted net deficit of \$1,979,053 which may be used to meet the School’s ongoing obligations to students and creditors.

An additional \$59,926 of the School’s net position represents resources that are subject to external restriction on how they may be used. Included in this category is the TABOR emergency reserve of \$59,926.

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

The following table indicates the changes in net position:

| | Governmental Activities | |
|------------------------------------|-------------------------|-------------------|
| | 2020 | 2019 |
| Revenues: | | |
| Program revenues: | | |
| Operating grants and contributions | \$ 175,954 | \$ 230,950 |
| Capital grants and contributions | 52,423 | 50,551 |
| General revenues: | | |
| Per Pupil Revenue | 1,536,182 | 1,358,821 |
| Mill Levy override | 359,227 | 346,597 |
| Investment earnings | 13,264 | 10,605 |
| Total revenues | 2,137,050 | 1,997,524 |
| Expenses: | | |
| Instruction | 813,195 | 923,402 |
| Student services | 99,230 | 87,778 |
| General administrative services | 337,734 | 353,925 |
| Operations and maintenance | 120,042 | 137,196 |
| Unallocated depreciation | 136,850 | 135,370 |
| Interest on long-term debt | 15,584 | 3,447 |
| Total expenses | 1,522,635 | 1,641,118 |
| Increase in net position | \$ 614,415 | \$ 356,406 |

Governmental Activities. Governmental activities increased Cardinal Community Academy’s net position by \$614,415 in 2020. Key elements of this increase are as follows:

- Total revenues were \$2,137,050, which represents a 7% increase from the prior year. This is primarily due to an enrollment increase.
- Expenses totaled \$1,522,635, which represents a 7% decrease from the previous year, primarily due to cost controls and improvement in the financial position of Colorado PERA.

FINANCIAL ANALYSIS OF THE SCHOOLS FUNDS

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

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

General Fund. This is the primary operating fund of the Cardinal Community Academy. It accounts for the School's core services, such as instruction and student services. The General Fund balance was \$1,432,333 as of June 30, 2020. The 2020 fund balance is \$630,132 more than the previous year, primarily due to proceeds of a loan.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

2020 General Fund Budget

| | Final Budget | Actual |
|-------------------------------|-----------------|--------------|
| Beginning Fund Balance | \$ 802,201 | \$ 802,201 |
| Revenue and Financing Sources | 2,363,837 | 2,358,308 |
| Expenditures | (2,337,819) | (1,728,176) |
| Ending Fund Balance | \$ 828,219 | \$ 1,432,333 |

The ending fund balance is more than the budgeted fund balance as it was not necessary to spend the capital outlay budget.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. Cardinal Community Academy's investment in capital assets for its governmental type activities as of June 30, 2020 totals \$3,342,688 (net of accumulated depreciation). This investment includes all land, buildings, and equipment. The total decrease in investment in capital assets for the current year was \$100,034, due to depreciation being more than capital outlay.

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

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

Long-term Debt. At June 30, 2020, Cardinal Community Academy had \$216,375 of notes payable, funded from Per Pupil Revenue. It is anticipated to be repaid over approximately six years.

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

OTHER MATTERS

The following factors are expected to have a significant effect on the School's financial position and results of operations and were taken into account in developing the 2020-2021 budget:

- Based on the October 1, 2020 student count, the enrollment for 2020-2021 has decreased to approximately 177 FTE from 188 FTE in 2019-2020.
- CCA intends to make improvements or modifications in the following areas: building/maintenance, technology, student instructional initiatives and staff retention and recruitment.

REQUESTS FOR INFORMATION

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

CARDINAL COMMUNITY ACADEMY

STATEMENT OF NET POSITION

June 30, 2020

ASSETS

Current Assets:

| | |
|-------------------|--------------|
| Cash | \$ 1,520,444 |
| Grants receivable | 101,309 |

| | |
|----------------------|-----------|
| Total Current Assets | 1,621,754 |
|----------------------|-----------|

Noncurrent Assets:

| | |
|--------------------------------|-----------|
| Capital assets | 4,307,639 |
| Less: Accumulated depreciation | (964,951) |

| | |
|-------------------------|-----------|
| Total Noncurrent Assets | 3,342,688 |
|-------------------------|-----------|

| | |
|--------------|-----------|
| Total Assets | 4,964,442 |
|--------------|-----------|

Deferred Outflows of Resources:

| | |
|--------------|---------|
| Pension Plan | 208,636 |
|--------------|---------|

LIABILITIES

Current Liabilities:

| | |
|-----------------------------------|--------|
| Accounts payable | 21,173 |
| Accrued salaries and benefits | 69,251 |
| Unearned revenue | 98,997 |
| Current portion of long-term debt | 26,405 |

| | |
|---------------------------|---------|
| Total Current Liabilities | 215,826 |
|---------------------------|---------|

Noncurrent Liabilities:

| | |
|---------------------------------------|-----------|
| Long-term debt | 189,970 |
| Net postemployment benefits liability | 101,158 |
| Net pension liability | 2,240,967 |

| | |
|-------------------|-----------|
| Total Liabilities | 2,747,921 |
|-------------------|-----------|

Deferred Inflows of Resources:

| | |
|--------------|-----------|
| Pension Plan | 1,217,971 |
|--------------|-----------|

NET POSITION

| | |
|----------------------------------|-------------|
| Net investment in capital assets | 3,126,313 |
| Restricted for TABOR emergencies | 59,926 |
| Unrestricted | (1,979,053) |

| | |
|--------------------|--------------|
| TOTAL NET POSITION | \$ 1,207,186 |
|--------------------|--------------|

See Accompanying Notes to Financial Statements.

CARDINAL COMMUNITY ACADEMY

STATEMENT OF ACTIVITIES

| Year Ended June 30, 2020 | Program Revenues | | | | Net Revenue (Expense) and Changes in Net Position |
|--------------------------------------|---------------------|-------------------------|------------------------------------------|----------------------------------------|------------------------------------------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | |
| Functions/Programs: | | | | | |
| Governmental activities: | | | | | |
| Instruction | \$ 813,195 | \$ - | \$ 197,212 | \$ 52,423 | \$ 563,560 |
| Support services: | | | | | |
| Student services | 99,230 | - | - | - | 99,230 |
| General administration | 358,992 | - | - | - | 358,992 |
| Operations and maintenance | 120,042 | - | - | - | 120,042 |
| Unallocated depreciation | 136,850 | - | - | - | 136,850 |
| Interest on long-term debt | 15,584 | - | - | - | 15,584 |
| Total Support Services | 730,698 | - | - | - | 730,698 |
| TOTAL GOVERNMENTAL ACTIVITIES | \$ 1,543,893 | \$ - | \$ 197,212 | \$ 52,423 | \$ 1,294,258 |
| General Revenues: | | | | | |
| Per pupil revenue | | | | | \$ 1,536,182 |
| Mill levy override | | | | | 359,227 |
| Investment earnings | | | | | 13,264 |
| Total General Revenue | | | | | 1,908,673 |
| Change in Net Position | | | | | 614,415 |
| Net Position - Beginning | | | | | 592,771 |
| NET POSITION - Ending | | | | | \$ 1,207,186 |

See Accompanying Notes to Financial Statements.

CARDINAL COMMUNITY ACADEMY

BALANCE SHEET - GENERAL FUND

June 30, 2020

ASSETS

| | |
|-------------------|--------------|
| Cash | \$ 1,520,444 |
| Grants Receivable | 101,309 |

| | |
|---------------------|---------------------|
| TOTAL ASSETS | \$ 1,621,754 |
|---------------------|---------------------|

LIABILITIES

| | |
|-------------------------------|-----------|
| Accrued Salaries and Benefits | \$ 69,251 |
| Unearned Revenue | 98,997 |
| Accounts Payable | 21,173 |

| | |
|-------------------|---------|
| Total Liabilities | 189,421 |
|-------------------|---------|

EQUITY

| | |
|--------------------------------|-----------|
| Fund Balance: | |
| Reserved for TABOR Emergencies | 59,926 |
| Unassigned | 1,372,407 |

| | |
|--------------|-----------|
| Total Equity | 1,432,333 |
|--------------|-----------|

| | |
|-------------------------------------|---------------------|
| TOTAL LIABILITIES AND EQUITY | \$ 1,621,754 |
|-------------------------------------|---------------------|

See Accompanying Notes to Financial Statements.

CARDINAL COMMUNITY ACADEMY

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

June 30, 2020

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

| | |
|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| Total General Fund Balance | \$ 1,432,333 |
| Capital assets used in governmental activities are not financial resources and therefore not reported as net assets in the general fund. | |
| Cost of capital assets | 4,307,639 |
| Accumulated depreciation | (964,951) |
| Deferred inflows and outflows of resources related to pensions | (1,009,335) |
| Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported as liabilities in the General Fund. Long-term liabilities at year-end consist of: | |
| Notes payable | (216,375) |
| Net pension liability | (2,240,967) |
| Net other postemployment benefits liability | (101,158) |
| TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES | \$ 1,207,186 |

See Accompanying Notes to Financial Statements.

CARDINAL COMMUNITY ACADEMY

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

| Year Ended June 30, 2020 | General Fund |
|----------------------------------|---------------------|
| Revenue: | |
| Local sources | \$ 359,227 |
| State sources | 1,671,679 |
| Federal sources | 8,949 |
| Interest income | 13,264 |
| Contributions and other | 105,189 |
| Total Revenue | 2,158,308 |
| Expenditures: | |
| Current: | |
| Instruction | 1,075,569 |
| Supporting services | 572,943 |
| Capital outlay | 42,227 |
| Debt service | 37,437 |
| Total Expenditures | 1,728,176 |
| Revenue Over Expenditures | 430,132 |
| Other Financing Sources: | |
| Proceeds of loan | 200,000 |
| Fund Balance, Beginning of Year | 802,201 |
| Fund Balance, End of Year | \$ 1,432,333 |

See Accompanying Notes to Financial Statements.

CARDINAL COMMUNITY ACADEMY

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

Year Ended June 30, 2020

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

| | |
|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------|
| Total net change in governmental fund fund balance | \$ 430,132 |
| Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as depreciation expense in the statement of activities: | |
| Capital Outlay | 36,904 |
| Depreciation Expense | (136,850) |
| Repayment of loan principal is an expenditure in the governmental funds, and additional borrowing is an other financing source, but they change long-term debt in the statement of net position and do not affect the statement of activities | (178,147) |
| The governmental funds report District pension and OPEB contributions as expenditures. However, in the statement of activities, the cost of pension and OPEB benefits earned, net of employee contributions, is reported as pension and OPEB expense | 262,374 |
| <hr/> | |
| Change in Net Position of Governmental Activities | \$ 414,413 |

See Accompanying Notes to Financial Statements.

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies:

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

Reporting Entity:

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

The School is funded at 100% of per pupil revenue (PPR) as defined by the State of Colorado, reduced by administrative charges incurred by Cardinal Community Academy. As such, future funding is dependent on the level of the PPR set by the State of Colorado Legislature and number of full-time equivalent (FTE) students. As of the designated count day, October 1, 2019, there were 188 funded students enrolled.

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

Basis of Presentation:

Government-wide Financial Statements:

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

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

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Basis of Presentation - Continued:

Government-wide Financial Statements – Continued:

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

Fund Financial Statements:

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

The School reports the following Governmental Fund:

General Fund:

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

Measurement Focus:

Governmental-wide Statements:

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

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Governmental-wide Statements - continued:

recognized in the fiscal year in which all eligibility requirements have been satisfied.

Measurement Focus - Continued:

Governmental-wide Statements - Continued:

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

Fixed Assets:

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

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

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

| | |
|-----------|---------------|
| Buildings | 30 - 40 years |
| Equipment | 3 - 10 years |

Estimates:

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

Budget:

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

Any budget revisions that alter the total appropriation must be approved by the Board of Directors through a supplemental appropriation resolution. The budget was not amended during the year ended June 30, 2020.

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Employee Leave:

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

Income Taxes:

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

Net Position:

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

Deferred Outflows and Inflows of Resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditures) until then. The School has one item that qualifies for reporting in this category: changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The School has one type of item that qualifies for reporting in this category: changes in the net pension liability not included in pension expense reported in the government-wide statement of net position.

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Pensions:

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

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. A brief description of some of the major changes to plan provisions required by SB 18-200 for the SCHDTF can be found online at www.leg.colorado.gov.

Other Postemployment Benefits (OPEB):

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

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 2 - Changes in Capital Assets:

| | Balance, 7/1/19 | Additions | Deletions/ Reclassifications | Balance, 6/30/20 |
|--------------------------------|--------------------|-------------------|---------------------------------|---------------------|
| Land and Improvements | \$ 115,780 | \$ -- | \$ -- | \$ 115,780 |
| Construction in Progress | 329,248 | -- | 329,248 | -- |
| Building and Improvements | 3,381,843 | 247,349 | -- | 3,629,192 |
| Furniture and Equipment | 443,864 | 118,803 | -- | 562,667 |
| | 4,270,735 | 366,152 | 329,248 | 4,307,639 |
| Less: Accumulated Depreciation | 828,101 | 136,850 | -- | 964,951 |
| Total Capital Assets | \$3,442,634 | \$ 229,302 | \$ (329,248) | \$ 3,342,688 |

NOTE 3 – Cash and Investments:

The School's bank accounts are with commercial banks. At June 30, 2020, the School's carrying amount for deposits was \$705,928. FDIC insurance covers \$250,000 of the balance, with the remainder being collateralized through the Public Deposit Protection Act.

At June 30, 2020, the School had invested \$805,406 in the Colorado Local Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds, COLOTRUST operates similarly to a money market fund and each share is valued at the net asset value (NAV) of \$1.00. Investments of COLTRUST consist of bills, notes, and bonds issued by the U.S. Treasury or a government agency, and repurchase agreements secured by such obligations. COLOTRUST is rated AAA by Standard & Poor's. The School's interest is valued at NAV.

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 4 - Accrued Salaries and Benefits:

Salaries of certain personnel are paid over a twelve-month period from August to July, but are earned during a school year of approximately nine months. The salaries and benefits earned, but unpaid, as of June 30, 2020 are estimated to be \$168,248.

NOTE 5 - Long-Term Debt:

| June 30 | 2020 |
|----------------------------------------------------------------------------------------------------------------------------------------|------------|
| Note payable to a bank in monthly installments of \$3,095 with balance due in June 2027, interest of 5.25%, collateralized by property | \$ 216,375 |

Changes in long-term debt were as follows:

| | Balance, 07/01/19 | Additions | Deductions | Balance, 06/30/20 |
|---------------------|----------------------|------------|------------|----------------------|
| Note payable – bank | \$ 38,228 | \$ 200,000 | \$ 21,853 | \$ 216,375 |

Future maturities of long-term debt are as follows:

| Year Ending June 30 | Annual Maturities |
|---------------------|----------------------|
| 2021 | \$ 26,405 |
| 2022 | 27,825 |
| 2023 | 29,321 |
| 2024 | 30,898 |
| 2025 | 32,560 |
| Thereafter | 69,366 |
| | \$ 216,375 |

NOTE 6 – Defined Benefit Pension Plan:

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

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – Defined Benefit Pension Plan – Continued:

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.

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

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

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

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

As of December 31, 2019, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments in certain years, referred to as annual increases in the C.R.S. Pursuant to SB 18-200, there are no annual increases for 2018 and 2019 for all benefit recipients.

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – Defined Benefit Pension Plan – Continued:

Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure will receive an annual increase, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 1.5 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 will receive the lesser of an annual increase of 1.5 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve for the SCHDTF. The automatic adjustment provision may raise or lower the aforementioned AI for a given year by up to one-quarter of 1 percent based on the parameters specified C.R.S. § 24-51-413.

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

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

Contributions provisions as of June 30, 2020: Eligible employees, Cardinal Community Academy and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 8 percent of their PERA-includable salary during the period of July 1, 2019 through June 30, 2020. Employer contribution requirements are summarized in the table below:

| Period | January 1, 2019 – June 30, 2020 |
|--------------------------------------------------------------------------------------------------------------------|------------------------------------|
| Employer contribution rate as a percentage of salary | 10.15% |
| Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) | (1.02) |
| Amount Apportioned to the SCHDTF | 9.13 |
| Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 | 4.50 |
| Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 | 5.50 |
| Total Employer Contribution Rate to the SCHDTF | 19.13% |

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – Defined Benefit Pension Plan – Continued:

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and Cardinal Community Academy is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from Cardinal Community Academy were \$169,316 for the year ended June 30, 2020.

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. Cardinal Community Academy proportion of the net pension liability was based on Cardinal Community Academy's contributions to the SCHDTF for the calendar year 2019 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2020, Cardinal Community Academy reported a liability of \$2,240,967 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 Cardinal Community 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 Cardinal Community Academy were as follows:

| | |
|----------------------------------------------------------------------------------------------------------------------------------------------|---------------------|
| June 30, 2020 | |
| Cardinal Community Academy's proportionate share of the net pension liability | \$ 2,240,967 |
| The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with Cardinal Community Academy | 362,189 |
| Total | \$ 2,603,156 |

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – Defined Benefit Pension Plan – Continued:

At December 31, 2019, Cardinal Community Academy's proportion was .015 percent, which is approximately the same as its proportion measured at December 31, 2018.

For the year ended June 30, 2020 Cardinal Community Academy recognized pension expense of \$(93,058) and revenue of \$17,831 for support from the State as a nonemployer contributing entity. At June 30, 2020 Cardinal Community Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| June 30, 2020 | Deferred Outflows of Resources | Deferred Inflows of Resources |
|----------------------------------------------------------------------------------|-----------------------------------|----------------------------------|
| Difference between expected and actual experience | \$ 122,134 | \$ -- |
| Net difference between projected and actual earnings on pension plan investments | -- | 265,465 |
| Changes in assumptions and other inputs | -- | 952,506 |
| Contributions subsequent to the measurement date | 86,502 | -- |
| Total | \$ 208,636 | \$ 1,217,971 |

Deferred outflows of resources related to pensions of \$86,502, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Years Ending June 30 | Amount |
|----------------------|--------------|
| 2021 | \$ 104,144 |
| 2022 | 533,642 |
| 2023 | 362,556 |
| 2024 | 95,495 |
| | \$ 1,095,837 |

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – Defined Benefit Pension Plan – Continued:

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

| | |
|---------------------------------------------------------------------------------------------------------------|--------------------------------------------|
| Price inflation | 2.4 percent |
| Real wage growth | 1.1 percent |
| Wage inflation | 3.5 percent |
| Salary increases, including wage inflation | 3.5 – 9.70 percent |
| Long-term investment rate of return, net of pension plan investment expenses, including price inflation | 7.25 percent |
| Discount rate | 7.25 percent |
| Post-retirement benefit increases: | |
| PERA Benefit Structure hired prior to 1/1/07 (automatic) | 1.25 percent |
| PERA Benefit Structure hired after 12/31/06 (ad hoc, substantively automatic) | Financed by the Annual Increase Reserve |

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – Defined Benefit Pension Plan – Continued:

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

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

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

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

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

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

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – Defined Benefit Pension Plan – Continued:

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

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

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

Discount rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied to 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 percent.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – Defined Benefit Pension Plan – Continued:

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions 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 of Colorado, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million, 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 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.
- Benefit payments and contributions were assumed to be made at the middle of the month.

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

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – Defined Benefit Pension Plan – Continued:

Sensitivity of Cardinal Community Academy proportionate share of the net pension liability to changes in the discount rate: The following presents the Trust Fund's collective net pension liability calculated using the discount rate of 7.25 percent as of the measurement date, as well as if it were calculated using a discount rate that is 1-percentage point lower (6.25 percent) or 1-percentage point higher (8.25 percent):

| June 30, 2020 | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|-----------------------------------------------------|------------------------|----------------------------------|------------------------|
| Proportionate share of the net pension liability | \$ 3,376,724 | \$ 2,240,967 | \$ 2,051,298 |

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

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

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

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Other Postemployment Benefits:

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

General Information about the OPEB Plan:

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

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

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Other Postemployment Benefits – Continued:

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

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

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

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

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Other Postemployment Benefits – Continued:

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and Cardinal Community Academy is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from Cardinal Community Academy were \$8,278 for the year ended June 30, 2020.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB: At June 30, 2020, Cardinal Community Academy reported a liability of \$101,158 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. Cardinal Community Academy proportion of the net OPEB liability was based on Cardinal Community 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, Cardinal Community Academy proportion was .009 percent, which was approximately the same as its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, Cardinal Community Academy recognized OPEB expense of \$(8,929). At June 30, 2020, Cardinal Community Academy did not have deferred outflows of resources and deferred inflows of resources related to OPEB that were material to the financial statements.

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Other Postemployment Benefits – Continued:

Actuarial assumptions. The total OPEB liability in the December 31, 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 percent |
| Real wage growth | 1.10 percent |
| Wage inflation | 3.50 percent |
| Salary increases, including wage inflation | 3.50 percent in aggregate |
| Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation | 7.25 percent |
| Discount rate | 7.25 percent |
| Health care cost trend rates | |
| PERA benefit structure: | |
| Service-based premium subsidy | 0.00 percent |
| PERACare Medicare plans | 5.60 percent |
| Medicare Part A premiums | 3.5 percent for 2019, gradually rising to 4.5 percent 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.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2016, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Other Postemployment Benefits – Continued:

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

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

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

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

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

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.

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Other Postemployment Benefits – Continued:

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

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

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

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Other Postemployment Benefits – Continued:

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

| | 1% Decrease in Trend Rates | Current Trend Rates | 1% Increase in Trend Rates |
|-------------------------------------|-------------------------------------|------------------------|-------------------------------------|
| PERACare Medicare trend rate | 4.00% | 5.00% | 6.00% |
| Initial Medicare Part A trend rate | 2.00% | 3.00% | 4.00% |
| Ultimate Medicare Part A trend rate | 3.25% | 4.25% | 5.25% |
| Net OPEB Liability | \$ 98,125 | \$ 101,160 | \$ 103,937 |

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

- Updated health care cost trend rates for Medicare Part A premiums as of 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. For future plan members, employer contributions were reduced by the estimated amount of total service costs for future plan members.
- Employer contributions and the amount of total service costs for future plan members were based upon a process used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Other Postemployment Benefits – Continued:

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

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

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

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|-----------------------------------------------|---------------------------|-------------------------------------|---------------------------|
| June 30, 2020 | | | |
| Proportionate share of the net OPEB liability | \$ 114,382 | \$ 101,160 | \$ 89,920 |

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

CARDINAL COMMUNITY ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 8 - Contingencies:

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School carries commercial insurance for these and other risks of loss, including workers' compensation, employee fidelity, and director liability. Settled claims have not exceeded this coverage in the past three years.

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

REQUIRED SUPPLEMENTARY INFORMATION

CARDINAL COMMUNITY ACADEMY

BUDGETARY COMPARISON SCHEDULE - GENERAL FUND

| Year Ended June 30, 2020 | Actual | Original Budget | Amended Budget | Variance |
|-----------------------------------------|---------------------|-------------------|-------------------|-------------------|
| Revenue: | | | | |
| Weld County School District RE-3(J) PPR | \$ 1,536,182 | \$ 1,536,182 | 1,536,182 | \$ - |
| Mill Levy override | 359,227 | 330,082 | 330,082 | 29,145 |
| Colorado Department of Education grants | 116,696 | 68,705 | 68,705 | 47,991 |
| State grant - rural funds | 18,801 | 25,000 | 25,000 | (6,199) |
| Federal grants | 8,949 | - | - | 8,949 |
| Contributions, interest, and other | 118,453 | 403,868 | 403,868 | (285,415) |
| Total Revenue | 2,158,308 | 2,363,837 | 2,363,837 | (205,529) |
| Expenditures: | | | | |
| Current: | | | | |
| Instruction: | | | | |
| Teachers' salaries | 533,847 | 537,349 | 537,349 | 3,502 |
| Substitute teachers | 9,335 | 15,000 | 15,000 | 5,665 |
| Teachers aides | 116,096 | 124,723 | 124,723 | 8,627 |
| After school staff | 9,237 | 8,880 | 8,880 | (357) |
| Supplemental contracts | 7,168 | 8,500 | 8,500 | 1,332 |
| Incentives | 84,905 | 128,400 | 128,400 | 43,495 |
| PERA contributions | 132,342 | 141,767 | 141,767 | 9,425 |
| Other benefits | 57,546 | 72,472 | 72,472 | 14,926 |
| Special education | 75,352 | 90,000 | 90,000 | 14,648 |
| Educational equipment & furniture | 19,608 | 30,500 | 30,500 | 10,892 |
| Instructional materials & supplies | 30,133 | 45,000 | 45,000 | 14,867 |
| Total Instruction | 1,075,569 | 1,202,591 | 1,202,591 | 127,022 |
| Supporting Services: | | | | |
| RE-3(J) administrative withholding | 98,888 | 95,000 | 95,000 | (3,888) |
| Director salary | 66,001 | 60,000 | 60,000 | (6,001) |
| Office staff salary | 87,958 | 86,221 | 86,221 | (1,737) |
| Staff development | 3,359 | 15,000 | 15,000 | 11,641 |
| Accountability/evaluation | 7,913 | 10,500 | 10,500 | 2,587 |
| PERA contributions and on-behalf | 58,232 | 62,379 | 62,379 | 4,147 |
| Other benefits | - | - | - | - |
| Custodian | 32,808 | 35,044 | 35,044 | 2,236 |
| Utilities | 42,203 | 48,500 | 48,500 | 6,297 |
| Telephone | 2,719 | 5,000 | 5,000 | 2,281 |
| Office supplies | 6,814 | 10,000 | 10,000 | 3,186 |
| Building expense | 17,816 | 40,000 | 40,000 | 22,184 |
| Insurance | 37,577 | 37,000 | 37,000 | (577) |
| Equipment rentals | 12,118 | 11,000 | 11,000 | (1,118) |
| Water/wastewater | 7,057 | 12,500 | 12,500 | 5,443 |
| Contracted services | 29,540 | 33,250 | 33,250 | 3,710 |
| Fundraising expense | 35,096 | 75,000 | 75,000 | 39,904 |
| PTO expense | 9,090 | 75,000 | 75,000 | 65,910 |
| Miscellaneous expense | 17,754 | 38,500 | 38,500 | 20,746 |
| Total Supporting Services | 572,943 | 749,894 | 749,894 | 176,951 |
| Capital outlay | 42,227 | 345,000 | 345,000 | 302,773 |
| Debt service (principal) | 21,853 | 17,695 | 17,695 | (4,158) |
| Interest expense | 15,584 | 22,639 | 22,639 | 7,055 |
| Total Expenditures | 1,728,176 | 2,337,819 | 2,337,819 | 609,643 |
| Revenue Over (Under) Expenditures | 430,132 | 26,018 | 26,018 | 404,114 |
| Financing Source: Proceeds of loan | 200,000 | - | - | 200,000 |
| Fund Balance, Beginning of Year | 802,201 | 802,201 | 802,201 | - |
| Fund Balance, End of Year | \$ 1,432,333 | \$ 828,219 | \$ 828,219 | \$ 604,114 |

CARDINAL COMMUNITY ACADEMY

SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS

| Year Ended June 30 | Statutorily Required Contributions | Contributions Made | Covered Payroll | % of Covered Payroll |
|--------------------|------------------------------------------|-----------------------|--------------------|-------------------------|
| 2020 | \$ 169,316 | \$ 169,316 | \$ 855,282 | 19.8% |
| 2019 | 146,979 | 146,979 | 768,317 | 19.1% |
| 2018 | 150,643 | 150,643 | 784,936 | 19.2% |
| 2017 | 130,184 | 130,184 | 725,567 | 17.9% |
| 2016 | 125,837 | 125,837 | 683,636 | 18.4% |
| 2015 | 115,288 | 115,288 | 669,194 | 17.2% |

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

SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS

| Year Ended June 30 | Statutorily Required Contributions | Contributions Made | Covered Payroll | % of Covered Payroll |
|--------------------|------------------------------------------|-----------------------|--------------------|-------------------------|
| 2020 | \$ 8,278 | \$ 8,278 | \$ 855,282 | 1.0% |
| 2019 | 7,837 | 7,837 | 768,317 | 1.0% |
| 2018 | 7,179 | 7,179 | 784,936 | 1.0% |
| 2017 | 6,844 | 6,844 | 725,936 | 1.0% |

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

CARDINAL COMMUNITY ACADEMY

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

| Year Ended June 30 | Cumulative Proportion of Net Pension Liability | Cumulative Proportionate Share | Covered Payroll | % of Covered Payroll | Plan Net Position as a % of Net Pension Liability |
|--------------------|---------------------------------------------------------|--------------------------------------|--------------------|----------------------------|------------------------------------------------------------|
| 2020 | 0.015% | \$ 2,240,967 | \$ 855,282 | 262% | 64.5% |
| 2019 | 0.015% | 2,656,058 | 768,317 | 333% | 57.0% |
| 2018 | 0.015% | 4,850,467 | 784,936 | 618% | 44.0% |
| 2017 | 0.015% | 4,466,080 | 725,567 | 615% | 43.1% |
| 2016 | 0.015% | 2,295,674 | 672,599 | 341% | 59.2% |
| 2015 | 0.015% | 2,030,293 | 669,194 | 308% | 62.8% |

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

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

| Year Ended June 30 | Cumulative Proportion of Net OPEB Liability | Cumulative Proportionate Share | Covered Payroll | % of Covered Payroll | Plan Net Position as a % of Net OPEB Liability |
|--------------------|------------------------------------------------------|--------------------------------------|--------------------|----------------------------|---------------------------------------------------------|
| 2020 | 0.009% | \$ 101,158 | \$ 855,282 | 11.8% | 24.5% |
| 2019 | 0.009% | 118,367 | 768,317 | 15.4% | 17.0% |
| 2018 | 0.009% | 113,065 | 784,936 | 14.4% | 17.5% |
| 2017 | 0.009% | 112,798 | 725,567 | 15.5% | 16.7% |

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