

HIGH POINT ACADEMY

FINANCIAL STATEMENTS
With Independent Auditors' Report

For the Year Ended June 30, 2020

HIGH POINT ACADEMY
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JUNE 30, 2020

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors
High Point Academy

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of High Point Academy 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 to fraud or error.

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of High Point Academy, as of June 30, 2020, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

Required Supplementary Information

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

Hoelting & Company Inc.

Colorado Springs, Colorado
September 25, 2020

HIGH POINT ACADEMY
Management’s Discussion and Analysis
Fiscal Year Ended June 30, 2020

Introduction

As management of High Point Academy (the “School”), we offer readers of the School’s financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information provided in the accompanying financials.

Financial Highlights

Fiscal year ended June 30, 2020 is the sixth year of reporting net pension liability and deferred inflows and outflows following Governmental Accounting Standards Board Statement (GASB) No. 68, Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. As such, the School included the Net Pension Liability per GASB Statement No. 68 in the amount of \$6,021,575 for FY 2020 and \$9,629,300 for FY 2019 as noncurrent liability on the Statement of Net Position. The School also participates in a Postemployment Healthcare Benefit Plan and as a result of GASB statement No. 75 has recorded a Net OPEB Liability as of June 30, 2020 of \$101,909 and \$480,925 for FY 2019. For FY 2020 and FY 2019, the liabilities and deferred inflows of resources of the School exceeded its assets and deferred outflows by \$11,721,405 and \$13,777,110 (net position), respectively.

The general fund ending fund balance increased from \$2,201,371 to \$2,530,393; an increase of \$329,022.

Overview of Financial Statements

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

Government-wide Financial Statements

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

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

The statement of activities presents information showing how the School’s net position changed during the most recent fiscal year. All changes in net position are reported as

HIGH POINT ACADEMY
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020

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 the School supported primarily by per pupil revenue (PPR) or property taxes passed through The Charter School Institute. The governmental activities of the School include instruction and supporting services expense. The government-wide financial statements can be found on pages 1-2 of this report.

Fund Financial Statements

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

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

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

The School maintains one 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 balance for the general fund because it is considered to be a major fund.

The School adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

HIGH POINT ACADEMY
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020

Proprietary Fund. The High Point Academy Building Corporation (the "Corporation"), considered a component unit of the charter school, is reported as business-type activities in the proprietary fund. It is presented with statements of net position, statement of revenues, expenses and changes in net position and 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. This information is provided in pages 10-38.

Government-wide Financial Analysis

The School's liabilities and deferred inflows of resources exceeded assets and deferred outflows of resources by \$11,721,405 at the close of the most recent fiscal year. The negative balance is due primarily to the adoption of GASB Statements No. 68 and No. 75, resulting in a net pension liability of \$6,021,575 and a Net OPEB Liability of \$101,909, representing the School's proportionate share of the PERA's net pension and OPEB liability.

High Point Academy's Net Position
Governmental and Business-Type Activities

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Cash and Investments	\$ 3,177,819	\$ 2,261,912
Restricted Cash and Investments	1,307,770	1,307,949
Receivables, Prepaids and Deposits	198,419	124,676
Capital Assets	<u>7,909,629</u>	<u>8,195,657</u>
Total Assets	<u>12,593,637</u>	<u>11,890,194</u>
Deferred Outflows of Resources		
Pensions, Net of Accumulated Amortization	937,815	2,938,283
OPEB, Net of Accumulated Amortization	<u>20,509</u>	<u>23,196</u>
Current liabilities	1,236,901	837,001
Long-Term Debt	9,904,583	9,897,179
Net Pension Liability	7,633,100	9,629,300
Net OPEB Liability	<u>375,298</u>	<u>480,925</u>
Total Liabilities	<u>19,149,882</u>	<u>20,844,405</u>
Deferred Inflows of Resources		
Pensions, Net of Accumulated Amortization	6,021,575	7,770,448
OPEB, Net of Accumulated Amortization	<u>101,909</u>	<u>13,930</u>

HIGH POINT ACADEMY
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020

Net Position		
Net Investment in Capital Assets	(1,994,954)	(1,961,523)
Restricted for:		
Debt Service	916,714	916,166
Building Repairs	211,960	208,787
Emergencies	198,000	188,000
Unrestricted	<u>(11,053,125)</u>	<u>(13,128,540)</u>
Total Net Position	<u><u>\$(11,721,405)</u></u>	<u><u>\$(13,777,110)</u></u>

A portion of the School's Governmental and Business-Type assets (37%) is in cash and investments and (63%) are net capital assets. As outlined in Note 8 to the financial statements the School participates in a Defined Benefit Pension Plan and has recorded a Net Pension Liability as of June 30, 2020 of \$6,021,575 and a Net OPEB Liability of \$101,909. This and the operating loss in the enterprise fund resulted in a negative government-wide Net Position of \$11,721,405.

High Point Academy's Change in Net Position
For the Years Ended June 30, 2020 and 2019
Governmental and Business-Type Activities

	<u>June 30, 2020</u>	<u>June 30, 2019</u>
Program Revenue:		
Charges for Services	\$ 61,967	\$ 293,012
Operating Grants and Contributions	589,246	522,794
Capital Grants and Contributions	196,589	203,243
Total Program Revenue	<u>847,802</u>	<u>1,019,049</u>
General Revenue:		
Per Pupil Revenue	5,875,237	5,368,523
Other	127,664	147,159
Total General Revenue	<u>6,002,901</u>	<u>5,515,682</u>
Total Revenue	<u>6,850,703</u>	<u>6,534,731</u>
Expenses:		
Current:		
Instruction	2,202,622	2,605,273
Supporting Services	1,748,942	1,826,912
Business-type activities	290,943	291,577
Interest on Long-term Debt	552,491	563,891
Total Expenses	<u>4,794,998</u>	<u>5,287,653</u>
Increase (Decrease) in Net Position	2,055,705	1,247,078
Beginning Net Position, June 30	<u>\$(13,777,110)</u>	<u>\$(15,024,188)</u>

HIGH POINT ACADEMY
Management’s Discussion and Analysis
Fiscal Year Ended June 30, 2020

Ending Net Position, June 30

\$(11,721,405)

\$(13,777,110)

The largest portion of the School’s revenues come from per pupil funding – 86% in FY2020 and 82% in FY2019. In FY2020 approximately 12% of revenues came from program revenues, vs 16% in FY2019. The School’s revenue increased by \$315,972 and expenses decreased by \$492,655 in FY2020. The decrease in expense is comprised of an increase of \$93,582 in General Fund operating cost offset by a decrease in recognized Pension and OPEB changes.

Financial Analysis of the Government’s Funds

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

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

Overall revenue increased in FY2020 by \$325,236. The PPR rate per FTE student from the state increased 5.1% from FY2019. Total PPR revenue received increased by \$506,715.

Fiscal Year	PK – 8 Enrollment
2010 / 2011	543
2011 / 2012	751
2012 / 2013	814
2013 / 2014	818
2014 / 2015	760
2015 / 2016	751
2016 / 2017	766
2017 / 2018	727
2018 / 2019	706
2019 / 2020	705

Expenditures increased \$93,582. Salary and benefit expenditures increased by 2.5% or \$107,593.

As of the end of the current fiscal year, the School’s governmental fund reported an ending fund balance of \$2,530,393, an increase of \$329,022.

HIGH POINT ACADEMY
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020

Proprietary Fund. The High Point Academy Building Corporation net position is a deficit balance of \$1,082,099, a decrease of \$25,170. The decrease is largely attributed to the recording of non-cash transactions such as building depreciation. The Corporation will continue to incur an operating deficit in future years due to the annual recording of non-cash depreciation. The Building Fund has \$1,095,810 in restricted cash and investments required to be held for future debt service.

General Fund Budgetary Highlights

The School approves a budget in June based on enrollment projections for the following school year. In October after enrollment stabilizes, adjustments are made to the budget. The School typically includes all reserve funds in its annual appropriations (the approved budget) for emergencies, but manages operations to a budget excluding these funds. Actual expenditures in the general fund (excluding appropriated reserves) were under budget by \$306,946. Appropriated reserves of \$500,000 to be used in building an athletic field were not expensed in 19-20, which makes the total variance to budget \$806,946. Both revenue and expense results include an additional \$73,329 reflecting the State's pension contribution as described in Note 1 of the audit on page 14.

Capital Asset and Debt Administration

Capital assets. Capital assets include the land and building owned by the Corporation reported as business type activities of \$7,905,770 and other capital assets in the governmental activities of \$3,859. Depreciation expense of \$7,713 and \$278,315 was reported in the governmental activities and business type activities, respectively.

Long-term debt. The School participates in a long-term lease agreement with the Corporation. The Corporation is required to make monthly principal and interest payments due under the loan agreement with CECFA, with interest accruing at rates ranging from 2.375% to 6.25%. The loan ends in March 2042. Annual debt service ranges from \$58,438 to \$822,875 with interest payments beginning in calendar year 2010.

Economic Factors and Next Year's Budget

The School continues to maintain a healthy fund balance for operations and future facility planning and emergencies. The FY2021 budget projects the School will increase fund balance by \$40K.

The funded pupil count in the adopted budget for the 2020-21 school year is expected to reduce by 16 students to 689. The reduced enrollment is anticipated due to impacts of COVID-19 on in-person enrollment vs on-line. The economic outlook for FY2021, with economic impacts of the COVID-19 virus, is expecting to decrease about \$425 per

HIGH POINT ACADEMY
Management's Discussion and Analysis
Fiscal Year Ended June 30, 2020

funded FTE or 5.1% in PPR funding. Charter Capital Construction funding from the State is also budgeted to reduce by about 30%.

Requests for Information

This financial report is designed to provide a general overview of the School's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Chief Financial Officer, High Point Academy 6750 N. Dunkirk Street, Aurora, CO 80019.

BASIC FINANCIAL STATEMENTS

HIGH POINT ACADEMY
STATEMENT OF NET POSITION
JUNE 30, 2020

	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and investments	\$ 3,177,819	\$ -	\$ 3,177,819
Restricted cash and investments	211,960	1,095,810	1,307,770
Receivables	197,319	-	197,319
Deposits	1,100	-	1,100
Capital assets not being depreciated	-	1,535,000	1,535,000
Capital assets, net of accumulated depreciation	3,859	6,370,770	6,374,629
Total Assets	<u>3,592,057</u>	<u>9,001,580</u>	<u>12,593,637</u>
DEFERRED OUTFLOWS OF RESOURCES			
Deferred pension outflows	937,815	-	937,815
Deferred OPEB outflows	20,509	-	20,509
Total Deferred Outflows of Resources	<u>958,324</u>	<u>-</u>	<u>958,324</u>
LIABILITIES			
Accounts payable and other accrued liabilities	278,103	-	278,103
Accrued salaries and benefits	199,161	-	199,161
Unearned revenue	580,541	-	580,541
Accrued interest payable	-	179,096	179,096
Long-term liabilities			
Due within one year	-	275,000	275,000
Due in more than one year	-	9,629,583	9,629,583
Net pension liability	7,633,100	-	7,633,100
Net OPEB liability	375,298	-	375,298
Total Liabilities	<u>9,066,203</u>	<u>10,083,679</u>	<u>19,149,882</u>
DEFERRED INFLOWS OF RESOURCES			
Deferred pension inflows	6,021,575	-	6,021,575
Deferred OPEB inflows	101,909	-	101,909
Total Deferred Inflows of Resources	<u>6,123,484</u>	<u>-</u>	<u>6,123,484</u>
NET POSITION			
Net investment in capital assets	3,859	(1,998,813)	(1,994,954)
Restricted for:			
TABOR	198,000	-	198,000
Debt Service	-	916,714	916,714
Building repairs	211,960	-	211,960
Unrestricted	(11,053,125)	-	(11,053,125)
Total Net Position (deficit)	<u>\$ (10,639,306)</u>	<u>\$ (1,082,099)</u>	<u>\$ (11,721,405)</u>

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

**HIGH POINT ACADEMY
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Governmental activities:						
Instruction	\$ 2,202,622	\$ 61,967	\$ 589,246	\$ -	\$ (1,551,409)	\$ (1,551,409)
Supporting services	1,748,942	-	-	196,589	(1,552,353)	(1,552,353)
Total governmental activities	<u>3,951,564</u>	<u>61,967</u>	<u>589,246</u>	<u>196,589</u>	<u>(3,103,762)</u>	<u>(3,103,762)</u>
Business-type activities:						
Building Corporation	843,434	-	-	-	(843,434)	(843,434)
Total	<u>\$ 4,794,998</u>	<u>\$ 61,967</u>	<u>\$ 589,246</u>	<u>\$ 196,589</u>	<u>(843,434)</u>	<u>(3,947,196)</u>
General revenues:						
Per pupil revenue				5,875,237	-	5,875,237
District mill levy				29,517	-	29,517
Grants and contributions not restricted to specific programs				5,435	-	5,435
Unrestricted investment earnings				35,702	18,707	54,409
Miscellaneous				38,303	-	38,303
Transfers				(799,557)	799,557	-
Total general revenues and transfers				<u>5,184,637</u>	<u>818,264</u>	<u>6,002,901</u>
Change in net position				2,080,875	(25,170)	2,055,705
Net position - beginning (deficit)				<u>(12,720,181)</u>	<u>(1,056,929)</u>	<u>(13,777,110)</u>
Net position - ending (deficit)				<u>\$ (10,639,306)</u>	<u>\$ (1,082,099)</u>	<u>\$ (11,721,405)</u>

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

**HIGH POINT ACADEMY
BALANCE SHEET
GENERAL FUND
JUNE 30, 2020**

ASSETS

Cash and investments	\$ 3,177,819
Restricted cash and investments	211,960
Receivables	197,319
Deposits	<u>1,100</u>
 Total Assets	 <u><u>\$ 3,588,198</u></u>

LIABILITIES

Accounts payable and other accrued liabilities	\$ 278,103
Accrued salaries and benefits	199,161
Unearned revenue	<u>580,541</u>
 Total Liabilities	 <u>1,057,805</u>

FUND BALANCE

Restricted for:	
Building repairs	211,960
Emergencies	198,000
Unassigned	<u>2,120,433</u>
 Total Fund Balance	 <u>2,530,393</u>

Total Liabilities and Fund Balance	<u><u>\$ 3,588,198</u></u>
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The accompanying notes are an integral part of these financial statements.

**HIGH POINT ACADEMY
RECONCILIATION OF THE 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 Funds	\$	2,530,393
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the governmental funds.		3,859
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in government funds:		
Net pension liability	\$ (7,633,100)	
Pension outflows	937,815	
Pension inflows	(6,021,575)	
Net OPEB liability	(375,298)	
OPEB outflows	20,509	
OPEB inflows	<u>(101,909)</u>	<u>(13,173,558)</u>
Total Net Position of Governmental Activities	\$	<u><u>(10,639,306)</u></u>

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

HIGH POINT ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

REVENUES

Local sources	\$ 185,924
State sources	6,391,652
Federal sources	<u>327,749</u>
 Total revenues	 <u>6,905,325</u>

EXPENDITURES

Instruction	3,509,403
Supporting services	<u>3,066,900</u>
 Total expenditures	 <u>6,576,303</u>

Net change in fund balance	329,022
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Fund balance, beginning	<u>2,201,371</u>
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Fund balance, ending	<u><u>\$ 2,530,393</u></u>
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The accompanying notes are an integral part of these financial statements.

**HIGH POINT ACADEMY
RECONCILIATION OF THE STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGE IN FUND BALANCE TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2020**

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

Net Change in Fund Balance of Governmental Funds	\$	329,022
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Depreciation Expense		(7,713)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.</p>		
Pension expenses	\$ 1,744,605	
OPEB expenses	<u>14,961</u>	<u>1,759,566</u>
Change in Net Position of Governmental Activities	\$	<u><u>2,080,875</u></u>

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

**HIGH POINT ACADEMY
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2020**

	<u>Building Corporation</u>
ASSETS	
Current Assets:	
Restricted cash and cash equivalents	<u>\$ 1,095,810</u>
Noncurrent Assets:	
Capital assets not being depreciated	1,535,000
Capital assets being depreciated:	<u>6,370,770</u>
Total noncurrent assets	<u>7,905,770</u>
Total assets	<u>9,001,580</u>
LIABILITIES	
Current Liabilities:	
Accrued interest payable	179,096
Loan payable, current portion	<u>275,000</u>
Total current liabilities	454,096
Noncurrent Liabilities:	
Loan payable	<u>9,629,583</u>
Total liabilities	<u>10,083,679</u>
NET POSITION	
Net investment in capital assets	(1,998,814)
Restricted for debt service	<u>916,715</u>
Total net position (deficit)	<u><u>\$ (1,082,099)</u></u>

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

HIGH POINT ACADEMY
STATEMENT OF REVENUES, EXPENSES, AND CHANGE IN NET POSITION
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Building Corporation</u>
OPERATING REVENUES	
Rental income	<u>\$ 799,557</u>
OPERATING EXPENSES	
Purchased services	12,628
Interest expense	<u>552,491</u>
Total operating expenses	<u>565,119</u>
Net operating income (loss)	<u>234,438</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest income	18,707
Depreciation expense	<u>(278,315)</u>
Total non-operating revenues (expenses)	<u>(259,608)</u>
Change in net position	(25,170)
Net position - beginning (deficit)	<u>(1,056,929)</u>
Net position - ending (deficit)	<u><u>\$ (1,082,099)</u></u>

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

**HIGH POINT ACADEMY
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
FOR THE YEAR ENDED JUNE 30, 2020**

	<u>Building Corporation</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Lease payments received	\$ 799,557
Payment for purchased services	(12,628)
Interest payments	(548,988)
Principal payment	<u>(260,000)</u>
Net cash provided (used) by operating activities	<u>(22,059)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest income	<u>18,707</u>
Net increase (decrease) in cash and cash equivalents	(3,352)
Cash and cash equivalents, beginning	<u>1,099,162</u>
Cash and cash equivalents, ending	<u><u>\$ 1,095,810</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ 234,438
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Amortization expense	7,403
Changes in assets and liabilities:	
<i>Increase (decrease) in:</i>	
Interest payable	(3,900)
Loan payable	<u>(260,000)</u>
Net cash provided (used) by operating activities	<u><u>\$ (22,059)</u></u>

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

NOTES TO FINANCIAL STATEMENTS

HIGH POINT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

High Point Academy (the School) was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school. On April 11, 2006, the School entered into a contract with the Colorado Charter School Institute (the Institute) to authorize the School for an initial term of five years. The current contract expires on June 30, 2021.

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

A. REPORTING ENTITY

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

The School includes the High Point Academy Building Corp. (the Building Corp.) within its reporting entity. The Building Corp. is a non-profit entity organized to hold title to property and otherwise act to facilitate the operations of the School. The Building Corp is blended into the School's financial statements as a proprietary fund, and does not issue separate financial statements.

B. BASIS OF PRESENTATION – GOVERNMENT-WIDE FINANCIAL STATEMENTS

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from governmental funds, while business-type activities incorporate data from the School's Proprietary fund. Separate financial statements are provided for governmental funds and enterprise funds.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges for interfund services provided or used. Elimination of these charges would distort the direct costs and program revenues reported for the various functions.

The government-wide financial statements (i.e. the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government. Governmental activities are normally supported by per pupil revenue and intergovernmental revenues. Business-type activities rely to a significant extent on fees and charges for support.

HIGH POINT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. BASIS OF PRESENTATION – FUND FINANCIAL STATEMENTS

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

The emphasis of fund financial statements is on major funds, each displayed in a separate column.

The School reports the following major governmental fund:

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

The School reports the following major proprietary fund:

The *Building Corporation* - This fund is used to account for the financial activities of the Building Corp., primarily related to capital assets and the related debt service.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Corporation's enterprise fund are rental charges for the school buildings. Operating expenses for the Corporation on include purchased services and interest expense. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities (i.e., the governmental and internal service funds) are eliminated so that only the net amount is included as internal balances in the governmental activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column. Similarly, balances between the funds included in business-type activities are eliminated so that only the net amount is included as transfers in the business-type activities column.

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

HIGH POINT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING (CONTINUED)

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis* of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the period or soon enough thereafter to pay liabilities of the current fiscal period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and claims and judgments are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

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

The proprietary fund is reported using the *economic resources measurement focus* and the *accrual basis of accounting*.

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

Cash and cash equivalents

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

Investments

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

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

HIGH POINT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Restricted cash and investments

The use of certain cash and investments of the School may be restricted. These cash items are classified as restricted assets on the balance sheet because they are maintained in separate accounts and their use is limited by debt agreements or voter authorizations.

Receivables

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

Prepays

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

Capital assets

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

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

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

Buildings and Improvements	5-35 years
Equipment	10 years

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 financial statements.

HIGH POINT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Unearned Revenues

Unearned revenues represent resources received by the School before it has a legal claim to them, including tuition and fees.

Pensions

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

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

Health Care Trust Fund

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

Deferred outflows/inflows of resources

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

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

HIGH POINT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Long-term debt

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position.

In the fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

Net position flow assumption

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

Fund balance classification

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

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

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

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

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

HIGH POINT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Fund balance classification (continued)

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

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

F. REVENUES AND EXPENDITURES/EXPENSES

Program revenues

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

Compensated absences

Full-time employees are allowed to accumulate paid time off (PTO) up to 7 days. Upon termination of employment from the School, an employee will be compensated for all accrued PTO at a reimbursement rate specified in their offer letter. A liability for compensated absences is not reported in the financial statements because the amount is insignificant.

G. ESTIMATES

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

HIGH POINT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budget Information

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

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

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

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

Appropriations are based on total funds expected to be available in each budget year, including beginning fund balances and reserves as established by the Board of Directors. The variances between budget and actual may result from the non-expenditure of reserves, nonoccurrence of anticipated events, and normal operating variances.

The Board of Directors may authorize supplemental appropriations during the year. For budgetary management purposes, funds are appropriated for capital outlays.

NOTE 3 – DEPOSITS AND INVESTMENTS

A summary of deposits and investments as of June 30, 2020 is as follows:

Deposits	\$ 515,847
Investments	<u>3,969,742</u>
Total	<u>\$ 4,485,589</u>

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

Cash and investments	\$ 3,177,819
Restricted cash and investments	<u>1,307,770</u>
Total	<u>\$ 4,485,589</u>

**HIGH POINT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Cash deposits with financial institutions

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

The carrying amount of the School’s deposits at June 30, 2020 was \$515,847 and the bank balances were \$552,531. Of the bank balances, \$250,000 was covered by federal deposit insurance and \$302,531 was uninsured but collateralized in accordance with the provisions of the PDPA.

Investments

Credit Risk:

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

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

The investments for fiscal year ending June 30, 2020:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturities</u>
CSAFE	\$ 2,661,972	Less than 60 days
ColoTrust	<u>1,307,770</u>	Less than 60 days
Total	<u>\$ 3,969,742</u>	

HIGH POINT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 3 – DEPOSITS AND INVESTMENTS (CONTINUED)

Local Government Investment Pool

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

The designated custodial bank provides safekeeping and depository services to CSAFE and ColoTrust in connection with the direct investment and withdrawal function of CSAFE and ColoTrust. Substantially all securities owned by CSAFE and ColoTrust are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by CSAFE and ColoTrust. Investments of CSAFE and ColoTrust consist of U.S. Treasury bills, notes and note strips, and repurchase agreements collateralized by U.S. Treasury Notes.

Interest Rate Risk: State law limits maturities for US Treasuries and US Agencies to no more than five years from the date of purchase. The School does not have a formal investment policy that would further limit investment maturities as a means of managing its exposure to fair value losses from increasing interest rates.

Restricted cash and investments

At June 30, 2020, the School held cash and investments of \$1,307,770 restricted for building repair and replacement and future debt service.

NOTE 4 –RECEIVABLES

Receivables consists of the following at June 30, 2020:

Receivable from CSI	\$ 171,424
Other receivables	26,777
Less uncollectable accounts	<u>(882)</u>
Net receivables	<u>\$ 197,319</u>

HIGH POINT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<i>Governmental Activities</i>				
Capital assets, being depreciated:				
Furniture & equipment	\$ 77,134	\$ -	\$ -	\$ 77,134
Less accumulated depreciation	<u>(65,562)</u>	<u>(7,713)</u>	<u>-</u>	<u>(73,275)</u>
Total capital assets being depreciated, net	<u>\$ 11,572</u>	<u>\$ (7,713)</u>	<u>\$ -</u>	<u>\$ 3,859</u>
<i>Business-type Activities</i>				
Capital assets, not being depreciated				
Land	<u>\$ 1,535,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,535,000</u>
Capital assets, being depreciated:				
Buildings and improvements	8,970,182	-	-	8,970,182
Less accumulated depreciation	<u>(2,321,097)</u>	<u>(278,315)</u>	<u>-</u>	<u>(2,599,412)</u>
Total capital assets being depreciated, net	<u>6,649,085</u>	<u>(278,315)</u>	<u>-</u>	<u>6,370,770</u>
Business type capital assets, net	<u>\$ 8,184,085</u>	<u>\$ (278,315)</u>	<u>\$ -</u>	<u>\$ 7,905,770</u>

Depreciation expense was charged to functions/programs of the governmental activities as follows:

<i>Governmental activities</i>	
Supporting Services	<u>\$ 7,713</u>

HIGH POINT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 6 – LONG-TERM DEBT

2010 Building Loan

In February 2010, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$11,930,000 Charter School Revenue Bonds, Series 2010. Bond proceeds were loaned to the Building Corp. to acquire land and construct and equip an educational facility. The School is obligated under a lease agreement to make monthly payments to the Building Corp. for using the facilities. The Building Corp. is required to make equal loan payments to the Trustee for payment of the bonds. Interest accrues at rates ranging from 2.375% to 6.25% per annum and is due semi-annually on March 1, and September 1. Principal payments are due annually on March 1, through 2042.

Annual debt service requirements to maturity for the loan payable are as follows:

<u>Fiscal Year</u> <u>Ending June 30</u>	<u>Business-Type Activities</u>	
	<u>Principal</u>	<u>Interest</u>
2021	\$ 275,000	\$ 537,287
2022	290,000	523,538
2023	305,000	509,037
2024	320,000	493,787
2025	335,000	477,788
2026-2030	1,950,000	2,120,188
2031-2035	2,505,000	1,574,250
2036-2040	3,260,000	843,888
2041-2042	825,000	55,000
Total	\$ 10,065,000	\$ 7,134,763

The changes in long-term debt for the year ended June 30, 2020 were as follows:

	<u>Beginning</u> <u>Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending</u> <u>Balance</u>	<u>Due Within</u> <u>One Year</u>
2010 Building loan	\$ 10,325,000	\$ -	\$ 260,000	\$ 10,065,000	\$ 275,000
Discount	(167,821)	-	(7,404)	(160,417)	-
Total	\$ 10,157,179	\$ -	\$ 252,596	\$ 9,904,583	\$ 275,000

**HIGH POINT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 7 – OPERATING LEASE

Building Corporation Lease

The School executed a lease agreement with the Building Corp. for its school facilities. The lease term renews annually.

The future minimum lease payments for this lease are as follows:

<u>Fiscal Year Ending June 30</u>	
2021	\$ 812,287
2022	813,538
2023	814,037
2024	813,787
2025	812,788
2026-2030	4,070,188
2031-2035	4,079,250
2036-2040	4,103,888
2041-2042	<u>880,000</u>
Total	<u>\$ 17,199,763</u>

In addition to the base rents above, the lease requires additional rents for other costs and expenses incurred by the lessor for operation, maintenance, and debt service for the leased property.

For the fiscal year ended June 30, 2020, amounts expended under the lease were \$799,557.

NOTE 8 – DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

Benefits provided as of December 31, 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.

HIGH POINT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8 – 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 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, referred to as annual increases in the C.R.S., once certain criteria are met. Pursuant to SB 18-200, the annual increase for 2019 is 0.00 percent 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 lessor of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the 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 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.

**HIGH POINT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

Contributions provisions as of June 30, 2020: Eligible employees of, High Point 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 8.75 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:

	July 1, 2019 Through June 30, 2020
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. § 24-51-411	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	19.38%

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

As specified in C.R.S. § 24-51-414, 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-200.

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the High Point Academy is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from High Point Academy were \$598,746 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. The High Point Academy proportion of the net pension liability was based on High Point Academy 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.

HIGH POINT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

At June 30, 2020, the High Point Academy reported a liability of \$7,633,100 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 High Point 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 High Point Academy were as follows:

High Point Academy proportionate share of the net pension liability	\$ 7,633,100
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with High Point Academy	\$ 968,162
Total	\$ 8,601,262

At December 31, 2019, the High Point Academy proportion was 0.0510924424 percent, which was a decrease of 0.0032887117 from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the High Point Academy recognized pension expense of \$(1,744,605) and revenue \$(30,624) for support from the State as a nonemployer contributing entity. At June 30, 2020, the High Point Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 416,009	\$ -
Changes of assumptions or other inputs	217,913	3,462,302
Net difference between projected and actual earnings on pension plan investments	-	904,217
Changes in proportion and differences between contributions recognized and proportionate share of contributions	-	1,655,056
Contributions subsequent to the measurement date	303,893	N/A
Total	\$ 937,815	\$ 6,021,575

HIGH POINT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

\$303,893 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, 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:

Year ended June 30:	
2021	\$ (2,922,680)
2022	(2,065,773)
2023	(91,611)
2024	(307,589)
2025	-
Thereafter	-

Actuarial assumptions. The total pension 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 – 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; and DPS benefit structure (automatic) ¹	1.25 percent compounded annually
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic) ¹	Financed by the Annual Increase Reserve

¹ For 2019, the annual increase was 0.00 percent.

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

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

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 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.

HIGH POINT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

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

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

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

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.

HIGH POINT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 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 and the additional 0.50 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and 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.
- 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 0.50 percent, resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- 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 fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered annual increase cap, from 1.50 percent to 1.25 percent 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.

**HIGH POINT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 8 – DEFINED BENEFIT PENSION PLAN (CONTINUED)

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 rate determination does not use the municipal bond rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 10,123,125	\$ 7,633,100	\$ 5,542,507

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

NOTE 9 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

Health Care Trust Fund

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

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

HIGH POINT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

**NOTE 9 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

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

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

PERA Benefit Structure

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

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

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

Contributions. Pursuant to Title 24, Article 51, Section 208(1) (f) of the C.R.S., as amended, certain contributions are apportioned to the 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 High Point Academy is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from High Point Academy were \$31,513 for the year ended June 30, 2020.

HIGH POINT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

**NOTE 9 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

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

At June 30, 2020, the High Point Academy reported a liability of \$375,298 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 High Point Academy proportion of the net OPEB liability was based on High Point 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 High Point Academy proportion was 0.0333895509 percent, which was a decrease of 0.0019584894 from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the High Point Academy recognized OPEB expense of \$(14,961). At June 30, 2020, the High Point Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 1,245	\$ 63,064
Changes of assumptions or other inputs	3,114	-
Net difference between projected and actual earnings on OPEB plan investments	-	6,264
Changes in proportion and differences between contributions recognized and proportionate share of contributions	155	32,581
Contributions subsequent to the measurement date	15,995	N/A
Total	\$ 20,509	\$ 101,909

HIGH POINT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

\$15,995 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, 2021. 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	\$ (20,230)
2022	(20,229)
2023	(18,416)
2024	(20,849)
2025	(16,675)
Thereafter	(996)

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 in 2019, gradually decreasing to 4.50 percent in 2029
Medicare Part A premiums	3.50 percent in 2019, gradually increasing to 4.50 percent in 2029
DPS benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

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

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

**HIGH POINT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

**NOTE 9 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

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

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

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

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

**HIGH POINT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

**NOTE 9 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(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
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.

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

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

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

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

**HIGH POINT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

**NOTE 9 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(CONTINUED)**

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 morbidity assumptions were updated to reflect the assumed standard aging factors.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

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

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

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.

HIGH POINT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Sensitivity of the High Point 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
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	\$ 366,383	\$ 375,298	\$ 385,600

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 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 percent.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

HIGH POINT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020

NOTE 9 – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (CONTINUED)

Sensitivity of the High Point 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 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 424,350	\$ 375,298	\$ 333,348

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

NOTE 10 - RISK MANAGEMENT

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

The School carries commercial insurance for these risks of loss, including worker’s compensation and employee health and accident insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage during the last three fiscal years.

NOTE 11 – CONCENTRATION OF RISK

The School is funded directly by the District based on the District’s per pupil funding. For the fiscal year ended June 30, 2020, this funding accounted for approximately 85% of the School’s revenues.

NOTE 12- COMMITMENTS AND CONTINGENCIES

Grants

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

Legal

The School is currently subject to an EEOC complaint by a former employee and is actively defending itself through the EEOC process. That process is in the early stages and will take at least a year to complete. No estimate of possible damages has been prepared or accrued in these financial statements.

**HIGH POINT ACADEMY
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 13 – COMPLIANCE

The School has complied with the requirements of the Financial Policies and Procedures Handbook for the 2020 audit period as required by Colorado Statute CRS 22-44-204(3).

NOTE 14 - AMENDMENT TO COLORADO CONSTITUTION

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

The amendment requires emergency reserves be established. These reserves must be at least 3% of fiscal year spending. The School is not allowed to use the emergency reserves to compensate for economic conditions, revenue shortfalls or salary and benefit increases. At June 30, 2020 there is a \$198,000 reservation of fund balance in the General Fund for the amendment.

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

REQUIRED SUPPLEMENTARY INFORMATION

HIGH POINT ACADEMY
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
JUNE 30, 2020

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
School's proportion of the net pension liability (asset)	0.0510924424%	0.0543811541%	0.0643276056%	0.0645071625%	0.0638052752%	0.0645570347%	0.0656776196%
School's proportionate share of the net pension liability (asset)	\$ 7,633,100	\$ 9,629,300	\$ 20,801,261	\$ 19,206,277	\$ 9,758,566	\$ 8,749,647	\$ 8,377,163
State's proportionate share of the net pension liability (asset) associated with the School	968,162	1,316,673	-	-	-	-	-
Total	<u>\$ 8,601,262</u>	<u>\$ 10,945,973</u>	<u>\$ 20,801,261</u>	<u>\$ 19,206,277</u>	<u>\$ 9,758,566</u>	<u>\$ 8,749,647</u>	<u>\$ 8,377,163</u>
School's covered payroll	\$ 3,002,514	\$ 2,989,624	\$ 2,967,356	\$ 2,895,197	\$ 2,780,619	\$ 2,704,477	\$ 2,647,674
School's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	254.22%	322.09%	701.00%	663.38%	350.95%	323.52%	316.40%
Plan fiduciary net position as a percentage of the total pension liability	64.5%	57.0%	44.0%	43.1%	59.2%	62.8%	64.1%

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

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

See the accompanying independent auditors' report.

HIGH POINT ACADEMY
SCHEDULE OF THE EMPLOYER'S PAYROLL CONTRIBUTIONS - PENSION
JUNE 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Contractually required contribution	\$ 598,746	\$ 571,125	\$ 562,612	\$ 539,952	\$ 503,870	\$ 465,113	\$ 421,797
Contributions in relation to the contractually required contribution	<u>(598,746)</u>	<u>(571,125)</u>	<u>(562,612)</u>	<u>(539,952)</u>	<u>(503,870)</u>	<u>(465,113)</u>	<u>(421,797)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered payroll	\$ 3,089,503	\$ 2,985,496	\$ 2,980,099	\$ 2,937,458	\$ 2,841,217	\$ 2,755,547	\$ 2,639,276
Contributions as a percentage of covered payroll	19.38%	19.13%	18.88%	18.38%	17.73%	16.88%	15.98%

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

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

See the accompanying independent auditors' report.

HIGH POINT ACADEMY
SCHEDULE OF THE EMPLOYER'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
JUNE 30, 2020

	<u>2019</u>	<u>2018</u>	<u>2017</u>
School's proportion of the net OPEB liability (asset)	0.0333895509%	0.0353480403%	0.0365506937%
School's proportionate share of the net OPEB liability (asset)	\$ 375,298	\$ 480,925	\$ 475,013
School's covered payroll	\$ 3,002,514	\$ 2,989,624	\$ 2,967,356
School's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	12.50%	16.09%	16.01%
Plan fiduciary net position as a percentage of the total OPEB liability	24.5%	17.0%	17.5%

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

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

See the accompanying independent auditors' report.

HIGH POINT ACADEMY
SCHEDULE OF THE EMPLOYER'S PAYROLL CONTRIBUTIONS - OPEB
JUNE 30, 2020

	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 31,513	\$ 30,452	\$ 30,397
Contributions in relation to the contractually required contribution	<u>(31,513)</u>	<u>(30,452)</u>	<u>(30,397)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered payroll	\$ 3,089,503	\$ 2,985,496	\$ 2,980,099
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%

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

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

See the accompanying independent auditors' report.

HIGH POINT ACADEMY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2020

	<u>Budgeted Amounts</u>		Actual Amounts	Variance with Final Budget - Positive (Negative)
	<u>Original</u>	<u>Final</u>		<u>(Negative)</u>
REVENUES				
Local sources:				
District mill levy	\$ 28,053	\$ 28,051	\$ 29,517	\$ 1,466
Tuition	-	20,850	17,562	(3,288)
Fees	15,239	23,320	26,289	2,969
Interest income	50,000	62,000	35,702	(26,298)
Pupil activities	34,868	34,868	18,116	(16,752)
Donations and grants	1,617	5,931	20,435	14,504
Other local revenue	42,760	51,379	38,303	(13,076)
	<u>172,537</u>	<u>226,399</u>	<u>185,924</u>	<u>(40,475)</u>
State sources:				
Per pupil revenue	5,538,838	5,873,708	5,875,237	1,529
Operating grants	309,880	421,819	319,826	(101,993)
Capital grants	179,560	188,940	196,589	7,649
	<u>6,028,278</u>	<u>6,484,467</u>	<u>6,391,652</u>	<u>(92,815)</u>
Federal sources:				
Operating grants	191,498	203,421	327,749	124,328
Total revenues	<u>6,392,313</u>	<u>6,914,287</u>	<u>6,905,325</u>	<u>(8,962)</u>
EXPENDITURES				
Instruction				
Salaries	2,339,545	2,425,898	2,311,945	113,953
Benefits	758,694	828,675	810,328	18,347
Purchased services	232,610	224,214	173,267	50,947
Supplies	133,498	164,142	150,820	13,322
Property	48,000	82,510	63,043	19,467
Supporting services				
Salaries	797,477	936,391	930,796	5,595
Benefits	258,615	313,845	301,356	12,489
Purchased services	1,664,549	2,248,584	1,629,790	618,794
Supplies	135,552	146,484	189,583	(43,099)
Property	5,306	5,306	7,647	(2,341)
Other	7,200	7,200	7,728	(528)
Total expenditures	<u>6,381,046</u>	<u>7,383,249</u>	<u>6,576,303</u>	<u>806,946</u>
Net change in fund balances	11,267	(468,962)	329,022	797,984
Fund balances - beginning	<u>2,111,276</u>	<u>2,201,371</u>	<u>2,201,371</u>	<u>-</u>
Fund balance - ending	<u>\$ 2,122,543</u>	<u>\$ 1,732,409</u>	<u>\$ 2,530,393</u>	<u>\$ 797,984</u>

See the accompanying Independent Auditors' Report.