CAPROCK ACADEMY

BASIC FINANCIAL STATEMENTS

June 30, 2020

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FINANCIAL SECTION

Board of Directors
Caprock Academy
Grand Junction, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities and each major fund of Caprock Academy, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Academy'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.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expression an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluation 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 and each major fund of Caprock Academy, as of June 30, 2020, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, schedule of the school's proportionate share, and schedule of the school's contributions on pages 40-44 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.

John Cutler & Associates, LLC

October 18, 2020

CAPROCK ACADEMY
Management's Discussion and Analysis

As management of Caprock Academy, we offer readers of Caprock Academy's basic financial statements this narrative as an analysis of the financial activities of the school for the year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with additional information provided in the accompanying financial statements.

Financial Highlights

- The assets of Caprock Academy were less than its liabilities at the close of the most recent fiscal year by $12,127,355 (*net position*). The deficit in net position is attributable to capital-related debt exceeding capital assets by $1,146,910 as well as the pension liability related to Caprock Academy's proportionate share of the net pension liability of the School Division Trust Fund (SCHDTF) of $6,484,515. Unrestricted net position and restricted net position were ($13,196,872) and $2,216,427 at June 30, 2020.

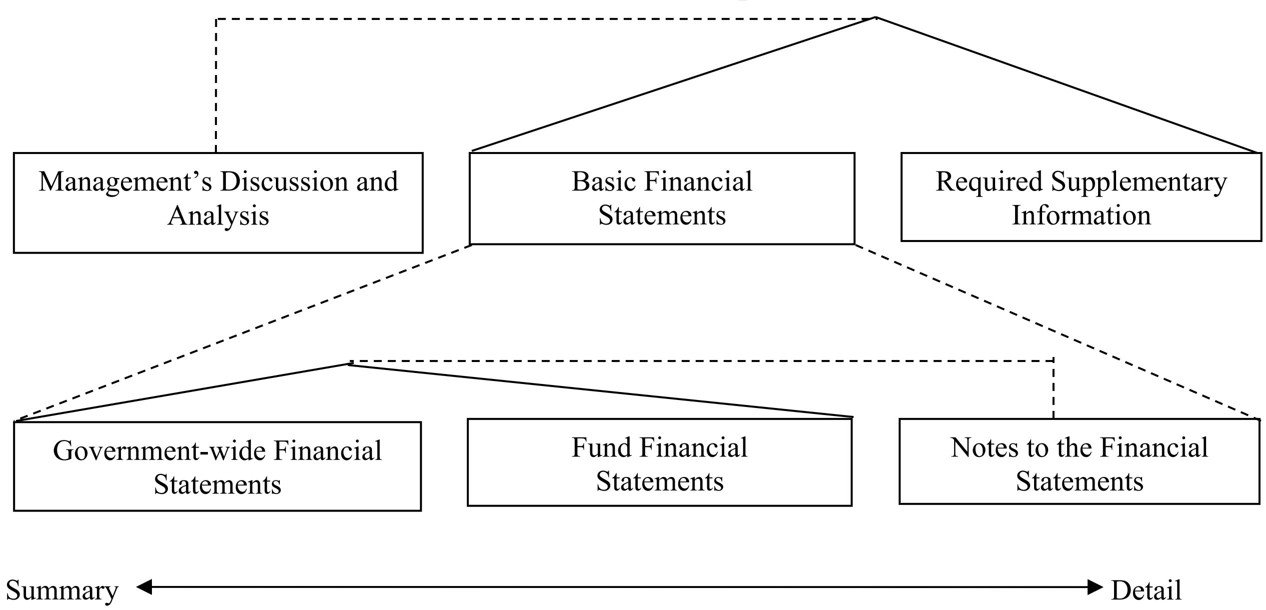
- Caprock Academy's total net position decreased by $3,122,390.

- As of the close of the current fiscal year, Caprock Academy's governmental/General fund reported an ending fund balance of $3,544,928, a decrease of $9,254,425 in comparison with the prior year. Approximately 37 percent of this total amount, ($1,328,501), is available for spending at the Charter School's discretion (*unassigned fund balance*).

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to Caprock Academy's basic financial statements. Caprock Academy's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplemental information in addition to the basic financial statements themselves. The following chart shows how the various parts of this annual report are arranged and related to one another:

Organization of Caprock Academy
Annual Financial Report



The following chart summarizes the major features of the Charter School's financial statements, including the portion of Caprock Academy's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure of each of the statements:

	Government-wide Statements	**Fund Financial Statements Government Funds**
Required financial statements	• Statement of net position • Statement of activities	• Balance sheet • Statement of revenues, expenditures, and changes in fund balances
Accounting basis and focus	Accrual accounting and economic resource focus	Modified accrual accounting and current financial focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included
Type of in flow/out flow information	All revenues and expenditures during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and the related liability is due and payable

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of Caprock Academy's finances, in a manner similar to a private-sector business.

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

The *statement of activities* presents information showing how Caprock Academy's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (for example, salaries and benefits earned but unpaid as of year end).

The government-wide financial statements display functions of Caprock Academy that are principally supported by intergovernmental revenues (*governmental activities*). The governmental activities of Caprock Academy include administration, elementary and secondary regular instruction, special education instruction, instructional support services and sites and buildings.

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. Caprock Academy, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

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

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

Caprock Academy adopts an annual appropriated budget for its General fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

The basic governmental fund financial statements can be found on pages 3 - 5 of this report.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements are found on pages 6 - 39 of this report.

Other Information

A budgetary comparison schedule for the General fund can be found on page 40 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of Caprock Academy, assets were less than liabilities by $12,127,355 at the close of the most recent fiscal year.

A portion of Caprock Academy's net position reflects its investment in capital assets net of any related debt. Caprock Academy uses these capital assets to provide services to students; consequently, these assets are *not* available for future spending.

Net position

	Governmental Activities		
	2020	2019	Increase (Decrease)
Assets			
Current and other assets	$ 5,229,368	$ 14,510,398	$(9,281,030)
Capital assets	18,310,132	8,880,163	9,429,969
Total assets	23,539,500	23,390,561	148,939
Deferred outflow of resources			
Related to pensions	1,256,408	4,198,166	(2,941,758)
Total deferred outflow of resources	1,256,408	4,198,166	(2,941,758)
Liabilities			
Current	1,684,440	1,711,045	(26,605)
Non-current	28,236,936	32,728,726	(4,491,790)
Total liabilities	29,921,376	34,439,771	(4,518,395)
Deferred inflow of resources			
Related to pensions	7,001,887	8,398,701	(1,396,814)
Total deferred inflow of resources	7,001,887	8,398,701	(1,396,814)
Net position			
Investment in capital assets	(1,146,910)	(750,728)	(396,182)
Restricted	2,216,427	12,411,071	(10,194,644)
Unrestricted	(13,196,872)	(26,910,088)	13,713,216
Total net position	$ (12,127,355)	$ (15,249,745)	$ 3,122,390

An additional portion of Caprock Academy's net position, ($236,565), represents amounts restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment.

At the end of the current fiscal year, Caprock Academy is able to report a positive balance in the restricted category of net position. The negative $1,146,910 amount reported under investment in capital assets represents the amount of Caprock Academy's investment in capital assets, net of accumulated depreciation less the amount of debt used to acquire those capital assets. The negative $13,196,872 amount reported under unrestricted net position represents Caprock Academy’s proportionate share of the net pension liability of the School Division Trust Fund (SCHDTF) of $6,484,515.

Caprock Academy's net position increased $3,122,390 during the current fiscal year.
The following summarizes the changes in net position.

Changes in Net position

	Governmental Activities		
	2020	2019	Increase (Decrease)
Revenues			
Program revenues			
Charges for services	$269,094	$371,734	$(102,640)
Operating grants and contributions	374,646	301,158	73,488
Capital grants and contributions	240,369	243,563	(3,194)
General revenues			
Per pupil revenue	6,969,843	6,265,079	704,764
Mill Levy revenue	353,152	267,100	86,052
Unrestricted State Aid	(27,802)	7,300	(35,102)
Other	336,010	186,540	149,470
Total revenues	8,515,312	7,642,474	872,838
Expenses			
Instructional	2,196,568	2,950,087	(753,519)
Supporting services	2,246,648	3,619,626	(1,372,978)
Interest on long-term debt	949,706	855,949	93,757
Total expenses	5,392,922	7,425,662	(2,032,740)
Change in net position	3,122,390	216,812	2,905,578
Net position, July 1	(15,249,745)	(15,466,557)	216,812
Net position, June 30	$(12,127,355)	$(15,249,745)	$3,122,390

Revenue increased due to an increase in student enrollment from approximately 812 FTE (full-time equivalent) in 2018/2019 to approximately 864 FTE in 2019/2020 and an increased per pupil rate (PPR).

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, Caprock Academy's governmental/General fund reported a combined ending fund balance of $3,544,928 a decrease of $9,254,425 in comparison with the prior year. Approximately 37 percent of this total amount ($1,328,501) constitutes *unassigned fund balance*, which is available for spending at Caprock Academy's discretion.

The remainder of fund balance is *restricted* to indicate that it is not available for new spending because it has already been reserved for emergencies ($236,565) and debt service ($1,979,862). As a measure of the General fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents approximately 7 percent of total General fund expenditures, while total fund balance represents approximately 20 percent of that same amount.

General Fund Budgetary Highlights

Caprock Academy budgeted for expenditures and transfers of $17,792,294 for the year ended June 30, 2020. Actual expenditures and transfers were $17,797,539. There was one budget amended (midyear) made during the year.

Capital Asset and Debt Administration

Capital Assets

Caprock Academy's investment in capital assets for its governmental activities as of June 30, 2020, amounts to $18,310,132 (net of accumulated depreciation). This investment in capital assets includes buildings, leasehold improvements, equipment, and land. The total depreciation for the year was $375,325. The following is a schedule of capital assets as of June 30, 2020. The long term growth in student population and program components since 2011 means that expansion space continues to be a primary strategic element. Additional information can be found on page 14 of this report.

Capital Assets
(Net of Depreciation)

	Governmental Activities		
	2020	2019	Increase (Decrease)
Land	$13,561,436	$3,756,142	$9,805,294
Buildings and leasehold improvements, net	4,659,214	5,124,021	(464,807)
Construction in Progress	11,696,429	1,928,867	9,767,562
Machinery and equipment, net	89,482	43,034	46,448
Total	30,006,561	10,852,064	19,154,497

Factors Bearing on Caprock Academy's Future

The primary factor driving the budget for Caprock Academy is student enrollment. The 2020/2021 preliminary budget is based on approximately 878 students or approximately 864 FTE and will be revised in December 2020/January 2021 to reflect an increased estimated student population of 893 students or approximately 886 FTE.

The outlook for state funding via Per Pupil Revenue (PPR) remains relatively unknown but is expected to be flat or slightly increasing in terms of what can be depended on for budget purposes.

Requests for Information

The financial report is designed to provide a general overview of Caprock Academy's finances for all those with an interest in the school. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Business Manager
Caprock Academy
714 24 ½ Road
Grand Junction, CO 81505

BASIC FINANCIAL STATEMENTS

CAPROCK ACADEMY

STATEMENT OF NET POSITION
As of June 30, 2020

	GOVERNMENTAL ACTIVITIES	
	2020	2019
ASSETS		
Cash and Investments	$ 3,111,309	$ 2,264,974
Restricted Cash and Investments	1,979,862	12,186,580
Accounts Receivable	99,787	58,844
Deposits	38,410	-
Capital Assets, Not Depreciated	13,561,436	3,756,142
Capital Assets, Depreciated, Net of Accumulated Depreciation	4,748,696	5,124,021
TOTAL ASSETS	23,539,500	23,390,561
DEFERRED OUTFLOW OF RESOURCES		
Related to Pensions	1,215,177	4,145,515
Related to OPEB	41,231	52,651
TOTAL DEFERRED OUTFLOW OF RESOURCES	1,256,408	4,198,166
LIABILITIES		
Accounts Payable	332,685	1,301,082
Accrued Expenses	397,216	304,274
Retainage Payable	546,786	68,053
Unearned Revenue	371,513	-
Accrued Interest Payable	36,240	37,636
Noncurrent Liabilities		
Due in One Year	400,000	385,000
Due in More than One Year	21,036,904	21,432,471
Net Pension Liability	6,484,515	10,392,226
Net OPEB Liability	315,517	519,029
TOTAL LIABILITIES	29,921,376	34,439,771
DEFERRED INFLOW OF RESOURCES		
Related to Pensions	6,829,117	8,397,911
Related to OPEB	172,770	790
TOTAL DEFERRED OUTFLOW OF RESOURCES	7,001,887	8,398,701
NET POSITION		
Net Investment in Capital Assets	(1,146,910)	(750,728)
Restricted for Emergencies	236,565	224,491
Restricted for Debt Service	1,979,862	12,186,580
Unrestricted	(13,196,872)	(26,910,088)
TOTAL NET POSITION	$ (12,127,355)	$ (15,249,745)

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

CAPROCK ACADEMY

STATEMENT OF ACTIVITIES
Year Ended June 30, 2020

		PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION	
					Governmental Activities	
FUNCTIONS/PROGRAMS	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	2020	2019
PRIMARY GOVERNMENT						
Governmental Activities						
Instructional	$ 2,252,172	$ -	$ 258,793	$ -	$ (1,993,379)	$ (2,581,556)
Supporting Services	2,246,648	269,094	115,853	240,369	(1,621,332)	(3,071,702)
Interest on Long-Term Debt	949,706	-	-	-	(949,706)	(855,949)
Total Governmental Activities	$ 5,448,526	$ 269,094	$ 374,646	$ 240,369	(4,564,417)	(6,509,207)
		GENERAL REVENUES				
		Per Pupil Revenue			6,969,843	6,265,079
		Mill Levy Revenue			353,152	267,100
		Unrestricted State Aid			27,802	7,300
		Other			336,010	186,540
		TOTAL GENERAL REVENUES			7,686,807	6,726,019
		CHANGE IN NET POSITION			3,122,390	216,812
		NET POSITION, Beginning			(15,249,745)	(15,466,557)
		NET POSITION, Ending			$ (12,127,355)	$ (15,249,745)

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

CAPROCK ACADEMY

BALANCE SHEET
ALL GOVERNMENTAL FUNDS
June 30, 2020

	GENERAL FUND	
	2020	2019
ASSETS		
Cash and Investments	$ 3,111,309	$ 2,264,974
Restricted Cash and Investments	1,979,862	12,186,580
Accounts Receivable	99,787	58,844
Deposits	38,410	-
TOTAL ASSETS	$ 5,229,368	$ 14,510,398
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	$ 332,685	$ 1,301,082
Accrued Expenses	397,216	304,274
Retainage Payable	546,786	68,053
Bond Interest Payable	36,240	37,636
Unearned Revenues	371,513	-
TOTAL LIABILITIES	1,684,440	1,711,045
FUND BALANCES		
Nonspendable	38,410	-
Restricted for Emergencies	236,565	224,491
Restricted for Debt Service and Capital Construction	1,979,862	12,186,580
Unassigned	1,290,091	388,282
TOTAL FUND BALANCES	3,544,928	12,799,353
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.	18,310,132	8,880,163
Long-term liabilities are not due and payable in the current period and are not reported in the funds. This includes bonds payable ($21,520,000) and bond discount $83,096.	(21,436,904)	(21,817,471)
Long-term liabilities and related assets related to pensions are not due and payable in the current period, and therefore, are not reported in the funds. This includes net pension liability ($6,484,515), net OPEB liability ($315,517), deferred outflows related to pensions and OPEB $1,256,408, and deferred inflows related to pensions and OPEB ($7,001,887).	(12,545,511)	(15,111,790)
Net position of governmental activities	$ (12,127,355)	$ (15,249,745)

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

CAPROCK ACADEMY

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
ALL GOVERNMENTAL FUNDS
Year Ended June 30, 2020

	GENERAL FUND	
	2020	2019
REVENUES		
Local Sources	$ 7,981,657	$ 7,151,525
State Sources and Federal Sources	561,457	568,046
TOTAL REVENUES	8,543,114	7,719,571
EXPENDITURES		
Instruction	3,812,504	2,972,186
Supporting Services	2,595,681	3,326,579
Capital Outlay	10,059,081	2,104,722
Debt Service		
Principal	385,000	10,336,486
Interest	945,273	846,224
TOTAL EXPENDITURES	17,797,539	19,586,197
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(9,254,425)	(11,866,626)
OTHER FINANCING SOURCES (USES)		
Proceeds from Issuance of Debt	-	22,000,000
NET CHANGE IN FUND BALANCES	(9,254,425)	10,133,374
FUND BALANCES, Beginning	12,799,353	2,665,979
FUND BALANCES, Ending	$ 3,544,928	$ 12,799,353

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

CAPROCK ACADEMY

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

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

Net change in fund balances - total governmental funds	$ (9,254,425)
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount by which capital outlay $9,805,294 exceeded depreciation expense ($375,325) for the year.	9,429,969
Repayment of long-term debt and related costs are reported as an expenditure in the governmental funds and decrease fund balance. For the Academy as a whole, however, these costs and payments reduce the liabilities or are capitalized in the statement of net position and do not result in an expense in the statement of activities. This amount includes bond principal payment $385,000, and amortization of bond discount of ($4,433).	380,567
Deferred Charges related to pensions are not recognized in the governmental funds. However, in the government-wide statements these amounts are capitalized and amortized.	2,566,279
Change in net position of governmental activities	$ 3,122,390

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

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

Caprock Academy (the "Academy") was organized in 2007, pursuant to the Colorado Charter Schools Act to form and operate a charter school in of the State of Colorado. The Academy receives their primary funding from the Charter School Institute (the "Institute").

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

Reporting Entity

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

<u>Caprock Academy Building Corporation</u>

The Caprock Academy Building Corporation (the "Building Corporation") is considered to be financially accountable to the Academy. The Building Corporation was formed to support and assist the Academy to perform its function and to carry out its purpose, specifically to assist in the financing and construction of the Academy's facilities. As the Academy made payments directly to the bond trustee, there are no transactions to report for the Building Corporation. Separate financial statements are not available for the Building Corporation. During the year ended June 30, 2020, the Academy paid $945,273 and $385,000 for interest and principal on behalf of the Building Corporation and $9,767,561 for capital construction on the Academy's facilities. Cash in the amount of $1,979,862 has been restricted in the General Fund for payment of the Building Corporation debt service expenses and to provide funding for the Academy's building expansion project.

<u>Caprock Academy Building Corporation 2</u>

The Caprock Academy Building Corporation 2 (the "Building Corporation 2") is considered to be financially accountable to the Academy. The Building Corporation 2 was formed in June 2014 to support and assist the Academy to perform its function and to carry out its purpose, specifically to enter into an operating lease agreement for one of the Academy's modular buildings. As the Academy will make payments directly to the lessor, there are no transactions to report for the Building Corporation 2. Separate financial statements are not available for the Building Corporation 2. The Academy will make monthly lease payments to the lessor on behalf of the Building Corporation 2 beginning in July 2014.

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

Government-Wide and Fund Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include 1) charges to students or others who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted intergovernmental revenues not properly included among program revenues are reported instead as general revenues.

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

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

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

The Academy reports the following major governmental fund:

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

Deferred Outflows/Inflows of Resources

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

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

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

Assets, Liabilities and Fund Balance/Net Position

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

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

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net assets in the government-wide financial statements. Depreciation has been provided over the following estimated useful lives of the capital assets using the straight-line method: buildings and improvements 15 – 35 years; equipment 5 years.

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net position in the government-wide financial statements. Depreciation has been provided over the estimated useful life of 15 years using the straight-line method.

Long-term Debt – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bond issuance costs are recognized in the current period. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

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

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

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

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

- Nonspendable – This classification includes amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact. The Academy reports is Deposits as nonspendable as of June 30, 2020.

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

- 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 (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Academy did not have any committed resources as of June 30, 2020.

- 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.

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

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

The Academy would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned resources.

Compensated Absences

The Academy's policy allows employees to accumulate sick and vacation leave. Upon termination of employment, no financial compensation is paid for these unused compensated absences. Therefore, no liability for accumulated sick leave is reported in the financial statements.

Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Academy's financial position and operations. However, comparative data has not been presented in all statements because such inclusion would make certain statements unduly complex and difficult to understand. Also, certain amounts presented in the prior year data have been reclassified to be consistent with current year's presentation.

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

Budgets and Budgetary Accounting

A budget is adopted for the General Fund on a basis consistent with generally accepted accounting principles.

Academy management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1. The budget is adopted by the Board of Directors prior to June 30. Expenditures may not legally exceed appropriations at the fund level. Revisions must be approved by the Board of Directors. The budget includes proposed expenditures and the means of financing them. All appropriations lapse at fiscal year-end.

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

Cash and Investments at June 30, 2020 consisted of the following:

Petty Cash	$ 138
Deposits	4,953,107
Investments	137,927
Total	**$ 5,091,171**

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At June 30, 2020 State regulatory commissioners have indicated that all financial institutions holding deposits for the Academy are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held.

The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The Academy has no policy regarding custodial credit risk for deposits.

At June 30, 2020, the Academy had deposits with financial institutions with a carrying amount of $4,953,107. The bank balances with the financial institutions were $5,130,683. Of these balances, $500,000 was covered by federal depository insurance and $4,630,683 was covered by collateral held by authorized escrow agents in the financial institution's name (PDPA).

Investments

Interest Rate Risk

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

NOTE 3: *CASH AND INVESTMENTS* (Continued)

Investments (Continued)

Credit Risk

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

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

The Academy has no policy for managing credit risk or interest rate risk.

Fair Value

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

At June 30, 2020, the Academy held investments in a money market fund in the amount of $137,927. The fund invests only in U.S Treasury Obligations and is rated Aaa-mf by Moody's. Given the low risk of this type of investment, the Academy has not established a policy limiting the amount of investments in this type of security and deems it unnecessary at this time. These investments are valued with Level 1 inputs.

Restricted Cash and Investments

Investments in money market funds totaling $1,979,862 are restricted in the General Fund for the payment of the Academy's capital construction and debt payments. This amount is held on behalf of the Building Corporation.

CAPROCK ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 4: ***CAPITAL ASSETS***

Capital Assets activity for the year ended June 30, 2020 is summarized below.

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
Governmental Activities				
Capital Assets, Not Depreciated				
Land	$ 1,827,275	-	-	1,827,275
Construction in Progress	1,928,867	9,805,294	-	11,734,161
Total Capital Assets, Not Depreciated	$ 3,756,142	$ 9,805,294	$ -	$ 13,561,436
Capital Assets, Depreciated				
Buildings and Improvements	8,009,060	-	-	8,009,060
Machinery and Equipment	97,744	-	-	97,744
Total Capital Assets, Depreciated	8,106,804	-	-	8,106,804
Accumulated Depreciation				
Buildings and Improvements	2,928,073	360,625	-	3,288,698
Machinery and Equipment	54,710	14,700	-	69,410
Total Accumulated Depreciation	2,982,783	375,325	-	3,358,108
Total Capital Assets, Depreciated, Net	5,124,021	(375,325)	-	4,748,696
Net Capital Assets	**$ 8,880,163**	**$ 9,429,969**	**$ -**	**$ 18,310,132**

Depreciation was charged to the Supporting Services activity of the Academy.

NOTE 5: *LONG-TERM DEBT*

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

	Balance June 30, 2019	Additions	Payments	Balance June 30, 2020	Due In One Year
2018 Bonds Payable	$ 21,905,000	-	385,000	21,520,000	400,000
Bond Discount	(87,529)	-	(4,433)	(83,096)	-
Total	**$21,817,471**	**$ -**	**$ 380,567**	**$21,436,904**	**$ 400,000**

2018 Bonds Payable

In November 2018, the Colorado Educational and Cultural Facilities Authority (CECFA) issued $22,000,000 Charter School Revenue and Refunding Bonds Series Proceeds of the bonds were loaned to the Corporation to refund the Academy's existing bond and loan debt and to provide $12,015,000 in funding for the Academy's building expansion project. The Academy is obligated under a lease agreement to make monthly lease payments to the Corporation for the use of educational facilities. The Corporation is required to make equal loan payments to the Trustee, for payment of the bonds. The bonds accrue interest of 4.35% per annum. Principal and interest payments are due quarterly on March 15, June 15, September 15 and December 15 through June 15, 2028. A balloon payment in the amount of $17,890,000 is due on June 15, 2028.

Future debt service requirements for the loan and bond are as follows:

Year Ended June 30,	Principal	Interest	Total
2021	$ 400,000	$ 929,595	$ 1,329,595
2022	420,000	911,868	1,331,868
2023	440,000	893,273	1,333,273
2024	460,000	873,807	1,333,807
2025	480,000	853,470	1,333,470
2026-2029	19,320,000	2,429,476	21,749,476
Total	**$ 21,520,000**	**$ 6,891,489**	**$ 28,411,489**

NOTE 6: ***RISK MANAGEMENT***

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The Academy participates in the Colorado School District Self Insurance Pool. The Pool insures property and liability exposures through contributions made by member entities. The Academy does not maintain an equity interest in the self-insurance pool. The Academy funds its pool contributions, outside insurance purchases, deductibles, and uninsured losses through the General Fund. The Academy has a $1,000 deductible for any property claims. Settled claims resulting from these risks have not exceeded coverage's in any of the past three years.

The Academy participates in an agreement with UMR to provide health and prescription benefits to its employees. Under this plan, the Academy self-insures employee health claims up to $30,000. The Academy purchased a stop loss insurance policy to cover individual health claims in excess of $30,000 and aggregate total yearly claims in excess of $1,000,000.

Settled benefits claims have not exceeded the aggregate total yearly claims limit during the year ended June 30, 2020.

The Academy has a made a segregated deposit in the amount of $38,410 to serve as collateral for the stop-loss claims payments.

A benefit claims liability is reported when it is probable that a loss has occurred, and the amount of loss can be reasonably estimated. The liability is estimated based upon the experience of the Academy, trends in costs of services and changes in the number of members. Estimates are revised as changes in these factors occur and such revisions are reflected in operations of the current period. Liabilities include an amount for claims that have been incurred but not reported.

The following represents the changes in the Academy's claims liability amount for the year ended June 30, 2020:

Liability as of June 30, 2019	$ -
Current year claims and changes in estimates	267,134
Claims Paid	207,776
Liability as of June 30, 2020	**$ 59,358**

NOTE 7: ***DEFINED BENEFIT PENSION PLAN***

Summary of Significant Accounting Policies

Pensions. The School 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.

General Information about the Pension Plan

Plan description. Eligible employees of the 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.

NOTE 7: *DEFINED BENEFIT PENSION PLAN* (Continued)

General Information about the Pension Plan (Continued)

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

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

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

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

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

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

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

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

As of December 31, 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.

NOTE 7: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

General Information about the Pension Plan (Continued)

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.

Contributions provisions as of June 30, 2020: Eligible employees of, the Academy and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq*. and § 24-51-413. Eligible employees are required to contribute 8.75 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).

NOTE 7: *DEFINED BENEFIT PENSION PLAN* (Continued)

General Information about the Pension Plan (Continued)

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 18-200.

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the Academy is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from The Academy were $649,791 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 Academy's proportion of the net pension liability was based on the Academy's contributions to the SCHDTF for the calendar year 2019 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2020, the Academy reported a liability of $6,484,515 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the Academy as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the Academy were as follows:

NOTE 7: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

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

The Academy's proportionate share of the net pension liability	$ 6,484,515
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the Academy.	$ 1,041,752
Total	**$ 7,526,267**

At December 31, 2019, the Academy's proportion was 0.04340 percent, which was a decrease of 0.01529 from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the Academy recognized pension income of $1,868,844 and expense of $27,802 for support from the State as a nonemployer contributing entity. At June 30, 2020, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 353,410	N/A
Changes of assumptions or other inputs	$ 185,123	$ 2,941,315
Net difference between projected and actual earnings on pension plan investments	N/A	$ 768,155
Changes in proportion and differences between contributions recognized and proportionate share of contributions	$ 348,197	$ 3,119,647
Contributions subsequent to the measurement date	$ 328,447	N/A
Total	**$ 1,215,177**	**$ 6,829,117**

NOTE 7: *DEFINED BENEFIT PENSION PLAN* (Continued)

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

$328,447 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	($ 2,885,741)
2022	($ 2,436,007)
2023	($ 359,335)
2024	($ 261,304)

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.

NOTE 7: ***<u>DEFINED BENEFIT PENSION PLAN</u>*** (Continued)

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

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.

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.

NOTE 7: *DEFINED BENEFIT PENSION PLAN* (Continued)

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

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

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

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

Discount rate. The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied 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.

NOTE 7: ***DEFINED BENEFIT PENSION PLAN*** (Continued)

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

- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200 and the additional 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.

NOTE 7: *DEFINED BENEFIT PENSION PLAN* (Continued)

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

- 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.

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	**$ 8,599,856**	**$ 6,484,515**	**$ 4,708,503**

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 8: ***DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB)PLAN***

Summary of Significant Accounting Policies

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

General Information about the OPEB Plan

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

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

NOTE 8: ***DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB)PLAN*** (Continued)

General Information about the 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.

NOTE 8: ***DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB)PLAN*** (Continued)

General Information about the OPEB Plan (Continued)

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

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the Academy is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the Academy were $34,200 for the year ended June 30, 2020.

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

At June 30, 2020, the Academy reported a liability of $315,517 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2019. The Academy's proportion of the net OPEB liability was based on the Academy's contributions to the HCTF for the calendar year 2019 relative to the total contributions of participating employers to the HCTF.

NOTE 8: ***DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB)PLAN*** (Continued)

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

At December 31, 2019, the Academy's proportion was 0.02807 percent, which was a decrease of 0.01008% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the Academy recognized OPEB expense of $14,088. At June 30, 2020, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 1,047	$ 53,018
Changes of assumptions or other inputs	$ 2,618	N/A
Net difference between projected and actual earnings on OPEB plan investments	N/A	$ 5,266
Changes in proportion and differences between contributions recognized and proportionate share of contributions	$ 20,467	$ 114,486
Contributions subsequent to the measurement date	$ 17,099	N/A
Total	**$ 41,231**	**$ 172,770**

$17,099 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	($ 27,257)
2022	($ 27,256)
2023	($ 25,733)
2024	($ 33,521)
2025	($ 32,895)
Thereafter	($ 1,976)

NOTE 8: ***DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB)PLAN*** (Continued)

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

Actuarial assumptions. The total OPEB liability in the December 31, 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.

NOTE 8: ***DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB)PLAN*** (Continued)

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

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

NOTE 8: ***DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB)PLAN*** (Continued)

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and 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.

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%

NOTE 8: ***DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB)PLAN*** (Continued)

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

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

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

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

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.

NOTE 8: ***<u>DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB)PLAN</u>*** (Continued)

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

NOTE 8: *DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB)PLAN* (Continued)

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

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

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

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

	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	**$ 308,022**	**$ 315,517**	**$ 324,178**

NOTE 8: ***<u>DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB)PLAN</u>*** (Continued)

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

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.

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

NOTE 8: ***DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB)PLAN*** (Continued)

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	**$ 356,755**	**$ 315,517**	**$ 280,249**

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 9: ***COMMITMENTS AND CONTINGENCIES***

Modular Lease

In May 2014, the Academy entered into a non-cancelable operating lease agreement for one of its modular buildings. Monthly lease payments in the amount of $2,710 are due beginning on July 1, 2014 through June 30, 2021. In addition, the lease includes an option to purchase the building at a cost of 10% of the original purchase price.

Future minimum lease payments are as follows:

Year Ended June 30	
2021	$ 32,520
Total	**$ 32,520**

The Academy made lease payments under the terms of this agreement totaling $32,517 during the year ended June 30, 2020.

NOTE 9: ***COMMITMENTS AND CONTINGENCIES*** (Continued)

Claims and Judgments

The Academy participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Academy may be required to reimburse the grantor government. As of June 30, 2020, significant amounts of grant expenditures have not been audited, but the Academy believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the Academy.

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The Academy believes it has complied with the Amendment. As required by the Amendment, the Academy has established a reserve for emergencies. At June 30, 2020, the reserve of $236,565 was recorded as a restriction of fund balance in the General Fund.

NOTE 10: ***DEFICIT NET POSITION***

The net position of the governmental activities is in a deficit position in the amount of $12,127,355 due to the Academy including its Net Pension Liability and Net OPEB liability per the requirements of GASB Statement Nos. 68 and 75.

NOTE 11: ***SUBSEQUENT EVENTS***

COVID-19

As a result of the coronavirus pandemic (COVID-19), economic uncertainties may have economic implications on the financial position, results of operations and cash flows of the Academy. The duration of these uncertainties and the ultimate financial effects cannot be estimated at this time.

REQUIRED SUPPLEMENTARY INFORMATION

CAPROCK ACADEMY

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2020

	2020				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2019 ACTUAL
REVENUES					
Local Sources					
Per Pupil Operating Revenue	$ 6,771,277	$ 6,954,336	$ 6,969,843	$ 15,507	$ 6,265,079
Mill Levy Funding	311,170	332,956	353,152	20,196	267,100
Charges for Services	202,500	222,500	269,094	46,594	243,289
Tuition	-	-	-	-	128,445
Grants and Donations	10,000	10,000	53,558	43,558	61,072
Other Revenue	157,500	315,500	336,010	20,510	186,540
State and Federal Sources					
Grants and Donations	433,054	597,045	561,457	(35,588)	568,046
TOTAL REVENUES	7,885,501	8,432,337	8,543,114	110,777	7,719,571
EXPENDITURES					
Salaries	3,704,561	3,794,480	3,726,498	67,982	3,385,354
Employee Benefits	1,189,826	1,357,758	1,291,524	66,234	1,112,791
Purchased Services	810,695	885,093	692,637	192,456	1,193,195
Supplies and Materials	452,400	488,275	688,854	(200,579)	597,214
Property	69,600	10,062,169	10,059,081	3,088	2,104,722
Other	148,850	149,849	8,672	141,177	10,211
Debt Service					
Principal	385,000	385,000	385,000	-	10,336,486
Interest	946,670	946,670	945,273	1,397	846,224
Contingency	40,000	108,000	-	108,000	-
TOTAL EXPENDITURES	7,747,602	18,177,294	17,797,539	379,755	19,586,197
EXCESS OF REVENUES OVER EXPENDITURES	137,899	(9,744,957)	(9,254,425)	490,532	(11,866,626)
OTHER FINANCING SOURCES (USES)					
Proceeds from Issuance of Debt	-	-	-	-	22,000,000
NET CHANGE IN FUND BALANCES	137,899	(9,744,957)	(9,254,425)	490,532	10,133,374
FUND BALANCE, Beginning	2,665,979	12,799,353	12,799,353	-	2,665,979
FUND BALANCE, Ending	$ 2,803,878	$ 3,054,396	$ 3,544,928	$ 490,532	$ 12,799,353

See the accompanying independent auditors' report.

CAPROCK ACADEMY

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

Years Ended December 31,

	2013	2014	2015	2016	2017	2018	2019
School's proportionate share of the Net Pension Liability	0.054%	0.056%	0.057%	0.062%	0.067%	0.059%	0.043%
School's Net Pension Liability	$ 6,926,841	$ 7,532,429	$ 8,650,112	$ 18,368,788	$ 21,657,511	$ 10,392,226	$ 6,484,515
State of Colorado Proportionate Share of the Net Pension Liability associated with the School	-	-	-	-	-	1,420,993	1,041,752
Total portion of the Net Pension Liability associated with the School	6,926,841	7,532,429	8,650,112	18,368,788	21,657,511	11,813,219	7,526,267
School's covered payroll	$ 2,188,082	$ 2,328,240	$ 2,464,791	$ 2,768,953	$ 3,089,503	$ 3,158,286	$ 2,524,020
School's proportionate share of the Net Pension Liability as a percentage of its covered payroll	316.6%	323.5%	350.9%	663.4%	701.0%	374.0%	298.2%
Plan fiduciary net position as a percentage of the total pension liability	64.1%	62.8%	59.2%	43.10%	43.96%	57.01%	64.52%

See the accompanying independent auditors' report.

CAPROCK ACADEMY

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
SCHOOL DIVISION TRUST FUND

Years Ended June 30,

	2014	2015	2016	2017	2018	2019	2020
Statutorily required contributions	$ 389,625	$ 419,671	$ 494,423	$ 566,205	$ 596,328	$ 634,319	$ 649,791
Contributions in relation to the Statutorily required contributions	389,625	419,671	494,423	566,205	596,328	634,319	649,791
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -	$ -
School's covered payroll	$ 2,291,924	$ 2,344,988	$ 2,636,243	$ 2,917,962	$ 3,158,286	$ 3,315,840	$ 3,352,897
Contributions as a percentage of covered payroll	17.00%	17.90%	18.75%	19.40%	18.88%	19.13%	19.38%

See the accompanying independent auditors' report.

CAPROCK ACADEMY

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

Years Ended December 31,

	2016	2017	2018	2019
School's proportionate share of the Net Pension Liability	0.035%	0.038%	0.038%	0.028%
School's proportionate share of the Net Pension Liability	$ 454,661	$ 494,567	$ 519,029	$ 315,517
School's covered payroll	$ 2,768,953	$ 3,089,503	$ 3,158,286	$ 2,524,020
School's proportionate share of the Net Pension Liability as a percentage of its covered payroll	16.4%	16.0%	16.4%	12.5%
Plan fiduciary net position as a percentage of the total pension liability	16.72%	17.53%	17.03%	24.49%

See the accompanying independent auditors' report.

CAPROCK ACADEMY

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
HEALTH CARE TRUST FUND

Years Ended June 30,

	2017	2018	2019	2020
Statutorily required contributions	$ 29,763	$ 32,215	$ 33,822	$ 34,200
Contributions in relation to the Statutorily required contributions	29,763	32,215	33,822	34,200
Contribution deficiency (excess)	$ -	$ -	$ -	$ -
School's covered payroll	$ 2,917,962	$ 3,158,286	$ 3,315,840	$ 3,352,897
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%

See the accompanying independent auditors' report.