

COLORADO SKIES ACADEMY
BASIC FINANCIAL STATEMENTS
June 30, 2020

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FINANCIAL SECTION



JOHN CUTLER & ASSOCIATES

Board of Directors
Colorado Skies Academy
Denver, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of Colorado Skies Academy (the "Academy"), component unit of the Cherry Creek School District, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Academy, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, schedules of the school's proportionate share, and schedules of the school's contributions on pages 38-42 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 Luthr & Associates, LLC

October 8, 2020

Colorado Skies Academy Management's Discussion and Analysis

As management of Colorado Skies Academy (CSA or the School), we offer readers of Colorado Skies Academy's financial statements our narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2020.

Financial Highlights

The year ended June 30, 2020 is the first year of operations for CSA. As of June 30, 2020, net position decreased by \$(1,120,732) to \$(1,120,732). This negative balance is the result of the implementation of regulations under the Governmental Accounting Standards Board Statement (GASB) Numbers 68 and 75. Further information about GASB 68 and 75 is provided in Notes 6 and 7 of the financial statements.

The operations of the School are funded primarily by tax revenue received under the Colorado School Finance Act in Per Pupil Revenue. Such revenue for the year was \$988,786. At the close of the fiscal year, Colorado Skies Academy's governmental funds reported an ending fund balance of \$3,402,475, an increase of \$3,402,475 from prior year. This increase is the result of closely monitoring spending throughout the year and unspent proceeds from the issuance of debt.

Overview of Financial Statements

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

Government-Wide Financial Statements

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

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

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

The government-wide statement of activities distinguishes functions/programs of the School supported primarily by Per Pupil Revenue or other revenues passed through from the authorizer (Cherry Creek School District). The governmental activities of the School include instruction and supporting services.

Fund Financial Statements

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

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

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

The School adopts annually appropriated budgets for the General Fund. A budgetary comparison schedule for the General Fund has been provided herein.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This information is provided in pages 6-37.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of the School's financial position. In the case of Colorado Skies Academy, liabilities exceeded assets resulting in a net position of \$(1,120,732) in FY 2019-2020. Again, this is directly related to the Pension Plan and the Defined Benefit Other Post Employment Benefit (OPEB) liabilities reporting requirements under GASB 68 and 75. Of the School's total net position, \$38,500 is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. Accordingly, these funds are not available to satisfy the School's general operating expenses.

**Colorado Skies Academy's Net Position
Governmental Activities**

	<u>June 30, 2020</u>
ASSETS	
Cash and Investments	\$ 184,535
Restricted Cash and Investments	5,187,470
Accounts Receivable	22,554
Grants Receivable	205,174
Prepaid Expenses	896
Capital Assets, Not Depreciated	6,998,435
Capital Assets, Net of Accum Depreciation	433,160
Total Assets	13,032,224
DEFERRED OUTFLOWS OF RESOURCES	
Related to Pensions	1,468,972
Related to OPEB	79,007
Total Deferred Outflows of Resources	1,547,979
LIABILITIES	
Accounts Payable	2,151,315
Accrued Expenses	768
Unearned Revenue	46,071
Accrued Interest	303,133
Noncurrent Liabilities	
Due within One Year	-
Due in More Than One Year	10,730,000
Net Pension Liability	1,515,187
Net OPEB Liability	74,023
Total Liabilities	14,820,497
DEFERRED INFLOWS OF RESOURCES	
Related to Pensions	866,763
Related to OPEB	13,675
Total Deferred Inflows of Resources	880,438
NET POSITION	
Net Investment in Capital Assets	1,889,065
Restricted for Emergencies	38,500
Restricted for Debt Service	3,170,011
Unrestricted	(6,218,308)
Total Net Position	\$ (1,120,732)

The largest portion of the School's assets is in capital assets, at 57% of total assets in 2020.

**Colorado Skies Academy's Change in Net Position
Governmental Activities**

	<u>June 30, 2020</u>
Program Revenue:	
Charges for Services	\$ -
Operating Grants and Contributions	1,329,707
Capital Grants and Contributions	45,727
Total Program Revenue	<u>1,375,434</u>
General Revenue:	
Per Pupil Revenue	988,786
Mill Levy Override	303,347
Other Income	40,697
Interest	-
Total General Revenue	<u>1,332,830</u>
Total Revenue	<u>2,708,264</u>
Expenses:	
Instructional	1,880,808
Supporting Services	1,565,467
Interest on Long-Term Debt	382,721
Total Expenses	<u>3,828,996</u>
Increase/(Decrease) in Net Position	(1,120,732)
Net Position, Beginning	<u>-</u>
Net Position, Ending	<u>\$ (1,120,732)</u>

The largest portion of the School's revenues came from Operating Grants and Contributions – 49%, respectively in 2020.

Financial Analysis of the Government's Funds

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

Governmental Funds. The focus of the School's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements.

In particular, unassigned fund balance may serve as a useful measure of the School's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the School's General Fund reported an ending fund balance of \$232,464, an increase of \$232,464 from prior year. As of the end of the current fiscal year, the School's Debt Service Fund reported an ending fund balance of \$3,170,011, an increase of \$3,170,011 from prior year. This fund records the activity of the CSA Building Facility, Inc. (the "Corporation"), created for the purpose of issuing and paying debt on behalf of the School.

General Fund Budgetary Highlights

The School approves a General Fund budget in May based on enrollment projections for the school year. In October, after enrollment stabilizes, adjustments are made to the budget. At year-end, the School had some variances between its final budgeted and actual activities. Overall, the School recognized \$78,256 more revenue than expected and spent \$(98,956) less than planned, when compared to the final budget. One budget amendment was made during FY 2019-2020.

Capital Assets & Long-Term Debt

The School has invested in capital assets in the form of construction in progress and building improvements to the School's facility, as well as equipment to support the School's educational program. More information regarding capital assets may be found in Note 4 to the financial statements. Depreciation expenses for capital assets are booked under Supporting Services of the School's operations.

The School has long-term debt in the form of 2019 Charter School Revenue Bonds issued by the Public Finance Authority. Proceeds of the bonds were used to construct the School's education facilities. More information regarding long-term debt may be found in Note 5 to the financial statements.

Economic Factors and Next Year's Budget

The primary factors driving the budget for Colorado Skies Academy are student enrollment and Per Pupil Revenue. Enrollment for the 2019-2020 school year was 116.50 funded students. This information was analyzed as part of the 2020-2021 budget which is projecting a 225.00 funded student count. Per Pupil Revenue is expected to decline significantly in 2020-2021 as the result of the COVID-19 pandemic. The longer-term economic impacts of the pandemic in relation to the state budget and K-12 education are unknown.

Requests for Information

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

Colorado Skies Academy
13015 Wings Way
Englewood, CO 80112

BASIC FINANCIAL STATEMENTS

COLORADO SKIES ACADEMY

STATEMENT OF NET POSITION

As of June 30, 2020

	<u>Governmental Activities</u>
ASSETS	
Cash and Investments	\$ 184,535
Restricted Cash and Investments	5,187,470
Accounts Receivable	22,554
Grants Receivable	205,174
Prepays	896
Capital Assets, Not Depreciated	6,998,435
Capital Assets, Depreciated, Net of Accumulated Depreciation	<u>433,160</u>
 TOTAL ASSETS	 <u>13,032,224</u>
DEFERRED OUTFLOWS OF RESOURCES	
Related to Pensions	1,468,972
Related to OPEB	<u>79,007</u>
 TOTAL DEFERRED OUTFLOWS OF RESOURCES	 <u>1,547,979</u>
LIABILITIES	
Accounts Payable	2,151,315
Accrued Expenses	768
Unearned Revenue	46,071
Accrued Interest	303,133
Noncurrent Liabilities	
Due within One Year	-
Due in More Than One Year	10,730,000
Net Pension Liability	1,515,187
Net OPEB Liability	<u>74,023</u>
 TOTAL LIABILITIES	 <u>14,820,497</u>
DEFERRED INFLOWS OF RESOURCES	
Related to Pensions	866,763
Related to OPEB	<u>13,675</u>
 TOTAL DEFERRED INFLOWS OF RESOURCES	 <u>880,438</u>
NET POSITION	
Investment in Capital Assets	1,889,065
Restricted for Emergencies	38,500
Restricted for Debt Service	3,170,011
Unrestricted	<u>(6,218,308)</u>
 TOTAL NET POSITION	 <u>\$ (1,120,732)</u>

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

COLORADO SKIES ACADEMY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2020

	GENERAL FUND	DEBT SERVICE FUND	TOTALS
ASSETS			
Cash and Investments	\$ 184,535	\$ -	\$ 184,535
Restricted Cash and Investments		5,187,470	5,187,470
Accounts Receivable	22,554	-	22,554
Grants Receivable	205,174	-	205,174
Prepaid Expenses	896	-	896
TOTAL ASSETS	<u>\$ 413,159</u>	<u>\$ 5,187,470</u>	<u>\$ 5,600,629</u>
LIABILITIES AND FUND BALANCES			
LIABILITIES			
Accounts Payable	\$ 133,856	\$ 2,017,459	\$ 2,151,315
Accrued Expenses	768	-	768
Unearned Revenue	46,071	-	46,071
TOTAL LIABILITIES	<u>180,695</u>	<u>2,017,459</u>	<u>2,198,154</u>
FUND BALANCES			
Nonspendable	896	-	896
Restricted for Emergencies	38,500	-	38,500
Restricted for Debt Service	-	3,170,011	3,170,011
Unassigned	193,068	-	193,068
TOTAL FUND BALANCES	<u>232,464</u>	<u>3,170,011</u>	<u>3,402,475</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 413,159</u>	<u>\$ 5,187,470</u>	

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.

7,431,595

Long-term liabilities and related assets are not due and payable in the current period and therefore, are not reported in the funds. This liability includes net pension liability (\$1,515,187), net OPEB liability (\$74,023), deferred outflows related to pensions \$1,468,972, deferred outflows related to OPEB \$79,007, deferred inflows related to pensions (\$866,763), deferred inflows related to OPEB (\$13,675), bonds payable (\$10,730,000) and accrued interest (\$303,133).

(11,954,802)

Net position of governmental activities

\$ (1,120,732)

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

COLORADO SKIES ACADEMY

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

	GENERAL FUND	DEBT SERVICE FUND	TOTALS
REVENUES			
Local Sources	\$ 2,179,262	\$ 49,670	\$ 2,228,932
State Sources	32,486	-	32,486
Federal Sources	440,350	-	440,350
 TOTAL REVENUES	 <u>2,652,098</u>	 <u>49,670</u>	 <u>2,701,768</u>
EXPENDITURES			
Current			
Instruction	1,193,966	-	1,193,966
Supporting Services	1,225,668	-	1,225,668
Bond Issuance Costs	-	531,636	531,636
Debt Service			
Principal	277,250	-	277,250
Interest	-	79,588	79,588
Debt Issuance Cost	-		-
Capital Outlay	-	6,998,435	6,998,435
 TOTAL EXPENDITURES	 <u>2,696,884</u>	 <u>7,609,659</u>	 <u>10,306,543</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 <u>(44,786)</u>	 <u>(7,559,989)</u>	 <u>(7,604,775)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from the Issuance of Debt	277,250	10,730,000	11,007,250
 NET CHANGE IN FUND BALANCES	 232,464	 3,170,011	 3,402,475
FUND BALANCES, Beginning	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES, Ending	<u>\$ 232,464</u>	<u>\$ 3,170,011</u>	<u>\$ 3,402,475</u>

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

COLORADO SKIES ACADEMY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES - 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 Changes in Fund Balances - Total Governmental Funds	\$ 3,402,475
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 capital outlay for the year.	7,431,595
Bond proceeds are reported as financing sources in the governmental funds and increase fund balance. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net position and does not effect the statement of activities.	(11,007,250)
Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the change in accrued interest and short term debt payment.	(25,883)
Deferred Charges related to pensions are not recognized in the governmental funds. However, in the government-wide statements these amounts are capitalized and amortized.	<u>(921,669)</u>
Change in Net Position of Governmental Activities	<u><u>\$ (1,120,732)</u></u>

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

COLORADO SKIES ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Colorado Skies Academy (the “Academy”) was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Cherry Creek School District of the State of Colorado.

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

Reporting Entity

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

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

CSA Building Facility, Inc.

In 2019, the CSA Building Facility, Inc.(the “Corporation”) was created. The purpose of the Corporation is to provide a mechanism to issue and pay debt on behalf of the Academy. The Corporation is considered to be part of the Academy for financial reporting purposes because its resources are entirely for the direct benefit of the Academy and is blended into the Academy’s financial statements as a debt service fund. As part of its ongoing responsibilities, the Corporation provides the Academy with monthly financial statements. Separate financial statements are not available.

The Academy is a component unit of the Cherry Creek School District.

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.

COLORADO SKIES ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

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.

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.

COLORADO SKIES ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 funds:

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

Debt Service Fund – This fund is used to account for the financial activities of the Academy's Building Corporation.

Deferred Outflows/Inflows of Resources

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

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

Assets, Liabilities and Fund Balance/Net Position

Investments – Investments are stated at fair value.

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.

COLORADO SKIES ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net position in the government-wide financial statements.

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, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight-line method. 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 investment in capital assets, restricted, and unrestricted. Investment in capital assets is intended to reflect the portion of net position which is associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost. Restricted net position is liquid assets, which have third party limitations on their use. Unrestricted net position represents assets that do not have any third party limitations on their use.

Fund Balance Classification – In the government-wide financial statements, net position is restricted when constraints placed on the net position are externally imposed. 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 (a) not in spendable form or (b) are legally or contractually required to be maintained intact. The Academy classifies Prepaid Expenses as nonspendable as these items are not expected to be converted to cash within the next year.

COLORADO SKIES ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

- 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.
- 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.

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.

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.

COLORADO SKIES ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Risk Management

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The Academy carries commercial coverage for these risks of loss. The Academy has not sustained any losses that exceeded the insurable amounts in the last three years.

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

Deposits

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

Cash Deposits	\$ 184,535
Investments	<u>5,187,470</u>
Total	<u>\$ 5,372,005</u>

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.

COLORADO SKIES ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 3: CASH AND INVESTMENTS (Continued)

Deposits

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 \$184,535. The bank balances with the financial institutions were \$390,279. Of these balances, \$250,000 was covered by federal depository insurance and \$140,279 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.

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
- 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.

Investment Pools

The School had invested \$5,187,470 in the Colorado Government Liquid Asset Trust (ColoTrust) which has a credit rating of AAAM by Standard and Poor's. ColoTrust is an investment vehicle established for local government entities in Colorado to pool surplus funds and is regulated by the State Securities Commissioner. It operates similarly to a money market fund and each share is equal in value to \$1.00.

COLORADO SKIES ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 3: CASH AND INVESTMENTS (Continued)

Investments (Continued)

Investments consist of U.S. Treasury and U.S. Agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian’s internal records identify the investments owned by the entities.

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

NOTE 4: CAPITAL ASSETS

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

	<u>Balance</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2020</u>
Governmental Activities				
Capital Assets, Not Depreciated				
Construction in Progress	-	6,998,435	-	6,998,434
Capital Assets, Depreciated				
Improvements	-	287,045	-	287,045
Equipment	-	146,115	-	146,115
Total Capital Assets, Depreciated	-	433,160	-	433,160
Accumulated Depreciation				
Improvements	-	-	-	-
Equipment	-	-	-	-
Total Accumulated Depreciation	-	-	-	-
Net Capital Assets	<u>\$ -</u>	<u>\$ 7,431,595</u>	<u>\$ -</u>	<u>\$ 7,431,595</u>

Depreciation was charged to the supporting services activity of the Academy.

COLORADO SKIES ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 5: LONG TERM DEBT

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

	<u>Balance</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Due In</u> <u>One Year</u>
Note Payable	\$ -	\$ 277,250	\$ 277,250	\$ -	\$ -
2019 Bonds Payable	<u>-</u>	<u>10,730,000</u>	<u>-</u>	<u>10,730,000</u>	<u>-</u>
Total	<u>\$ -</u>	<u>\$11,007,250</u>	<u>\$ 277,250</u>	<u>\$ 619,769</u>	<u>\$ -</u>

Notes Payable

The Academy entered into a loan agreement with individuals and entities in the surrounding communities. The notes do not carry any interest and were paid in full as of June 30, 2020.

2019 Bonds Payable

In November 2019, the Public Finance Authority issued \$10,730,000 Charter School Revenue Bonds (Series 2019). Proceeds from the bonds were loaned to the Building Corporation to construct the School’s education facilities. The School is obligated to make monthly lease payments to Corporation for use of the building. The Corporation is required to make equal lease payments to the Trustee, for payment of the bonds. Interest accrued at 7.0% per annum and is paid monthly. Principal payments are due annually beginning July 1, 2022, with a balloon payment of \$10,410,000 due on July 1, 2025.

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ -	\$ 609,612	\$ 609,612
2022	-	609,612	609,612
2023	100,000	606,112	706,112
2024	105,000	598,937	703,937
2025	115,000	591,237	706,237
2026	<u>10,410,000</u>	<u>293,609</u>	<u>10,703,609</u>
Total	<u>\$ 10,730,000</u>	<u>\$ 3,309,119</u>	<u>\$ 14,039,119</u>

COLORADO SKIES ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 6: **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 School 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.

COLORADO SKIES ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 6: 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.

COLORADO SKIES ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 6: 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 lesser 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 School 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).

COLORADO SKIES ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 6: 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 School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from The School were \$120,720 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 School's proportion of the net pension liability was based on the School'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 School reported a liability of \$1,515,187 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 School 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 School were as follows:

COLORADO SKIES ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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

The School's proportionate share of the net pension liability	\$1,515,187
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the School.	\$ 243,418
Total	\$1,758,605

At December 31, 2019, the School's proportion was 0.0101 percent, which was an increase of 0.0101 percent from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the School recognized pension expense of \$1,040,194 and revenue of \$6,496 for support from the State as a nonemployer contributing entity. At June 30, 2020, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 82,579	N/A
Changes of assumptions or other inputs	\$ 43,256	\$ 687,274
Net difference between projected and actual earnings on pension plan investments	N/A	\$ 179,489
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$ 1,279,795	\$ N/A
Contributions subsequent to the measurement date	\$ 63,342	N/A
Total	\$ 1,468,972	\$ 866,763

\$496,865 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:

COLORADO SKIES ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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

Year ended June 30,	
2021	\$116,639
2022	\$212,315
2023	\$250,970
2024	(\$61,057)

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

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

¹ For 2019, the annual increase was 0.00 percent.

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

COLORADO SKIES ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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

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.

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:

COLORADO SKIES ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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

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

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

COLORADO SKIES ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200 and the additional 0.50 percent, resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State provides an annual direct distribution of \$225 million, which commenced July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered annual increase cap, from 1.50 percent to 1.25 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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.

COLORADO SKIES ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 6: DEFINED BENEFIT PENSION PLAN (Continued)

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

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 School’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	\$ 2,009,462	\$ 1,515,187	\$

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

Summary of Significant Accounting Policies

OPEB. The School 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.

COLORADO SKIES ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

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

General Information about the OPEB Plan

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

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

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

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

COLORADO SKIES ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

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

General Information about the OPEB Plan (Continued)

PERA Benefit Structure

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

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

DPS Benefit Structure

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

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

COLORADO SKIES ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

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

General Information about the OPEB Plan (Continued)

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the School were \$6,355 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 School reported a liability of \$74,023 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 School's proportion of the net OPEB liability was based on the School's contributions to the HCTF for the calendar year 2019 relative to the total contributions of participating employers to the HCTF.

At December 31, 2019, the School's proportion was 0.00658 percent, which was an increase of 0.00658% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the School recognized OPEB expense of \$15,046.

COLORADO SKIES ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: 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 June 30, 2020, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 246	\$ 12,439
Changes of assumptions or other inputs	\$ 614	N/A
Net difference between projected and actual earnings on OPEB plan investments	N/A	\$ 1,236
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$ 74,814	N/A
Contributions subsequent to the measurement date	\$ 3,333	N/A
Total	\$ 79,007	\$ 13,765

\$26,151 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	\$12,160
2022	\$12,160
2023	\$12,518
2024	\$12,048
2025	\$12,376
Thereafter	\$647

COLORADO SKIES ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: 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.

COLORADO SKIES ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 7: 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.

COLORADO SKIES ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 7: 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%

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.

COLORADO SKIES ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: 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)

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.

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.

COLORADO SKIES ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

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

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

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

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

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

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

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%	

COLORADO SKIES ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2020

NOTE 7: 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 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

Sensitivity of the School'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	\$72,265	\$74,023	\$76,055

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.

COLORADO SKIES ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

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

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

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

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$83,698	\$74,023	\$65,749

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 8: COMMITMENTS AND CONTINGENCIES

Lease Agreements

The Academy has entered into various lease agreements for modular and land rights. The lease payments range from \$1,879 to \$2,500 per month. These modular leases terminate on December 2020 and the water lease matures on June 2062.

COLORADO SKIES ACADEMY
 NOTES TO THE FINANCIAL STATEMENTS
 June 30, 2020

NOTE 8: COMMITMENTS AND CONTINGENCIES (Continued)

Future minimum lease payments are as follows:

Year Ended <u>June 30</u>		
2021	\$	37,543
2022		22,543
2023		22,543
2024		22,543
2025		22,543
Thereafter		<u>834,091</u>
Total	\$	<u>961,806</u>

Total rent expense for the year ended June 30, 2020 for these leases was \$171,701.

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 \$38,500 was recorded as a reservation of fund balance in the General Fund.

COLORADO SKIES ACADEMY
NOTES TO THE FINANCIAL STATEMENTS
June 30, 2020

NOTE 9: DEFICIT NET POSITION

The net position of the governmental activities is in a deficit position of \$1,016,899 due to the Academy including its Net Pension Liability per the requirements of GASB Statement No. 68 and the Net OPEB Liability per the requirements of GASB Statement No. 75.

NOTE 10: SUBSEQUENT EVENTS

Potential subsequent events were considered through October 8, 2020. It was determined that the following event is required to be disclosed through this date.

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 School. The duration of these uncertainties and the ultimate financial effects cannot be estimated at this time.

REQUIRED SUPPLEMENTARY INFORMATION

COLORADO SKIES ACADEMY

GENERAL FUND
 BUDGETARY COMPARISON SCHEDULE
 Year Ended June 30, 2020

	2020			VARIANCE Positive (Negative)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
REVENUES				
Local Sources				
Per Pupil Revenue	\$ 1,822,500	\$ 972,218	\$ 988,786	\$ 16,568
Mill Levy Override	231,300	237,360	253,677	16,317
Grants and Donations	87,564	877,000	896,102	19,102
Interest	-	-	-	-
Other	-	-	40,697	40,697
State Sources				
Grants and Donations	56,250	29,900	32,486	2,586
Federal Sources				
Grants and Donations	196,500	457,364	440,350	(17,014)
TOTAL REVENUES	<u>2,394,114</u>	<u>2,573,842</u>	<u>2,652,098</u>	<u>78,256</u>
EXPENDITURES				
Salaries	834,490	724,059	697,989	26,070
Employee Benefits	308,779	225,739	182,348	43,391
Purchased Services	858,191	610,061	625,020	(14,959)
Supplies and Materials	93,625	106,811	144,515	(37,704)
Property	179,500	757,197	707,420	49,777
Other	48,550	94,723	62,342	32,381
Debt Service				
Principal	-	277,250	277,250	-
TOTAL EXPENDITURES	<u>2,323,135</u>	<u>2,795,840</u>	<u>2,696,884</u>	<u>98,956</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>70,979</u>	<u>(221,998)</u>	<u>(44,786)</u>	<u>(20,700)</u>
OTHER FINANCING USES				
Proceeds from Loans	-	277,250	277,250	-
NET CHANGE IN FUND BALANCE	70,979	55,252	232,464	177,212
FUND BALANCE, Beginning	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 70,979</u>	<u>\$ 55,252</u>	<u>\$ 232,464</u>	<u>\$ 177,212</u>

See the accompanying independent auditors' report.

COLORADO SKIES ACADEMY

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

Years Ended December 31,

	<u>2019</u>
School's proportionate share of the Net Pension Liability	0.010%
School's proportionate share of the Net Pension Liability	\$ 1,515,187
State of Colorado Proportionate Share of the Net Pension Liability associated with the School	<u>\$ 243,418</u>
Total portion of the Net Pension Liability associates with the School	\$ 1,758,605
School's covered payroll	\$ 296,081
School's proportionate share of the Net Pension Liability as a percentage of its covered payroll	511.7%
Plan fiduciary net position as a percentage of the total pension liability	64.6%

See the accompanying independent auditors' report.

COLORADO SKIES ACADEMY
 SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
 SCHOOL DIVISION TRUST FUND

Years Ended June 30,

	2020
Statutorily required contributions	\$ 120,720
Contributions in relation to the Statutorily required contributions	120,720
Contribution deficiency (excess)	\$ -
School's covered payroll	\$ 622,917
Contributions as a percentage of covered payroll	19.38%

See the accompanying independent auditors' report.

COLORADO SKIES ACADEMY

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

Years Ended December 31,

	<u>2019</u>
School's proportionate share of the Net OPEB Liability	0.007%
School's proportionate share of the Net OPEB Liability	\$ 74,023
School's covered payroll	\$ 296,081
School's proportionate share of the OPEB Liability as a percentage of its covered payroll	25.0%
Plan fiduciary net position as a percentage of the total pension liability	24.49%

See the accompanying independent auditors' report.

COLORADO SKIES ACADEMY

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
SCHOOL DIVISION TRUST FUND

Years Ended June 30,

	<u>2020</u>
Statutorily required contributions	\$ 6,355
Contributions in relation to the Statutorily required contributions	<u>6,355</u>
Contribution deficiency (excess)	<u>\$ -</u>
School's covered payroll	\$ 622,617
Contributions as a percentage of covered payroll	1.02%

See the accompanying independent auditors' report.