EXCEL ACADEMY CORPORATION

BASIC FINANCIAL STATEMENTS

June 30, 2019

TABLE OF CONTENTS

	PAGE
Independent Auditors' Report	
Management's Discussion and Analysis	i - vii
Basic Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Balance Sheet – Governmental Funds	3
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Fund	4
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	5
Notes to the Financial Statements	6 –38
Required Supplementary Information	
Budgetary Comparison Statement – General Fund	39
Schedule of the School's Proportionate Share – School Division Trust Fund	40
Schedule of the School's Contributions – School Division Trust Fund	41
Schedule of the School's Proportionate – Health Care Trust Fund	42
Schedule of the School's Contributions – Health Care Trust Fund	43

JOHN CUTLER
& ASSOCIATES

Board of Directors
Excel Academy Corporation
Arvada, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of Excel Academy Corporation, component unit of the Jefferson County School District No. R-1, as of and for the year ended June 30, 2019, 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 Excel Academy Corporation as of June 30, 2019, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

600 17TH STREET SUITE 2800 SOUTH • DENVER, COLORADO 80202 •TEL 303.634.2259 •FAX 303.496.4631

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 39-43 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

John Cutler & Associates, LLC

November 5, 2019

Excel Academy Corporation
Management's Discussion and Analysis
Year Ended June 30, 2019

As management of Excel Academy Corporation (the Academy), we offer readers of these financial statements this narrative and analysis of the financial activities of the Academy for the year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information provided in the financial statements.

Overview of Organization

On May 18, 1995, the Academy incorporated as a nonprofit corporation under the Colorado Nonprofit Corporation Act; and on November 3, 1995 the Internal Revenue Service issued a determination letter recognizing the Academy's tax-exempt status under Section 501(c)(3) of the Internal Revenue Code of 1986. The Academy is a Colorado charter school organized pursuant to the Colorado Charter Schools Act, C.R.S. §§ 22-30.5-101 et seq. The Academy operates pursuant to a charter granted and authorized by the Jefferson County Public School District R-1 (the District) on June 1, 1995. Under the Charter Schools Act, the Academy is a public school within the District, and its status, as a nonprofit corporation does not affect its status as a governmental unit. However, for governance and administrative purposes, the Academy operates as a Colorado nonprofit corporation.

Overview of Financial Statements

The Academy's accounting policies and financial statements conform with generally accepted accounting principles as applicable to governmental units. This discussion and analysis is intended to serve as an introduction to the Academy's financial statements. The statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. For the year ended June 30, 2019, the Academy had its sixteenth financial audit completed.

Government-wide Financial Statements

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

The government-wide and business-type fund financial statements utilize a net position presentation. The statement of net position presents information on the Academy's net position, which is categorized as investment in capital assets, restricted, and unrestricted. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows in future periods. In general, changes in net position may serve over time as a useful indicator of overall financial position.

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 Academy, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Academy uses one major governmental fund, its General Fund, to account for all financial resources and to report the results of its governmental activities and operations. The Academy is required under its charter authorization to pool its cash deposits, other than investments reserved to satisfy bond covenants, with the District's cash and investments, which are held by several banking institutions.

The Academy adopts an annual budget for its General Fund. A budgetary comparison has been provided for the General Fund on page 39 as part of the basic financial statements.

Notes to Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the financial statements.

Government-wide Financial Analysis

For the year ended June 30, 2019, the Academy's liabilities exceeded its assets resulting in a deficit net position of approximately ($9,743,554). As previously noted, changes in net position may serve over time as a useful indicator of the Academy's overall financial position. However, recent accounting changes promulgated by the Government Accounting Standards Board (GASB), primarily GASB No. 68, have resulted in significant decreases to the Academy's net position, which are not directly related to the Academy's overall financial position derived from its governmental activities and operations. The objective of GASB No. 68 is to recognize a net pension liability in the statement of net position for government employers who sponsor defined benefit retirement plans for their employees. The Academy participates, as an employer, in the Public Employees Retirement Association of Colorado (PERA) which is a defined benefit retirement plan. The Academy's proportionate share of the difference between PERA's total pension liability and total plan assets, in the amount of approximately $7,475,492, has been recognized as a net pension liability on the Academy's statement of net position as of June 30, 2019. This represents a decrease of approximately $8,404,988 as compared to the net pension liability of approximately $15,880,480 which was recognized as of June 30, 2018.

More information about the defined benefit pension plan can be found in Note 7 in the Notes to the Financial Statements.

The Academy's ending deficit net position of approximately ($9,743,554) has resulted primarily from the Academy including the Net Pension Liability per GASB No.68. The ending deficit position is comprised of the following: 1) a positive general fund balance of $3,398,537; plus 2) positive net capital assets of $3,114,040; less 3) the net pension liability and deferred pension inflows, offset by deferred pension outflows, of $11,381,043, as required by the implementation of GASB No. 68; and less 4) the long-term liabilities not due and payable, net of the bond premium, accrued interest and deferred loss on refunding, in the current period of $4,875,088.

For the year ended June 30, 2019, the Academy's overall net position decreased by approximately $1,503,230 from its governmental activities and operations. This decrease is comprised of: 1) the net increase to the general fund balance of approximately $348,779; 2) the net increase of approximately $234,370 due to the repayment of bond long-term debt and related costs; 4) the net decrease of approximately $1,097,345 due to the deferred charges related to pensions not recognized in government funds; and 5) the net decrease of approximately $177,264 as a result of the Academy's capital assets depreciating at a faster rate than the repayment of long-term debt principal and in excess of capital outlays for the year. The net deficit related to the rate of depreciation exceeding repayment of long-term debt principal is expected to decrease as the long-term debt is paid.

The Academy's net position is categorized as invested in capital assets, restricted, and unrestricted. Investment in capital assets, net of related debt, of approximately ($2,194,083) as of June 30, 2019 includes net capital assets of $3,114,040 less approximately $5,308,123 in long-term debt, which is comprised of bonds payable. The Academy has no other long-term debt, other than bonds payable, as of June 30, 2019.

Approximately $148,000 of the net position is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment (TABOR); and approximately $632,000 of the net position is restricted to comply with the Series 2016 bond covenants.

For the year ended June 30, 2019, the Academy's unrestricted net position of approximately ($8,330,000) includes unrestricted cash and investments of $2,868,000 plus deferred bond charges of $448,185, plus deferred pension outflows of $2,294,925, less accounts payable of $51,339, less accrued salaries of $199,940, less accrued interest of $15,150, less deferred revenue of $0, less pension liability of $7,475,492, and less deferred pension inflows of $5,839,600.

Net Position as of June 30:

	2019	2018
Assets:		
Current Assets	$3,649,816	$3,318,140
Capital and Other Assets, Net	3,114,040	3,291,503
Total Assets	6,763,856	6,609,643
Deferred Outflows of Resources	2,761,826	5,051,501
Liabilities:		
Accrued Liabilities, Accounts Payable and Unearned Revenue	266,429	284,139
Long-term Debt, including $250,000 due in one year	5,308,123	5,572,994
Pension Liability and OPEB liabilities	7,848,848	16,243,123
Total Liabilities	13,423,400	22,100,256
Deferred Inflows of Resources,	5,845,836	807,672
Invested in Capital Assets, Net of Related Debt	(2,194,083)	(2,281,690)
Restricted for TABOR	148,938	128,485
Restricted for Debt Service	632,189	626,118
Unrestricted	(8,330,058)	(9,719,697)
Total Net Position	(9,743,554)	(11,246,784)

The Academy's net position increased by approximately $1,503,230 from general governmental activities and operations during 2019, which is primarily due to the decrease in the net pension liability, As a result, the Academy experienced an ending deficit net position of approximately ($9,743,554) for the year ended June 30, 2019, as compared to an ending deficit net position of approximately ($11,246,784) for the year ended June 30, 2018.

Change in Net Position for the Year Ended June 30:

	2019	2018
Revenue:		
Program Revenues		
Charges for Services	$316,605	$ 274,152
Operating Grants and Contributions	169,409	104,895
Capital Construction Funds	144,835	132,409
General Revenue		
School Finance Act Revenue	3,831,219	3,719,085
Other	1,032,643	793,169
Total Revenue	5,494,711	5,023,710
Expenses:		
Current:		
Instruction	2,307,724	5,374,567
Supporting Services	1,488,877	2,696,376
Debt Service – Interest and Amortization	194,880	200,098
Total Expenses	3,991,481	8,271,041
Change in Net Position	1,503,230	(3,247,331)
Net Position, July 1	(11,246,784)	(7,999,453)
Net Position, June 30	(9,743,554)	(11,246,784)

The operations of the Academy are funded primarily by the per pupil revenue received under the State School Finance Act. State per pupil revenue for the year ended June 30, 2019 totaled approximately $3,831,000, as compared to $3,719,000 for the year ended June 30, 2018. This increase in per pupil revenue, of approximately $112,000, was primarily due to an increase in state per pupil funding levels for the 2018-2019 school year, as compared to the 2017-2018 school year. In addition, the Academy received mill levy funding of approximately $868,000 from its District for the year ended June 30, 2019, as compared to $694,000 for the year ended June 30, 2018. Mill levy funding continues to remain constant due to the District's decision to fully equalize mill levy funding across all of the District's public schools, including its charter schools. In accordance with Article IX, Section 17 of the Colorado Constitution, known as Amendment 23, the Academy receives capital construction funds from the state for repayment of long-term debt used to finance the purchase of land and construction of the school building. For the year ended June 30, 2019, the Academy received capital construction funds in the amount of $144,835 which represents an increase of approximately $12,835 as compared to June 30, 2018.

Financial Analysis of Excel Academy Corporation's Funds

The Academy has one governmental fund, its General Fund. The General Fund is considered a major fund and is used to account for the Academy's general operations and governmental activities. The General Fund had a positive funds balance of approximately $3,050,000 at the beginning of the year. The fund balance of the General Fund increased to approximately $3,399,000 at June 30, 2019. This represents an increase of approximately $349,000, which is primarily due continued sound financial management, as well as slight increases in per pupil and mill levy funding, and a decrease in debt service due to the refinance of the 2005 Revenue Bonds.

The general fund balance of approximately $3,399,000 is comprised of funds restricted for TABOR, funds restricted for debt service, and unrestricted or unassigned general funds. Approximately $148,000 of the general fund balance is restricted to comply with TABOR; and approximately $632,000 of the general fund balance is restricted to comply with the Series 2016 bond covenants, related to unexpended bond proceeds, which are reserved for project costs and to satisfy bond covenants that require the unexpended proceeds be used to pay the costs of debt service and required reserve accounts. The remaining unrestricted or unassigned general fund balance of $2,618,000 as of June 30, 2019 is shown net of accounts payable, unearned revenue, accrued interest, and accrued salaries and benefits, as compared to $2,295,000 as of June 30, 2018.

Capital Assets and Debt Administration

As of June 30, 2019, capital assets consist primarily of the instructional facilities. These instructional facilities include the school building and the land, which in total cost approximately $5.5 million. Capital assets, totaling $3,114,040 as of June 30, 2019, are shown net of accumulated depreciation of $2,878,059. See Note 4 for more information.

In December 2003, the Academy financed the acquisition of land and the construction of its instructional facilities with Charter School Series 2003 Revenue Bonds which were issued by the Colorado Educational and Cultural Facilities Authority (CECFA) in the amount of $6,830,000. In addition to the long-term bond debt, the Academy incurred a note payable to the District for the additional cost of land in the amount of $236,400.

In August 2005, the Academy refinanced its Series 2003 Revenue Bonds with Charter School Series 2005 Revenue Bonds issued by the CECFA in the amount of $7.61 million, at a premium of $631,000. The Series 2005 Bonds were scheduled to mature in December 2033.

In December 2014, the Academy paid off half of the outstanding principal balance of the note payable in the amount of $118,200 and related accrued interest of $78,000. In March 2016, the Academy paid off the remaining balance of principal in the amount of $118,300 and related accrued interest of $4,400. By paying the note payable off early, the Academy will realize a savings in debt service of approximately $81,000 over the original term of the note payable.

In August 2016, the Academy refinanced its Series 2005 Revenue Bonds with Charter School Series 2016 Revenue Bonds issued by the CECFA in the amount of $5.55 million, at a premium of $328,000. The Series 2016 Bonds are scheduled to mature in December 2033. The Academy will recognize a net present value debt service savings of approximately $1.2 million over the remaining term of the bonds, which equates to a reduction in debt service of approximately $80,000 per year, by refinancing its outstanding Series 2005 Bonds with the Series 2016 Bonds.

To finance the construction of facilities, the purchase of land, and to refinance previously issued revenue bonds, the Academy has incurred long-term debt totaling $5.9 million, of which $5.3 million is outstanding as of June 30, 2019. See Note 6 for more information.

Economic Factors and Next Year's Budget

The primary factor in budget development for the Academy is student enrollment. The Academy's enrollment was 516 students for the 2018-2019 school year, as compared to 518 students for the 2017-2018 school year. The Academy expects an enrollment of 516 students for the 2019-2020 school year. The Academy considers full enrollment at to be 518 students based on a smaller average classroom size of 25 students even though the school building's capacity per classroom is 28-30 students. Based on historical trends and current projections, the Academy expects student enrollment to remain steady for the 2019-2020 school year. The Academy also considers current economic projections in determining per pupil funding levels to be an important factor in developing its budget for fiscal year 2020.

Requests for Information

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

Excel Academy Corporation
Attention: Executive Director
11500 West 84th Avenue
Arvada, CO 80005

BASIC FINANCIAL STATEMENTS

EXCEL ACADEMY CORPORATION

STATEMENT OF NET POSITION
As of June 30, 2019

	GOVERNMENTAL ACTIVITIES 2019	GOVERNMENTAL ACTIVITIES 2018
ASSETS		
Cash and Investments	$ 2,867,963	$ 2,563,537
Restricted Cash and Investments	780,587	754,603
Accounts Receivable	1,266	199
Capital Assets, Not Depreciated	235,981	235,981
Capital Assets, Depreciated, Net of Accumulated Depreciation	2,878,059	3,055,323
TOTAL ASSETS	6,763,856	6,609,643
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Charges	448,185	479,094
Related to Pensions	2,294,925	4,559,735
Related to OPEB	18,716	12,672
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,761,826	5,051,501
LIABILITIES		
Accounts Payable	51,339	67,906
Accrued Salaries	199,940	181,205
Accrued Interest	15,150	15,558
Unearned Revenue	-	19,470
Noncurrent Liabilities		
Due in One Year	250,000	245,000
Due in More Than One Year	5,058,123	5,327,994
Net Pension Liability	7,475,492	15,880,480
Net OPEB Liability	373,356	362,643
TOTAL LIABILITIES	13,423,400	22,100,256
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	5,839,600	795,776
Related to OPEB	6,236	11,896
TOTAL DEFERRED INFLOWS OF RESOURCES	5,845,836	807,672
NET POSITION		
Net Investment in Capital Assets	(2,194,083)	(2,281,690)
Restricted for Emergencies	148,398	128,485
Restricted for Debt Service	632,189	626,118
Unrestricted	(8,330,058)	(9,719,697)
TOTAL NET POSITION	$ (9,743,554)	$ (11,246,784)

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

EXCEL ACADEMY CORPORATION

STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES: Charges for Services	PROGRAM REVENUES: Operating Grants and Contributions	PROGRAM REVENUES: Capital Grants and Contributions	NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION — GOVERNMENTAL ACTIVITIES: 2019	NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION — GOVERNMENTAL ACTIVITIES: 2018
PRIMARY GOVERNMENT						
Governmental Activities						
Instruction	$ 2,307,724	$ 316,605	$ 169,409	$ -	$ (1,821,710)	$ (4,995,520)
Supporting Services	1,488,877	-	-	144,835	(1,344,042)	(2,563,967)
Interest on Long-Term Debt	194,880	-	-	-	(194,880)	(200,098)
Total Governmental Activities	$ 3,991,481	$ 316,605	$ 169,409	$ 144,835	(3,360,632)	(7,759,585)
GENERAL REVENUES						
Per Pupil Revenue					3,831,219	3,719,085
Mill Levy Override					867,952	694,457
Interest					12,994	7,902
Other					151,697	90,810
TOTAL GENERAL REVENUES					4,863,862	4,512,254
CHANGE IN NET POSITION					1,503,230	(3,247,331)
NET POSITION, Beginning					(11,246,784)	(7,999,453)
NET POSITION, Ending					$ (9,743,554)	$ (11,246,784)

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

EXCEL ACADEMY CORPORATION

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	TOTAL GOVERNMENTAL FUNDS	
	General Fund	
	2019	2018
ASSETS		
Cash and Investments	$ 2,867,963	$ 2,563,537
Restricted Cash and Investments	780,587	754,603
Accounts Receivable	1,266	199
TOTAL ASSETS	$ 3,649,816	$ 3,318,339
LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts Payable	$ 51,339	$ 67,906
Accrued Salaries	199,940	181,205
Unearned Revenue	-	19,470
TOTAL LIABILITIES	251,279	268,581
FUND BALANCES		
Restricted for Emergencies	148,398	128,485
Restricted for Debt Service	632,189	626,118
Unassigned	2,617,950	2,295,155
TOTAL FUND BALANCE	3,398,537	3,049,758
TOTAL LIABILITIES AND FUND BALANCE	$ 3,649,816	$ 3,318,339

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

	2019	2018
Fund Balance	$ 3,398,537	$ 3,049,758
Capital assets used in governmental activities are not financial resources and, therefore, are not in the funds.	3,114,040	3,291,304
Long-term liabilities and related assets related to pensions are not due and payable in the current period and therefore, are not reported in the funds. This liability includes net pension liability ($7,475,492), net OPEB liability ($373,356), deferred outflows related to pensions and OPEB $2,313,641, and deferred inflows related to pensions and OPEB ($5,845,836).	(11,381,043)	(12,478,388)
Long-term liabilities are not due and payable in the current period and are not reported in the funds. These include bonds payable ($5,020,000), bond premium ($288,123), accrued interest ($15,150), and deferred loss on refunding $448,185.	(4,875,088)	(5,109,458)
Net position of governmental activities	$ (9,743,554)	$ (11,246,784)

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

EXCEL ACADEMY CORPORATION

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2019

	TOTAL GOVERNMENTAL FUNDS	
	General Fund	
	2019	2018
REVENUES		
Local Sources	$ 5,213,686	$ 4,832,827
State and Federal Sources	272,479	190,883
TOTAL REVENUES	5,486,165	5,023,710
EXPENDITURES		
Instruction	3,133,921	2,620,192
Supporting Services	1,560,304	1,587,166
Capital Outlay	13,911	53,550
Debt Service		
Principal	245,000	240,000
Interest	184,250	189,100
TOTAL EXPENDITURES	5,137,386	4,690,008
NET CHANGE IN FUND BALANCE	348,779	333,702
FUND BALANCE, Beginning	3,049,758	2,716,056
FUND BALANCE, Ending	$ 3,398,537	$ 3,049,758

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

EXCEL ACADEMY CORPORATION

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2019

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Net Changes in Fund Balances - Total Governmental Funds	$ 348,779
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation expense ($191,175) exceeds capital outlay $13,911 for the year.	(177,264)
Repayment of bond long-term debt and related costs are reported as an expenditure in the governmental funds and decrease fund balance. For the Academy as a whole, however, these costs and payments reduce the liabilities or are capitalized in the statement of net position and do not result in an expense in the statement of activities. These include loan principal payment of $245,000, decrease in accrued interest of $408, and amortization of deferred charges and premiums of ($11,038).	234,370
Deferred Charges related to pensions are not recognized in the governmental funds. However, in the government-wide statements these amounts are capitalized and amortized.	1,097,345
Change in Net Position of Governmental Activities	$ 1,503,230

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

NOTE 1: ***SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES***

The accounting policies of Excel Academy Corporation (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 Excel Academy Building Corporation is considered to be financially accountable to the Academy. The purpose of the Building Corporation is to provide a mechanism to issue debt on behalf of the Academy. The Building 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 reported as part of the General Fund.

The Academy is a component unit of Jefferson County School District No. R-1(the "District").

Government-Wide and Fund Financial Statements

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

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

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

Government-Wide and Fund Financial Statements (Continued)

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.

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

The Academy reports the following major governmental fund:

> *General Fund* – This fund is the general operating fund of the Academy. It is used to account for all financial resources.

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

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 recorded at fair value.

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

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net position in the government-wide financial statements. Depreciation has been provided over the following estimated useful lives of the capital assets using the straight-line method: buildings, 30 years, and equipment 10 years.

Long-term Debt – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method. In the fund financial statements, governmental fund types recognize bond premiums and discounts, 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.

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

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

Net Position

The government-wide 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 are 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 are liquid assets, which have third party limitations on their use.

- Unrestricted Net Position represent assets that do not have any third party limitation on their use. While Academy management may have categorized and segmented portions for various purposes, the Board of Directors has the unrestricted authority to revisit or alter these managerial decisions.

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

- 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 and Debt Service Reserves as being restricted because their use is restricted by State Statute for declared emergencies and bond covenants.

- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Academy did not have any committed resources as of June 30, 2019.

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

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

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

The 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 fund balance.

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 pays the District to participate in the District's risk management plan. The District is self-insured for certain liability, property and worker's compensation coverages. The District purchases excess insurance coverage to limit the District's self-insurance exposure. Settled claims have not exceeded this coverage in any of the past three years.

Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Academy's financial position and operations. However, complete comparative data in accordance with generally accepted accounting principles has not been presented since its inclusion would make the financial statements unduly complex and difficult to read. Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

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.

State Compliance

For the year ended June 30, 2019, actual expenditures in the General Fund exceeded budgeted amounts by $14,345 due to the inclusion of the Academy's portion of the State's PERA contribution. This may be a violation of state statute.

NOTE 3: *CASH AND INVESTMENTS*

A reconciliation of the cash and investment components on the balance sheet to the cash and investment categories in this footnote are as follows:

Petty Cash	$ 500
Pooled Cash with the District	3,015,861
Investments	632,189
Total	**$ 3,648,550**

Deposits

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At June 30, 2019, State regulatory commissioners have indicated that all financial institutions holding deposits for the Academy are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held.

NOTE 3: *CASH AND INVESTMENTS* (Continued)

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, 2019, the Academy did not have any deposits subject to custodial credit risk.

Pooled Cash with the District

Cash deposits are pooled with the District cash and investments which were held by several banking institutions. Pooled investments represent investments in local government investment pools or in money market funds. At June 30, 2019, the Academy's balance in equity in both restricted and unrestricted pooled cash of the District totaled $3,015,861.

Investments

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 and securities of the World Bank
- General obligation and revenue bonds of U.S. local government entities
- Certain certificates of participation
- Certain securities lending agreements
- Bankers' acceptances of certain banks
- Commercial paper
- Local government investment pools
- Written repurchase agreements and certain reverse repurchase agreements collateralized by certain authorized securities
- Certain money market funds
- Guaranteed investment contracts

The above investments are authorized for all funds and fund types used by Colorado municipalities.

NOTE 3: ***CASH AND INVESTMENTS*** (Continued)

Local Government Investment Pool

The Academy had invested $632,189 in the Colorado Surplus Asset Fund Trust (CSAFE) an investment vehicle established for local government entities in Colorado pursuant to Title 24, Article 75, Part 7 of the Colorado Revised Statues, to pool surplus funds for investment purposes. The State Securities Commissioner administers and enforces the requirements of creating and operating the Pools. CSAFE reports its underlying investments at amortized cost and is considered a qualifying external investment pool under GASB Statement 79. CSAFE operates similar to money market funds where each share is equal in value to $1.00. The fair value of the position in the pools is the same as the value of the pooled shares.

CSAFE is rated AAAm by Standard and Poor's. The designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities are owned by the pools and 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 pools. Investments of the pools comply with state statues, consisting of U.S. Treasury bills, notes and note strips, repurchase agreements, U.S. Instrumentalities, Commercial Paper, Bank Deposits and Money Markets. CSAFE does not have any limitations or restrictions on participant withdrawals.

Interest Rate and Credit Risk Policies

The School 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, or a formal policy to limit credit risk. However, they follow state statutes regarding investments.

Restricted Cash

Cash and investments are restricted as follows:

Debt Service	$ 632,189
Emergency reserves	148,398
Total	**$ 780,587**

NOTE 4: ***CAPITAL ASSETS***

Capital Assets activity for the year ended June 30, 2019, is summarized below.

	Balance June 30, 2018	Additions	Deletions	Balance June 30, 2019
Governmental Activities				
Capital assets, not being depreciated				
Land and CIP	$ 235,981	$ -	$ -	$ 235,981
Capital assets, being depreciated				
Buildings	5,257,327	-	-	5,257,327
Office Equipment	28,782	-	-	28,782
Moveable Equipment	17,439	13,911	-	31,350
Total Capital assets being depreciated	5,303,548	13,911	-	5,317,459
Accumulated Depreciation				
Buildings	2,210,116	176,776	-	2,386,892
Office Equipment	25,715	13,752	-	39,467
Moveable Equipment	12,394	647	-	13,041
Total Accumulated Depreciation	2,248,225	191,175	-	2,439,400
Net Capital Assets, Depreciated	3,055,323	(177,264)	-	2,878,059
Net Capital Assets	**$ 3,291,304**	**$ (177,264)**	**$ -**	**$ 3,114,040**

Depreciation has been charged to the Supporting Services program of the Academy.

NOTE 5: ***ACCRUED SALARIES AND BENEFITS***

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from August to July, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, as of June 30, 2019, were $199,940. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements of the General Fund.

NOTE 6: *LONG-TERM DEBT*

Following is a summary of the Academy's long-term debt transactions for the year ended June 30, 2019:

	Balance June 30, 2018	Additions	Payments	Balance June 30, 2019	Due In One Year
Building Lease	$ 5,265,000	$ -	$ 245,000	$ 5,020,000	$ 250,000
Bond Premium	307,994	-	19,871	288,123	-
Total	**$ 5,572,994**	**$ -**	**$ 264,871**	**$ 5,308,123**	**$ 250,000**

Building Lease

In August 2005, the Colorado Educational and Facilities Authority (CECFA) issued $7,610,000 Charter School Revenue Bonds, Series 2005. Proceeds from the bonds were used to advance refund the 2003 Bonds. Monthly principal and interest payments are due under the lease agreements, with interest accruing at 3.25% to 5.5%. These bonds were refunded in 2016.

In August 2016, the Colorado Educational and Cultural Facilities Authority (CECFA) issued $5,550,000 Charter School Revenue Bonds, Series 2016. Proceeds from the bonds were used to advance refund the 2005 Bonds. Monthly principal and interest payments are due under the lease agreements, with interest accruing at 2% to 5%. The bonds mature in December 2033.

Future debt service requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
2020	$ 250,000	$ 178,050	$ 428,050
2021	260,000	170,400	430,400
2022	270,000	161,100	431,100
2023	280,000	150,100	430,100
2024	290,000	138,700	428,700
2025 – 2029	1,655,000	482,775	2,137,775
2029 – 2034	2,015,000	155,475	2,170,475
Total	**$ 5,020,000**	**$ 1,436,600**	**$ 6,456,600**

NOTE 7: *DEFINED BENEFIT PENSION PLAN*

Summary of Significant Accounting Policies

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

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

- Increases employer contribution rates for the SCHDTF by 0.25 percent on July 1, 2019.

- Increases employee contribution rates for the SCHDTF by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).

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

- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, increases the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.

- Member contributions, employer contributions, the direct distribution from the State, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

NOTE 7: *DEFINED BENEFIT PENSION PLAN*

General Information about the Pension Plan

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

Benefits provided as of December 31, 2018. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

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

  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.

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

General Information about the Pension Plan (Continued)

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, 2018, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments in certain years, referred to as annual increases in the C.R.S. Pursuant to SB 18-200, there are no annual increases (AI) for 2018 and 2019 for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure will receive an annual increase, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 1.5 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 will receive the lessor of an annual increase of 1.5 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The automatic adjustment provision may raise or lower the aforementioned AI for a given year by up to one-quarter of 1 percent based on the parameters specified C.R.S. § 24-51-413.

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

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

Contributions provisions as of June 30, 2019: Eligible employees, the Academy and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq*. and § 24-51-413. Eligible employees are required to contribute 8 percent of their PERA-includable salary during the period of July 1, 2018 through June 30, 2019. Employer contribution requirements are summarized in the table below:

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

General Information about the Pension Plan (Continued)

	January 1, 2018 Through December 31, 2018	January 1, 2019 Through December 31, 2019
Employer contribution rate[1]	10.15%	10.15%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) [1]	(1.02)%	(1.02)%
Amount apportioned to the SCHDTF[1]	9.13%	9.13%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 [1]	4.50%	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 [1]	5.50%	5.50%
Total employer contribution rate to the SCHDTF	**19.13%**	**19.13%**

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

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the Academy is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the Academy were $451,481 for the year ended June 30, 2019.

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

The net pension liability for the SCHDTF was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total pension liability to December 31, 2018.

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

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

The Academy's proportion of the net pension liability was based on the Academy's contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2019 the Academy reported a liability of $7,475,492 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The Academy also recognized $60,710 for their proportionate share of the State on- behalf payment and a corresponding benefit expense for the same amount. The amount recognized by the Academy as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the Academy were as follows:

The Academy's proportionate share of the net pension liability	$7,475,492
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the Academy	$1,022,170
Total	$8,497,662

At December 31, 2018, the Academy's proportion was 0.0443%, which was a decrease of 0.006% from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019 the Academy recognized pension income of $672,711and revenue of $8,546 for support from the State as a nonemployer contributing entity.. At June 30, 2019, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 253,577	N/A
Changes of assumptions or other inputs	$ 1,395,333	$4,648,952
Net difference between projected and actual earnings on pension plan investments	$ 407,461	N/A
Changes in proportion and differences between contributions recognized and proportionate share of contributions	$ 2,329	$1,190,648
Contributions subsequent to the measurement date	$ 236,225	N/A
Total	$ 2,294,925	$ 5,839,600

$236,225 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,	
2020	($ 771,938)
2021	($ 1,953,170)
2022	($ 1,279,681)
2023	$ 222,889

Actuarial assumptions. The total pension liability in the December 31, 2017 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	4.78 percent

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

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

Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07; and DPS benefit structure (automatic)	2.00 percent compounded annually
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve

The revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2017 to December 31, 2018:

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

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.

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

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

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

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

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

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

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

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

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

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%**	

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

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

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

Discount rate. The discount rate used to measure the total pension liability was 7.25 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%.

- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- As specified in law, the State will provide an annual direct distribution of $225 million (actual dollars), commencing 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.

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

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

- The 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.

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

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

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25 percent and the municipal bond index rate of 3.43 percent were used in the discount rate determination resulting in a discount rate of 4.78 percent, 2.47 percent lower compared to the current measurement date.

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	$ 9,503,810	$ 7,475,492	$ 5,773,392

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

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

Summary of Significant Accounting Policies

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

General Information about the OPEB Plan

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

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

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

General Information about the OPEB Plan (Continued)

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.
Enrollment in the PERACare is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

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

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

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.

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

General Information about the OPEB Plan (Continued)

The retiree pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the Academy is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the Academy were $24,011 for the year ended June 30, 2019.

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

At June 30, 2019, the Academy reported a liability of $373,356 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2018. The Academy's proportion of the net OPEB liability was based on the Academy's contributions to the HCTF for the calendar year 2018 relative to the total contributions of participating employers to the HCTF.

At December 31, 2018, the Academy's proportion was 0.02744%, which was an increase of 0.00018% from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the Academy recognized OPEB expense of $23,097. At June 30, 2019, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 1,355	$ 568
Changes of assumptions or other inputs	$ 2,619	N/A
Net difference between projected and actual earnings on OPEB plan investments	$ 2,147	N/A
Changes in proportion and differences between contributions recognized and proportionate share of contributions	N/A	$ 5,665
Contributions subsequent to the measurement date	$ 12,595	N/A
Total	$ 18,716	$ 6,233

$12,595 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30,	
2020	($ 435)
2021	($ 435)
2022	($ 432)
2023	$ 1,056
2024	$ 129
Thereafter	$ 5

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

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

Actuarial assumptions. The total OPEB liability in the December 31, 2017 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	5.00 percent
Medicare Part A premiums	3.25 percent for 2018, gradually rising to 5.00 percent in 2025
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, 2017, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as discussed below.

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

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

In determining the additional liability for PERACare enrollees who are age sixty–five or older and who are not eligible for premium–free Medicare Part A, the following monthly costs/premiums are assumed for 2018 for the PERA Benefit Structure:

Medicare Plan	Cost for Members Without Medicare Part A	Premiums for Members Without Medicare Part A
Self-Funded Medicare Supplement Plans	$736	$367
Kaiser Permanente Medicare Advantage HMO	602	236
Rocky Mountain Health Plans Medicare HMO	611	251
UnitedHealthcare Medicare HMO	686	213

The 2018 Medicare Part A premium is $422 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
Self-Funded Medicare Supplement Plans	$289
Kaiser Permanente Medicare Advantage HMO	300
Rocky Mountain Health Plans Medicare HMO	270
UnitedHealthcare Medicare HMO	400

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

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

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

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2017, 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
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.25%
2023	5.00%	4.50%
2024	5.00%	4.75%
2025+	5.00%	5.00%

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.

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

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

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

- **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.

Healthy, post-retirement 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 2018 plan year.

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

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

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

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%**	

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

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

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

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.25%	3.25%	4.25%
Ultimate Medicare Part A trend rate	4.00%	5.00%	6.00%
Net OPEB Liability	$ 363,047	$ 373,356	$ 385,215

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, 2018, measurement date.

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50%.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.

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

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

- 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.

- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.

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

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	$ 417,753	$ 373,356	$ 335,401

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

NOTE 9: ***COMMITMENTS AND CONTINGENCIES***

Claims and Judgments

The Academy participates in 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, 2019, 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, 2019, the reserve of $148,398 was recorded as a reservation of cash and investments in the General Fund.

NOTE 10: ***FUNDS RECEIVABLE FROM ROCKY MOUNTAIN ACADEMY OF EVERGREEN***

The Colorado General Assembly enacted the Charter School Capital Facilities Financing Act to encourage school districts to include their charter schools' capital construction in a district ballot question seeking approval of bonded indebtedness. The Board of Education subsequently submitted to voters of the Jefferson County School District a ballot question (3B) seeking voter authorization to increase the School Districts' bonded indebtedness to be used for charter school and district facilities and grounds. The voters approved this ballot question.

Due to the fact that the Academy did not have any capital needs related to its facilities or grounds, the Academy could not currently utilize their portion of the proceeds. In order to make funds available for the benefit of the Academy, the Executive Boards of the Academy and the Rocky Mountain Academy of Evergreen (the RMAE) entered into a letter of agreement which stated that the RMAE would receive the Academy's 3B portion of bond funds in order to acquire land and build a new facility. In return, the RMAE agreed to repay the School in quarterly installments, over a 10-year period.

NOTE 10: ***FUNDS RECEIVABLE FROM ROCKY MOUNTAIN ACADEMY OF EVERGREEN*** (Continued)

This agreement includes a stipulation of 3% APR interest to be calculated on the outstanding principle balance. The accrued interest on years 1-10 of the note will be allocated and paid over years 11-15 per the agreement along with years 11-15 calculated interest and required principle payments as well. Under the original agreement, a balloon payment of the unpaid principal and interest balance was due at the end of fiscal year 2014-2015. In March of 2013, the Academy and RMAE amended the agreement to extend the repayment terms an additional five years. Under the proposed agreement, RMAE will make payments on the remaining unpaid principal and interest from years 1-10 on the note across years 11-15 plus the calculated interest on the unpaid principal balance in years 11-15, through June of 2020.

The repayment is subject to annual appropriation by the RMAE and is nontransferable. In addition, there are no remedies should the repayment not take place. As a result, the receivable from the RMAE has not been recorded in the financial statements. Instead, the payments will be recorded as revenue when received. During the fiscal year ended June 30, 2019, RMAE made payments amounting to $68,225 that has been recorded by the Academy as other revenue.

NOTE 11: ***DEFICIT NET POSITION***

The net position of the governmental activities is in a deficit position of $9,743,554 due to the Academy including its Net Pension Liability per the requirements of GASB Statement No. 68.

REQUIRED SUPPLEMENTARY INFORMATION

EXCEL ACADEMY CORPORATION

GENERAL FUND
BUDGETARY COMPARISON STATEMENT
Year Ended June 30, 2019

	2019				
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2018 ACTUAL
REVENUES					
Local Sources					
Per Pupil Operating Revenue	$ 3,866,875	$ 3,832,518	$ 3,831,219	$ (1,299)	$ 3,719,085
Mill Levy Override	659,066	867,952	867,952	-	694,457
Tuition	146,520	149,145	149,145	-	143,413
Charges for Services	198,400	166,365	167,460	1,095	130,739
Interest	7,500	9,582	12,994	3,412	7,902
Grants and Donations	5,000	24,836	33,219	8,383	46,421
Other	120,725	140,479	151,697	11,218	90,810
State and Federal Sources				-	
Grants and Donations	185,483	180,014	272,479	92,465	190,883
TOTAL REVENUES	5,189,569	5,370,891	5,486,165	115,274	5,023,710
EXPENDITURES					
Salaries	2,625,425	2,694,306	2,695,154	(848)	2,419,612
Employee Benefits	708,650	708,650	729,321	(20,671)	619,420
Purchased Services	1,058,170	960,285	986,051	(25,766)	864,539
Supplies and Materials	249,150	288,050	283,699	4,351	303,787
Property and Equipment	40,000	40,000	13,911	26,089	53,550
Debt Service					
Principal	245,000	245,000	245,000	-	240,000
Interest and Fiscal Charges	186,750	186,750	184,250	2,500	189,100
Board Designated Reserves Pursuant to CRS 22-44-106	-	-	-	-	-
TOTAL EXPENDITURES	5,113,145	5,123,041	5,137,386	(14,345)	4,690,008
EXCESS OF EXPENDITURES OVER REVENUES	76,424	247,850	348,779	100,929	333,702
FUND BALANCE, Beginning	3,049,761	3,049,761	3,049,758	(3)	2,716,056
FUND BALANCE, Ending	$ 3,126,185	$ 3,297,611	$ 3,398,537	$ 100,926	$ 3,049,758

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

EXCEL ACADEMY CORPORATION

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

Years Ended December 31,

	2013	2014	2015	2016	2017	2018
School's proportion of the Net Pension Liability	0.04586%	0.04523%	0.04602%	0.04701%	0.04829%	0.04220%
School's proportionate share of the Net Pension Liability	$ 5,848,902	$ 6,130,324	$ 7,038,629	$ 13,995,465	$ 15,880,480	$ 7,475,492
State of Colorado Proportionate Share of the Net Pension Liability associatedwith the Academy	$ -	$ -	$ -	$ -	$ -	$ 1,022,170
Total portion of the Net Pension Liability associated with the Academy	$ 5,848,902	$ 6,130,324	$ 7,038,629	$ 13,995,465	$ 15,880,480	$ 8,497,662
School's covered payroll	$ 1,886,743	$ 2,006,348	$ 1,952,814	$ 2,096,089	$ 2,213,002	$ 2,354,059
School's proportionate share of the Net Pension Liability as a percentage of its covered payroll	310.0%	305.5%	360.4%	667.7%	717.6%	317.6%
Plan fiduciary net position as a percentage of the total pension liability	64.1%	62.8%	59.2%	43.1%	44.0%	57.0%

Notes:

This schedule is reported as of December 31, as that is the plan year end.

This schedule will report ten years of data when it is available

EXCEL ACADEMY CORPORATION

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
SCHOOL DIVISION TRUST FUND

Years Ended June 30,

	2014	2015	2016	2017	2018	2019
Statutorily required contributions	$ 316,207	$ 354,541	$ 377,187	$ 404,720	$ 423,643	$ 451,481
Contributions in relation to the Statutorily required contributions	316,207	354,541	377,187	404,720	423,643	451,481
Contribution deficiency (excess)	$ -	$ -	$ -	$ -	$ -	$ -
School's covered payroll	$ 1,851,395	$ 1,949,001	$ 1,984,133	$ 2,181,907	$ 2,240,123	$ 2,354,059
Contributions as a percentage of covered payroll	17.08%	18.19%	19.01%	18.55%	18.91%	19.18%

Notes:
This schedule will report ten years of data when it is available

See the accompanying independent auditors' report.

EXCEL ACADEMY CORPORATION

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

Years Ended December 31,

	2016	2017	2018
School's proportion of the Net OPEB Liability	0.02655%	0.02726%	0.02744%
School's proportionate share of the Net OPEB Liability	$ 351,589	$ 362,643	$ 373,356
School's covered payroll	$ 2,096,089	$ 2,213,002	$ 2,354,059
School's proportionate share of the Net OPEB Liability as a percentage of its covered payroll	16.8%	16.4%	15.9%
Plan fiduciary net position as a percentage of the total OPEB liability	16.7%	17.5%	17.5%

Notes:
This schedule is reported as of December 31, as that is the plan year end.

This schedule will report ten years of data when it is available

See the accompanying independent auditors' report.

EXCEL ACADEMY CORPORATION

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
HEALTH CARE TRUST FUND

Years Ended June 30,

	2017	2018	2019
Statutorily required contributions	$ 22,255	$ 22,849	$ 24,011
Contributions in relation to the Statutorily required contributions	22,255	22,849	24,011
Contribution deficiency (excess)	$ -	$ -	$ -
School's covered payroll	$ 2,181,907	$ 2,240,123	$ 2,354,059
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%

Notes:
This schedule will report ten years of data when it is available

See the accompanying independent auditors' report.