

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

BASIC FINANCIAL STATEMENTS

June 30, 2019

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FINANCIAL SECTION



JOHN CUTLER & ASSOCIATES

Board of Directors
Rocky Mountain Academy of Evergreen
Evergreen, Colorado

INDEPENDENT AUDITORS' REPORT

We have audited the accompanying financial statements of the governmental activities and each major fund of Rocky Mountain Academy of Evergreen (the "Academy"), component unit of Jefferson County Academy 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 the Rocky Mountain Academy of Evergreen 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, schedule of the Academy's proportionate share, and schedule of the Academy's contributions on pages 38-42 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

John Luttler & Associates, LLC

October 30, 2019

Management’s Discussion and Analysis (MD&A)

Required Supplementary Information (RSI)

June 30, 2019

The Subsequent Management Discussion and Analysis (MD&A) of Rocky Mountain Academy of Evergreen Financial performance provides an overall review of financial activities for the fiscal year ended June 30, 2019. The intent of this narrative overview and analysis is to review the school’s financial performance as a whole.

FINANCIAL HIGHLIGHTS

The period from July 1, 2018 through June 30, 2019 is the eighteenth year of Rocky Mountain Academy of Evergreen. As of June 30, 2019, net position is (\$2,941,271). Basic school operations are primarily supported by funding provided in the Colorado State School Finance Act. Tax revenue for the year July 1, 2018 – June 30, 2019 was \$7,608,543.

Overview of Financial Statements

This financial review is intended to serve as an introduction to Rocky Mountain Academy of Evergreen basic financial statements. The basic statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government –wide Financial Statements

Government-wide financial statements are prepared to provide interested parties with a broad overview of the school’s financial reporting in similar format to private-sector business. The statement of net position presents information related to assets, deferred outflows, and liabilities and remaining assessment of financial value. With historical data, increases or decreases in net position may serve as a useful indicator of whether the financial position of the school is improving or deteriorating.

Fund Financial Statements

A fund is a grouping of related activities that is used to maintain control over resources that have been segregated for specific activities or objectives, as designated by Colorado State Statute. Rocky Mountain Academy of Evergreen monitors these funds to ensure and demonstrate compliance with finance-related legal requirements.

Rocky Mountain Academy of Evergreen adopts an annual budget for the general fund. A budgetary comparison has been provided for the general fund to demonstrate compliance with this budget as part of the required supplementary information included in the audited financial statements.

Governmental-wide Financial Analysis

For the year ending June 30, 2019, the net position of Rocky Mountain Academy of Evergreen totaled (\$2,941,271).

Table I: Net Position

	2018 Activities	2019
ASSETS		
Capital Assets, Net	\$2,999,627	\$2,931,791
Other Assets	\$1,116,388	\$1,424,274
Total Assets	\$4,116,015	\$4,356,065
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Refunding and Pensions	\$2,774,320	\$1,145,570
LIABILITIES		
Long Term Liabilities	\$13,991,164	\$5,491,403
Other Liabilities	\$305,564	\$135,569
Total Liabilities	\$14,296,728	\$5,626,972
DEFERRED INFLOWS	\$477,857	\$2,815,934
NET POSITION		
Net Investment in Capital Assets	(\$1,516,345)	\$1,221,172
Restricted for Emergencies	\$57,752	\$85,851
Unrestricted	\$6,425,657	\$4,248,294
TOTAL NET POSITION	(\$7,884,250)	(\$2,941,271)

Table II: Changes in Net Position

	2018	2019
REVENUES		
<i>General Revenues</i>		
Per Pupil Revenue	\$1,653,109	\$2,078,853
Mill Levy Override	\$308,882	\$471,122
Investment Earnings	\$0	\$0
Other	\$48,207	\$3,151,371
Total General Revenues	\$2,010,198	\$5,701,346
<i>Program Revenues</i>		
Charges for Services	\$138,410	\$168,242
Operating Grants and Contributions	\$204,569	\$332,596
Capital Grants and Contributions	\$83,380	\$78,589
Total Program Revenues	\$426,359	\$579,609
TOTAL REVENUE	\$2,436,557	\$6,280,955
EXPENSES		
Instruction	\$1,413,954	(\$39,981)
Supporting Services	\$1,144,525	\$730,014
Interest on Long Term Debt	\$309,187	\$647,943
TOTAL EXPENDITURES	\$2,867,666	\$1,337,976
Changes in Net Position	(\$431,109)	\$4,942,979
Net Position, Beginning	(\$7,453,141)	(\$7,884,250)
Prior Period Adjustment		
Net Position, Ending	(\$7,884,250)	(\$2,941,271)

Fund Financial Statements**General Fund**

Income – Total gross revenue for the period of July 1, 2018 – June 30, 2019 was \$3,181,848. The majority of income was received in the form of Per Pupil Revenue allocated to Rocky Mountain Academy of Evergreen from the state of Colorado through the charter authorizer Jefferson County School District. Donations were received through Parent Teacher organization and other parent donations in the amount of \$202,625.

Expenditures – Total expenditures for the period of July 1, 2018 – June 30, 2019 were \$2,888,208. Salaries were \$1,307,499, benefits were \$353,625, purchased/contracted services were \$1,112,309, and materials and supplies were \$114,775.

Economic Factors and Next Year's Budget

Debt service was significantly modified in the 2018-19 school year. In November of 2018, Jefferson County passed a one-time Bond to address capital improvements and a permanent Mill Levy increase. These additional funds were received in the 2018-19 school year. The Bond funds (\$3,096,577) were used to cancel debt. Going forward, debt service has been decreased from approximately \$416,000/year to \$143,000/year.

State funding will continue to be the primary source of revenue for the school. Therefore, enrollment continues to be a significant factor driving the budget for the school. Enrollment for the 18-19 school year October count was 275 FTE/262.08 PPR. Enrollment has grown to 320 FTE/318.58 PPR for the 2019-2020 school year.

The Board is committed to fiscal responsibility, and has adopted a balanced budget for the 19-20 school year.

Finally, the school has been accredited with a “Proficient” rating in state of Colorado testing standards which indicates that students meet or exceed academic expectations.

Request for Information

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

Rocky Mountain Academy of Evergreen
2959 Royale Elk Way
Evergreen, CO 80439

BASIC FINANCIAL STATEMENTS

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

STATEMENT OF NET POSITION

As of June 30, 2019

	Governmental Activities	
	2019	2018
ASSETS		
Cash and Investments	\$ 847,405	\$ 521,017
Restricted Cash and Investments	576,869	595,371
Capital Assets, Not Depreciated	201,179	79,927
Capital Assets, Depreciated, Net of Accumulated Depreciation	<u>2,730,612</u>	<u>2,919,700</u>
TOTAL ASSETS	<u>4,356,065</u>	<u>4,116,015</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred Loss on Refunding	21,470	81,914
Related to Pensions	1,114,597	2,685,558
Related to OPEB	<u>9,503</u>	<u>6,848</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,145,570</u>	<u>2,774,320</u>
LIABILITIES		
Accounts Payable	7,300	5,520
Accrued Salaries	126,456	113,990
Accrued Interest	1,813	51,054
Noncurrent Liabilities		
Bonds		
Due in One Year	90,000	135,000
Due in More Than One Year	1,620,619	4,380,972
Net Pension Liability	3,600,939	9,395,635
Net OPEB Liability	<u>179,845</u>	<u>214,557</u>
TOTAL LIABILITIES	<u>5,626,972</u>	<u>14,296,728</u>
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	2,812,931	470,819
Related to OPEB	<u>3,003</u>	<u>7,038</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>2,815,934</u>	<u>477,857</u>
NET POSITION		
Net Investment in Capital Assets	1,221,172	(1,516,345)
Restricted for Emergencies	85,851	57,752
Restricted for Debt Service	576,869	595,371
Unrestricted	<u>(4,825,163)</u>	<u>(7,021,028)</u>
TOTAL NET POSITION	<u>\$ (2,941,271)</u>	<u>\$ (7,884,250)</u>

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

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

STATEMENT OF ACTIVITIES

Year Ended June 30, 2019

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES			Net (Expense) Revenue and Change in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
PRIMARY GOVERNMENT					2019	2018
Governmental Activities						
Instruction	\$ (39,981)	\$ 168,424	\$ 194,478	\$ -	\$ 402,883	\$ (1,273,600)
Supporting Services	730,014	-	138,118	78,589	(513,307)	(858,520)
Interest on Long-Term Debt	647,943	-	-	-	(647,943)	(309,187)
 Total Governmental Activities	 <u>\$ 1,337,976</u>	 <u>\$ 168,424</u>	 <u>\$ 332,596</u>	 <u>\$ 78,589</u>	 (758,367)	 (2,441,307)
		GENERAL REVENUES				
					2,078,853	1,653,109
					471,122	308,882
						-
					3,096,577	-
					54,794	48,207
					<u>5,701,346</u>	<u>2,010,198</u>
					4,942,979	(431,109)
					(7,884,250)	(7,453,141)
					<u>\$ (2,941,271)</u>	<u>\$ (7,884,250)</u>

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

ROCKY MOUNTAIN ACADEMY EVERGREEN

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2019

	<u>GENERAL FUND</u>	
	<u>2019</u>	<u>2018</u>
ASSETS		
Cash and Investments	\$ 847,405	\$ 521,017
Restricted Cash and Investments	<u>576,869</u>	<u>595,371</u>
TOTAL ASSETS	<u>\$ 1,424,274</u>	<u>\$ 1,116,388</u>
LIABILITIES AND FUND BALANCES		
LIABILITIES		
Accounts Payable	\$ 7,300	\$ 5,520
Accrued Salaries and Benefits	<u>126,456</u>	<u>113,990</u>
TOTAL LIABILITIES	<u>133,756</u>	<u>119,510</u>
FUND BALANCES		
Restricted for Emergencies	85,851	57,752
Restricted for Debt Service	576,869	595,371
Unassigned	<u>627,798</u>	<u>343,755</u>
TOTAL FUND BALANCES	<u>1,290,518</u>	<u>996,878</u>
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.	2,931,791	2,999,627
Long-term liabilities and related assets are not due and payable in the current period and, therefore, are not reported in the funds. This amount includes bonds payable (\$1,785,000), accrued interest (\$1,813), bond discount of \$74,381, and deferred loss on refunding \$21,470.	(1,690,962)	(4,485,112)
Long-term liabilities and related assets are not due and payable in the current period and, therefore, are not reported in the funds. This amount is comprised net pension and OPEB liability of (\$3,780,784), deferred outflows related to pensions and OPEB of \$1,124,100, and deferred inflows related to pensions of (\$2,815,934).	<u>(5,472,618)</u>	<u>(7,395,643)</u>
Net Position of governmental activities	<u>\$ (2,941,271)</u>	<u>\$ (7,884,250)</u>

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

ROCKY MOUNTAIN ACADEMY EVERGREEN

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

	GENERAL FUND	
	2019	2018
REVENUES		
Local Sources	\$ 2,911,311	\$ 2,351,233
State Sources	270,537	85,324
TOTAL REVENUES	<u>3,181,848</u>	<u>2,436,557</u>
EXPENDITURES		
Current		
Instruction	1,477,537	1,187,135
Supporting Services	1,065,155	925,693
Debt Service		
Principal	135,000	125,000
Interest	210,516	310,666
TOTAL EXPENDITURES	<u>2,888,208</u>	<u>2,548,494</u>
OTHER SOURCES AND USES		
Transfer from District Bond Fund	3,096,577	-
Debt Repayment	<u>(3,096,577)</u>	<u>-</u>
TOTAL OTHER SOURCES AND USES	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	293,640	(111,937)
FUND BALANCES, Beginning	<u>996,878</u>	<u>1,108,815</u>
FUND BALANCES, Ending	<u>\$ 1,290,518</u>	<u>\$ 996,878</u>

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

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

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	\$ 293,640
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 exceeds additions for the year.	(67,836)
Some expenses reported in the statement of activities do not require current financial resources and are not reported in the funds. These include amortization of bond discount (\$154,645), amortization of deferred loss on refunding (\$60,446), decrease in accrued interest \$49,241, and principal payments \$2,960,000.	2,794,150
Deferred charges related to pension and OPEB are not recognized in the governmental funds. However, for the government-wide funds that amount is capitalized and amortized.	<u>1,923,025</u>
Change in Net Position of Governmental Activities	<u>\$ 4,942,979</u>

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

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Rocky Mountain Academy of Evergreen (the “Academy”) was organized pursuant to the Colorado Charter Academics Act to form and operate a charter Academy within the Jefferson County Academy District No. R-1 of the State of Colorado.

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

Reporting Entity

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

The Academy includes the RMAE Building Corporation (the “Building Corporation”) within its reporting entity. The Building Corporation was formed to support and assist the Academy to perform its function and to carry out its purpose, specifically to assist in the financing of the Academy’s facilities. The Building Corporation is blended into the Academy’s financial statements part of the General Fund. Separate financial statements are not available for this entity. The Academy is a component unit of Jefferson County Academy District No. R-1.

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

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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 funds:

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

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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. Capital Assets are depreciated using the straight line method over an estimated useful life of 30 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, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

Deferred Outflows/Inflows of Resources

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

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

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Balance/Net Position

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

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

- Nonspendable – This classification includes amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. The Academy does not report any non-spendable fund balances at June 30, 2019.
- 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 funds held for debt service as being restricted because their use is restricted by State Statute for declared emergencies and debt service requirements.
- 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.

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

NOTES TO THE FINANCIAL STATEMENTS

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 balances.

Compensated Absences

The Academy's policy allows employees to accumulate personal time off (PTO) up to a maximum limit of 30 days. In addition, employees may accumulate days in a sick leave bank. Upon termination of employment, unused PTO will be paid out at \$25 per day. No financial compensation is paid for unused PTO. At June 30, 2019, the PTO liability was not material to the governmental activities, therefore no liability for accumulated PTO is reported in the financial statements.

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 District carries commercial insurance for these risks of loss, and bills the Academy for its portion of coverage. Settled claims have not exceeded insured amounts in the last 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.

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

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.

Legal Compliance

The actual expenditures exceeded the budgeted amount by \$45,658. This may be a violation of State Statutes.

NOTE 3: CASH AND INVESTMENTS

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

Petty Cash	\$	300
Pooled Cash with the District		847,105
Investments		<u>576,869</u>
Total Cash and Investments	\$	<u>1,424,274</u>

Cash and Investments are reported in the financial statements as follows:

Cash and Investments	\$	847,405
Restricted Cash and Investments		<u>576,869</u>
Total	\$	<u>1,424,274</u>

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 \$847,105.

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE 3: CASH AND INVESTMENTS (Continued)

Investments

Interest Rate Risk

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

Credit Risk

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

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

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

Fair Value

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

State statutes limit investments in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by a nationally recognized statistical rating organization ("NRSRO"). At June 30, 2019, the Academy had \$576,869, invested in a money market fund. The fund invests only in U.S. Treasury obligations and is rated AAAM by Standard and Poor's. These investments are valued with Level 1 inputs.

Restricted Cash and Investments

Cash and investments of \$576,869 are restricted in the General Fund for debt servicing and bond reserves.

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE 4: CAPITAL ASSETS

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

	Balance <u>June 30, 2018</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2019</u>
Governmental Activities				
Capital Assets, not depreciated				
Land	\$ 79,927	\$ -	\$ -	\$ 79,927
Construction-in-Progress	<u>-</u>	<u>121,252</u>	<u>-</u>	<u>121,252</u>
Land	<u>79,927</u>	<u>121,252</u>	<u>-</u>	<u>201,179</u>
Capital Asset, depreciated				
Building	4,843,561	-	-	4,843,561
Improvements	<u>302,844</u>	<u>7,845</u>	<u>-</u>	<u>310,689</u>
Total Capital Assets, Depreciated	<u>5,146,405</u>	<u>7,845</u>	<u>-</u>	<u>5,154,250</u>
Accumulated Depreciation				
Building	2,132,896	171,203	-	2,304,099
Improvements	<u>93,809</u>	<u>25,730</u>	<u>-</u>	<u>119,539</u>
Total Accumulated Depreciation	<u>2,226,705</u>	<u>196,933</u>	<u>-</u>	<u>2,423,638</u>
Capital Assets, depreciated, net	<u>2,919,700</u>	<u>(189,088)</u>	<u>-</u>	<u>2,730,612</u>
Total Capital Assets	<u>\$ 2,999,627</u>	<u>\$ (67,836)</u>	<u>\$ -</u>	<u>\$ 2,931,791</u>

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 Academy year of nine months. The salaries and benefits earned, but unpaid, as of June 30, 2019, were \$126,456 in the General Fund.

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

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 <u>June 30, 2018</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>June 30, 2019</u>	Due In <u>One Year</u>
2010 Building Lease	\$ 4,745,000	\$ -	\$ 2,960,000	\$ 1,785,000	\$ 90,000
Bond Discount	<u>(229,026)</u>	<u>-</u>	<u>(154,645)</u>	<u>(74,381)</u>	<u>-</u>
Total	<u>\$ 4,515,974</u>	<u>\$ -</u>	<u>\$ 2,805,355</u>	<u>\$ 1,710,619</u>	<u>\$ 90,000</u>

Building Lease

In December, 2010, the Colorado Educational and Facilities Authority (CECFA) issued \$5,085,000 Charter Academy Refunding & Improvement Revenue Bonds, Series 2010A and \$300,000 of Series 2010B. These bonds were issued to fully refund the 2008B Charter Academy Revenue Bonds and construct additional facility improvement. The Academy is obligated under a lease agreement to make monthly lease payments to the Building Corporation for use of the facilities. The Building Corporation is obligated under the loan agreement to make similar payments to the trustee, for payment of the bonds. For the Series 2010A bonds, interest accrues at rates ranging from 6.45% to 6.9% and the bonds mature on November 1, 2040. For the Series 2010B bonds interest accrues at 8% and the bonds mature on November 2, 2019. During the year ended June 30, 2019, the Academy received bond funding from the District which it used to repay an additional \$2,825,000 of the building lease.

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 90,000	\$ 112,618	\$ 202,618
2021	40,000	108,037	148,037
2022	45,000	105,296	150,296
2023	45,000	102,394	147,394
2024	50,000	99,330	149,330
2025 – 2029	295,000	443,598	738,598
2030 – 2034	400,000	332,175	732,175
2035 – 2039	550,000	180,278	730,278
2040 - 2041	<u>270,000</u>	<u>17,737</u>	<u>287,737</u>
Total	<u>\$ 1,785,000</u>	<u>\$ 1,501,463</u>	<u>\$ 3,286,463</u>

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE 7: FUNDS PAYABLE TO EXCEL ACADEMY

The Colorado General Assembly enacted the Charter Academy Capital Facilities Financing Act to encourage Academy districts to include their charter Academics' capital construction in a district ballot question seeking approval of bonded indebtedness. The Board of Education subsequently submitted to voters of the Jefferson County Academy District a ballot question (3B) seeking voter authorization to increase the Academy Districts' bonded indebtedness to be used for charter Academy and district facilities and grounds. The voters approved this ballot question in 2005. Excel Academy could not utilize their portion of the proceeds due to the fact that they did not have any capital needs related to its facilities or ground at that time.

In order to make funds available for the benefit of the Academy, the Executive Boards of Excel and the Academy entered into a letter of agreement which stated that the Academy would receive Excel's 3B portion of bond funds in order to acquire land and build a new facility. In return, the Academy agreed to repay Excel in quarterly installments, over a ten year period. This agreement also includes a stipulation for the payment of 1.5% APR interest to be calculated retroactively if the principal balance is not repaid within three years, or 3% APR interest to be calculated retroactively if the principal balance is not repaid within five years. This interest is to be paid when the Academy pays the full amount of the agreement, but not later than the tenth year. The repayment is subject to annual appropriation by the Academy and is nontransferable. As a result, the payable to Excel has not been recorded in the financial statements. Instead, the payments will be recorded as expense when paid. During the fiscal year ended June 30, 2019, the Academy made principal and interest payments in the amount of \$38,500 and \$30,152 respectively that has been recorded by the Academy as other expense.

NOTE 8: 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.

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

Summary of Significant Accounting Policies (Continued)

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.

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.

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE 8: **DEFINED BENEFIT PENSION PLAN** (Continued)

General Information about the Pension Plan (Continued)

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.

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.

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE 8: DEFINED BENEFIT PENSION PLAN(Continued)

General Information about the Pension Plan (Continued)

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 lesser of an annual increase of 1.5 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (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:

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

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 \$239,084 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.

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

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

The Academy's 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 \$3,600,939 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The School also recognized \$29,244 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	\$3,600,939
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the Academy	\$492,378
Total	\$4,093,317

At December 31, 2018, the Academy's proportion was 0.0203%, which was a decrease of 0.0063% from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019 the Academy recognized pension income of \$1,626,893 and revenue of \$2,530 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:

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 122,148	N/A
Changes of assumptions or other inputs	\$ 672,131	\$2,239,397
Net difference between projected and actual earnings on pension plan investments	\$ 196,274	N/A
Changes in proportion and differences between contributions recognized and proportionate share of contributions	\$ 1,121	\$573,534
Contributions subsequent to the measurement date	\$ 122,923	N/A
Total	\$ 1,114,597	\$ 2,812,931

\$122,923 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	(\$ 371,842)
2021	(\$ 940,841)
2022	(\$ 615,940)
2023	\$ 107,366

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

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE 8: 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.

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE 8: 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%	

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE 8: 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.

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE 8: 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	\$ 4,577,978	\$ 3,600,939	\$ 2,781,039

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.

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

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

Summary of Significant Accounting Policies

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

General Information about the OPEB Plan

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

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

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE 9: 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.

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE 9: 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 \$12,103 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 \$179,845 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 0.01322%, which was a decrease of 0.01338% from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the Academy recognized OPEB expense of \$28,618. At June 30, 2019, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE 9: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 653	\$ 274
Changes of assumptions or other inputs	\$ 1,262	N/A
Net difference between projected and actual earnings on OPEB plan investments	\$ 1,034	N/A
Changes in proportion and differences between contributions recognized and proportionate share of contributions	N/A	\$ 2,729
Contributions subsequent to the measurement date	\$ 6,554	N/A
Total	\$ 9,503	\$ 3,003

\$6,554 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	(\$ 210)
2021	(\$ 210)
2022	(\$ 207)
2023	\$ 509
2024	\$ 63
Thereafter	\$ 1

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE 9: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

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

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE 9: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

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

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE 9: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

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

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE 9: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

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

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE 9: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

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

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE 9: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (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	\$ 174,879	\$ 179,845	\$ 185,558

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.

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE 9: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN
(Continued)

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (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	\$ 201,231	\$ 179,845	\$ 161,562

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.

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2019

NOTE 10: RISK MANAGEMENT

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The Academy participates in the Colorado Academy District Self Insurance Pool. The Pool insures property and liability exposures through contributions made by member districts. The Academy does not maintain an equity interest in the self insurance pool. The Academy funds its pool contributions, outside insurance purchases, deductibles, and uninsured losses through the General Fund. The Academy is fully self insured for unemployment compensation and has a \$1,000 deductible for property insurance.

The Academy continues to carry commercial insurance for all other risks of loss, including boiler and machinery coverage. Settled claims resulting from these risks have not exceeded commercial or Academy coverages in any of the past three years.

NOTE 11: COMMITMENTS AND CONTINGENCIES

Claims and Judgments

The Academy participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Academy may be required to reimburse the grantor government. As of June 30, 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 \$85,851 was recorded as a restriction of fund balance in the General Fund.

NOTE 12: DEFICIT NET POSITION

The Net Position of the government type activities is in a deficit position of \$2,941,271 due to the Academy including the Net Pension Liability per GASB No. 68.

REQUIRED SUPPLEMENTARY INFORMATION

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2019

	2019			VARIANCE	2018 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Positive (Negative)	
REVENUES					
Local Sources					
Per Pupil Revenue	\$ 2,081,964	\$ 2,079,558	\$ 2,078,853	\$ (705)	\$ 1,653,109
Mill Levy Override	350,362	471,122	471,122	-	308,882
Charges for Services	155,250	167,051	168,424	1,373	138,410
Donations	130,000	130,000	138,118	8,118	202,625
Other	40,500	53,359	54,794	1,435	48,207
State Sources					
Grants and Donations	79,602	239,619	270,537	30,918	85,324
TOTAL REVENUES	2,837,678	3,140,709	3,181,848	41,139	2,436,557
EXPENDITURES					
Salaries	1,603,254	1,281,649	1,307,499	(25,850)	1,166,354
Employee Benefits	-	361,005	382,869	(21,864)	302,175
Purchased Services	642,440	633,409	607,354	26,055	553,480
Supplies and Materials	86,750	107,250	115,871	(8,621)	90,819
Property	-	142,000	129,099	12,901	-
Debt Service					
Principal	129,929	3,231,577	3,231,577	-	125,000
Interest	286,000	182,237	210,516	(28,279)	310,666
TOTAL EXPENDITURES	2,748,373	5,939,127	5,984,785	(45,658)	2,548,494
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	89,305	(2,798,418)	(2,802,937)	(4,519)	-
OTHER FINANCING SOURCES					
Transfer from District Bond Fund	-	3,096,577	3,096,577	-	-
NET CHANGE IN FUND BALANCE	89,305	298,159	293,640	(4,519)	(111,937)
FUND BALANCE, Beginning	-	-	996,878	996,878	1,108,815
FUND BALANCE, Ending	\$ 89,305	\$ 298,159	\$ 1,290,518	\$ 992,359	\$ 996,878

See the accompanying independent auditors' report.

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

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

Years Ended December 31,

	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
School's proportionate share of the Net Pension Liability	0.039%	0.038%	0.039%	0.037%	0.027%	0.020%
School's Net Pension Liability	\$ 4,935,624	\$ 5,171,243	\$ 5,913,364	\$ 11,090,544	\$ 9,395,635	\$ 3,600,939
State of Colorado's Proportionate Share of the Net Pension Liability associated with the School	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 492,378</u>
Total portion of the Net Pension Liability associated with the School	4,935,624	5,171,243	5,913,364	11,090,544	9,395,635	4,093,317
School's covered payroll	\$ 1,530,447	\$ 1,573,848	\$ 1,645,765	\$ 1,750,433	\$ 1,322,361	\$ 1,098,979
School's proportionate share of the Net Pension Liability as a percentage of its covered payroll	322.5%	328.6%	359.3%	633.6%	710.5%	327.7%
Plan fiduciary net position as a percentage of the total pension liability	64.1%	62.8%	59.2%	43.1%	44.0%	57.0%

See the accompanying independent auditors' report.

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
SCHOOL DIVISION TRUST FUND

Years Ended June 30,

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Statutorily required contributions	\$ 270,747	\$ 285,537	\$ 305,871	\$ 323,773	\$ 223,932	\$ 239,084
Contributions in relation to the Statutorily required contribution	<u>270,747</u>	<u>285,537</u>	<u>305,871</u>	<u>323,773</u>	<u>223,932</u>	<u>239,084</u>
Contribution deficiency (excess)	<u>\$ -</u>					
School's covered payroll	\$ 1,577,125	\$ 1,575,106	\$ 1,694,716	\$ 1,650,493	\$ 1,107,690	\$ 1,186,523
Contributions as a percentage of covered payroll	17.17%	18.13%	18.05%	19.62%	20.22%	20.15%

See the accompanying independent auditors' report.

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

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

Years Ended December 31,

	<u>2016</u>	<u>2017</u>	<u>2018</u>
School's proportionate share of the Net OPEB Liability	0.032%	0.027%	0.013%
School's proportionate share of the Net OPEB Liability	\$ 265,698	\$ 214,557	\$ 179,845
School's covered employee payroll	\$ 1,750,433	\$ 1,322,361	\$ 1,098,979
School's proportionate share of the Net OPEB Liability as a percentage of its covered-employee payroll	15.18%	16.23%	16.36%
Plan fiduciary net position as a percentage of the total OPEB liability	16.72%	17.53%	17.03%

See the accompanying independent auditors' report.

ROCKY MOUNTAIN ACADEMY OF EVERGREEN

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
SCHOOL DIVISION TRUST FUND

Years Ended June 30,

	<u>2017</u>	<u>2018</u>	<u>2019</u>
Statutorily required contributions	\$ 16,835	\$ 11,298	\$ 12,103
Contributions in relation to the Statutorily required contributions	<u>16,835</u>	<u>11,298</u>	<u>12,103</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered-employee payroll	\$ 1,650,493	\$ 1,107,690	\$ 1,186,523
Contributions as a percentage of covered-employee payroll	1.02%	1.02%	1.02%

See the accompanying independent auditors' report.