Chavez/Huerta K-12 Preparatory Academy

(A Component Unit of Pueblo School District No. 60)

Financial Statements

June 30, 2020

HINKLE & COMPANY PC
Strategic Business Advisors

Chavez/Huerta K-12 Preparatory Academy
(A Component Unit of Pueblo School District No. 60)
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Business Advisors

Independent Auditors' Report

Board of Directors
Chavez/Huerta K-12 Preparatory Academy
Pueblo, Colorado

We have audited the accompanying financial statements of the governmental activities, the business-type activities and each major fund of the Chavez/Huerta K-12 Preparatory Academy, component unit of Pueblo School District No. 60, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Chavez/Huerta K-12 Preparatory 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.

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

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Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund of the Chavez/Huerta K-12 Preparatory Academy as of June 30, 2020, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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.

Hinkle & Company, PC

Greenwood Village, Colorado
October 8, 2020

Chavez/Huerta K-12 Preparatory Academy
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2020

As management of the Chavez/Huerta K-12 Preparatory Academy (CHPA), we offer readers of the Chavez/Huerta K-12 Preparatory Academy financial statements this narrative overview and analysis of the financial activities of the organization for the fiscal year ended June 30, 2020.

FINANCIAL HIGHLIGHTS

As the result of the COVID 19 virus pandemic, CHPA received federal funding from the Coronavirus Aid, Relief, and Economic Security (CARES) Act. This was enacted on March 27, 2020, by the federal government to mitigate the significant economic impacts for the work force displaced by the COVID confinement. This act was a $2 trillion package of assistance measures that include direct payment to families, loans for small businesses, supports for businesses and funding for education.

Information on the four education funding streams from the CARES Act is provided here: The Coronavirus Relief Fund, the Elementary and Secondary School Emergency Relief (ESSER) Fund, Governor's Emergency Education Relief (GEER) Fund and nutrition.

The CARES Act included $3 billion for a Governor's Emergency Education Relief (GEER) Fund. Colorado was allocated a little over $44 million from the GEER fund. GEER funds are flexible and are able to be used at the discretion of governors. GEER funds can be used to provide emergency support through the Colorado Department of Education (CDE). CHPA received an allocation of $735,694 and received $13,071 from the GEER CRF Cares Act in June 2020.

The CARES Act also established the Education Stabilization Fund, which is allocated 43.9% to the Elementary and Secondary School Emergency Relief Fund ($13.23 billion) and 9.8% to the Governor's Emergency Education Relief Fund ($2.95 billion).

Elementary and Secondary School Emergency Relief (ESSER) Fund dollars were appropriated to state education agencies based (SEA) on the 2019-20 Title I shares, with 90% was allocated to local education agencies (LEAs) that received a Title I allocation in the most recent fiscal year and the remaining 10% for an SEA reserve fund. LEA allocations were calculated using the Title I formula; however, relief funds will not be subject to Title I requirements.

Colorado was allocated $120,993,782 from the U.S. Department of Education from the ESSER Fund. Of the total allocation to Colorado, CDE must allocate a minimum of $108,894,404 (90%) to local education agencies (LEAs) and may reserve no more than $12,099,378 (10%). CHPA has been allocated $309,472 from the $4,697,577 allocated to Pueblo District 60; CHPA's authorizer. CHPA anticipate receiving these funds in the fall of 2020.

In total, CHPA is scheduled to receive $1,045,106 in total CARES funds in 2020-2021.

Under GASB 75 the Academy's proportionate share of the net OPEB liability of the Health Care Trust Fund (HTCF) is recorded as a liability of the Academy. At implementation beginning equity is restated and deferred inflows, outflows and the net OPEB liability are reported. At June 30, 2020 the net OPEB liability is $498,174 compared to $603,189 for fiscal year 2018-2019.

Under GASB 68, which was implemented in 2015, the Academy's proportionate share of the net pension liability of the Colorado state retirement system, the Public Employees Retirement Association (PERA), is recorded as a liability of the Academy. At June 30, 2020 the net pension liability was $10,135,731 compared to $12,078,795 on June 30, 2019.

Deferred outflows from pensions decreased to $1,220,946 compared to $3,776,707 the prior year while deferred inflows decreased to $7,125,071 compared to $9,564,210 the prior Year.

The CCA Building Corporation (also referred to as the "Corporation") was formed for the specific purpose of holding title to real and/or personal property for the Academy and to make the same available for use by the Academy. The Academy pays rent to the Corporation for use of the facilities, which in turn is used to pay the related debt. The Corporation is blended into the Academy's financial statements as an enterprise fund (proprietary fund type). The net position of the Corporation at June 30, 2020, increased from current activities to $(422,586) compared to ($566,699) the prior year.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Chavez/Huerta K-12 Preparatory Academy's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements.

Government-wide Financial Statements:

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

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

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

The government-wide statement of activities distinguishes functions/programs of the Academy supported primarily by per pupil revenue (PPR) passed through from the District. The governmental activities of the Academy include instruction and supporting services expense. The government-wide financial statements can be found on pages 3-4 of this report.

Fund Financial Statements:

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Chavez/Huerta K-12 Preparatory Academy, like other governmental units or charter schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Academy are divided into two categories: governmental funds and proprietary funds.

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

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

Chavez/Huerta K-12 Preparatory Academy maintains one governmental fund and adopts an annual appropriated budget. Budgetary comparison statements have been provided to demonstrate compliance with the budget.

Proprietary Fund: The CCA Building Corporation is considered a component unit of the charter school and presented separately in the Statement of Net Position, the Statement of Revenues, Expenses and Changes in Net Position, and Statement of Cash Flows for Proprietary Funds. Annual budgets are prepared for the proprietary funds. Though budgetary comparisons are not required for these funds for reporting purposes, appropriate comparisons are reported to the Academy's governing body through internal reports to demonstrate compliance with the budget.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This information is provided on pages 11 through 35.

Chavez/Huerta K-12 Preparatory Academy
MANAGEMENT DISCUSSION AND ANALYSIS
June 30, 2020

GOVERNMENT-WIDE FINANCIAL STATEMENT ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Academy, liabilities exceeded assets by $13,402,709 as of the close of the 2019-20 fiscal year compared to $15,854,465 the prior year. The negative balance is due primarily to the adoption of GASB Statement No. 68 in 2015 and GASB Statement No. 75 in 2020 whereby the Academy reports its proportionate share of the state retirement system plan and postemployment healthcare benefits as liabilities on its financial statement. The net pension liability at the end of the current fiscal year decreased to $10,135,731 compared to $12,078,795 for 2019. The net OPEB liability at the end of the current fiscal year is $498,174.

Statement of Net Position
Governmental and Business Type Activities

	30-Jun-20	30-Jun-19	Inc/(Dec)
Current and other assets	$ 5,853,556	$ 4,903,109	$ 993,184
Capital assets	$ 10,345,389	$ 10,147,477	$ 197,912
TOTAL ASSETS	$ 16,198,945	$ 15,050,586	$ 1,148,359
DEFERRED OUTFLOWS OF RESOURCES	$ 1,251,324	$ 3,810,635	$ (2,559,311)
Current liabilities	$ 1,417,841	$ 466,346	$ 951,495
Other liabilities	$ 22,209,758	$ 24,674,063	$ (2,464,305)
TOTAL LIABILITIES	$ 23,627,599	$ 25,140,409	$ (1,512,810)
DEFERRED INFLOWS OF RESOURCES	$ 7,225,379	$ 9,575,277	$ (2,349,898)
Net Position			
Net Investment in Capital Assets	$ (1,230,464)	$ (1,844,602)	$ 614,138
Restricted for Debt Service	$ 1,407,589	$ 1,422,116	($ 14,527)
Restricted for Repairs & Replacement	$ 262,495	$ 262,495	$ -
Restricted for Emergencies	$ 380,000	$ 245,000	$ -
Unrestricted	$ (14,222,329)	$ (15,939,474)	$ 135,000
TOTAL NET POSITION	$ (13,402,709)	$ (15,854,465)	$ 2,451,756

Cash and investments make up 34.9% of total assets compared to 31.3% the prior year. 30.0% of cash and investments are restricted in the Corporation for Maintenance of capital assets and reserved to repay debt. Capital assets, which reflect the Academy's investment in real and personal property and equipment, currently make up 67.9% of total assets compared to 67.9% the previous year. The remaining assets, primarily grants receivable, make up 1.2% of total assets. Overall total assets increased $1,148,359 primarily due to the increase in cash.

Net deferred outflows related to pensions decreased to $1,220,946 for 2020 from $3,776,707 for 2019. Deferred outflows related to postemployment benefits were $30,378 at year end. Deferred inflows related to pensions decreased to $7,125,071 for 2020 compared to $9,564,210 for 2019.

Liabilities decreased by $1,512,810 the net effect of changes to pension and OPEB liabilities offset by reductions in outstanding debt. Current liabilities increased by $167,017 due to COVID 19 expenses.

Statement of Activities
For the Years Ended June 30, 2020 and June 30, 2020

	30-Jun-20	30-Jun-19	Net Change
Program Revenue:			
Charges for Services	$ 95,430	$ 69,435	$ 25,995
Restricted Grants & Contributions	$ 1,049,115	$ 872,619	$ 899,060
Total Program Revenue	$ 1,144,545	$ 942,054	$ 925,055
General Revenue:			
Per Pupil Operating Revenue	$ 8,789,012	$ 7,443,163	$ 1,345,975
Additional At-Risk Funding	$ 30,924	$ 27,721	$ 3,203
Capital Construction Grant	$ 285,264	$ 264,116	$ 21,148
Unrestricted Grants & Contributions	$ 103,523	$ 57,964	$ 45,559
Investment Income	$ 97,658	$ 75,895	$ 21,763
Miscellaneous	$ 93,961	$ 7,470	$ 86,491
Total General Revenue	$ 9,400,638	$ 7,876,329	$ 1,524,013
Total Revenue	$ 10,545,183	$ 8,818,383	$ 1,726,800
Expenses:			
Current:			
Instruction	$ 3,422,917	$ 2,736,724	$ 686,195
Supporting Services	$ 3,876,774	$ 3,341,927	$ 534,847
Building Corporation	$ 793,734	$ 807,946	$ (14,212)
Total Expenses	$ 8,093,427	$ 6,866,597	$ 1,206,830
CHANGE IN NET POSITION	$ 2,451,756	$ 1,931,786	$ 519,674
NET POSTION, Beginning (Restated)	$ (15,854,465)	$(17,786,251)	$ 1,931,786
NET POSTION, Ending	$ (13,402,709)	$ (15,854,465)	$ 2,451,460

Total revenue increased $1,726,880 primarily from the CARES federal funding. Overall expenditures increased due to the increase in students from the previous year and the addition of a full time principal at the middle school.

Capital Construction, which is also enrollment driven, increased $21,148. At-risk supplemental funding approved by the legislature totaled $30,924 compared to $27,721 for 2019. Grants increased to $103,523 from $57,964 in 2018-2019. Investment income increased $21,763 due to improved earnings rates and more funds invested.

Overall expenses increased by $1,206,830 from prior year.

ANALYSIS OF THE FUND FINANCIAL STATEMENTS

As noted earlier, Chavez/Huerta K-12 Preparatory Academy uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

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

This is the 20th full year of operations for the Academy, but the eighth year since the two schools were merged. Total revenue for FY 2019-20 was $10,545,183 compared to $8,818,383 the prior year. Per pupil operating revenue, makes up 83.0% of Governmental Funds revenue for FY 2019-20 compared to 83.8% the prior year. Funded pupil count for 2019-20 was 1026 compared to 888 the prior year. Per pupil funding increased from $8,355 in FY 2018-19 to $8,594 in FY 2019-20.

As of the end of the current fiscal year, the Academy reported ending fund balance of $2,765,631 in its General Fund compared to $2,752,152 the prior year. Reserves are adequate to meet the restricted emergency reserve requirement under TABOR in the amount of $380,000 and to comply with the unrestricted $725,000 working capital requirement set forth in a separate agreement with the lender.

Proprietary Fund: The net position of the Building Corporation as of June 30, 2020 is ($422,586) compared to ($566,699) the prior year, an increase of $144,113, as a result of decreased interest expense as outstanding debt declines.

BUDGETARY HIGHLIGHTS

The Academy approves a budget in June based on enrollment projections for the following school year. The budget may be amended in December, after enrollment is finalized and per pupil funding can be more accurately projected.

The majority of Academy spending in the General Fund is for salaries and benefits, which make up 55% of total expenditures for FY 2019-20 compared to 60.4% the prior year. Purchased services made up 29.8% of total expenditures compared to 29.2% the prior year. Primarily spending for purchased services are rents paid to the Building Corporation, overhead costs charged by the District, insurance, legal, audit and financial services.

Expenditures did not exceed the amount appropriated for fiscal year 2019-20 and is therefore in compliance with State statute.

CAPITAL ASSET AND LONG-TERM DEBT

Capital assets: CCA Building Corporation owns land with a carrying value of $1,178,524 and buildings and improvements capitalized at $11,930,930 at June 30, 2020. Capitalized equipment totals $546,099. The net carrying value of capital assets after subtracting accumulated depreciation is $9,483,183. Current year depreciation expense was $257,586. There were no additions or disposals of capital assets in the Building Corporation during 2019-20. Additional information on this investment is provided in Note 4 to the financial statements.

Government Fund purchased certain capital assets, which are reported as governmental activities on the Statement of Net Position. Buildings including modular classrooms and improvements are capitalized at $1,400,455 at June 30, 2020. Capitalized equipment, including buses, totals $1,035,157. The net carrying value of capital assets after subtracting accumulated depreciation is $862,206. Current year depreciation expense was $126,845. Current year additions included security cameras at the elementary & middle school at a cost of $582,243.

Long-term debt: In April 2007, the Building Corporation issued $15,570,000 in bonds under an agreement with the Colorado Educational and Cultural Facilities Authority (CECFA) at interest costs ranging from 4% to 4.5%. Interest payments are due semi-annually and principal payments are due annually on August 1 beginning in 2009, through 2037. These transactions flow through the State intercept program where the State withholds a portion of the State funding and transfers the funds to a designated trustee that in turn makes the principal and interest payments when due. At June 30, 2020 the outstanding loan balance was $11,575,852.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The lease payments to the Corporation for principal and interest due on the 2007 bond issue have stabilized and will increase very little in future years. Funded pupil count must be sustained to meet the commitments under this agreement. Enrollment at the Academy continues to fluctuate, which presents a challenge in balancing the budget from year to year. The funded pupil count was 961 for 2016-17, decreased to 901 for 2017-18 but decreased to 888 for 2018-19 and 1,026 for 2019-20. Though appropriate action has been taken to modify operations in light of the changes in the funded pupil count and per pupil funding, the Academy needs to continue to focus on stabilizing its enrollment.

In November of 2000, voters in Colorado approved a provision to the Colorado constitution providing that K-12 funding would increase at pupil growth, plus inflation, plus 1% for 10 years and thereafter, growth plus inflation. As a result of this provision the single most important factor in projecting revenues is estimated future inflation. There was a significant recession during 2008-09 that continued through the 2011-12 fiscal year resulting in deflation (negative growth). In an effort to balance its budget, the State rescinded funding approved for public schools. Per pupil funding declined each year for four years and then stabilized in 2012-13 with base per pupil funding remaining the same as the prior year. The Academy's per pupil funding increased 2.5% to $6,574 for 2013-14, 6.7% to $7,014 for 2014-15, 3.8% to $7,280 for 2015-16, 3.7% to $7,550 for 2016-17, 7.3% to $7,605 for 2018-19, and 2.9% to $8,594 for 2019-20. Per pupil funding is expected to decrease 2.6% to 8,373 for 2020-21.

SUBSEQUENT EVENT

There were no significant subsequent events to report as of the date of the release of these financial statements

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Chavez/Huerta K-12 Preparatory Academy's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be submitted in writing and addressed to:

Dr. Richard E. Duran, Chief Executive Director
Chavez Huerta K-12 Preparatory Academy
2727 W. 18th St., Pueblo, CO 81003

Basic Financial Statements

Chavez/Huerta K-12 Preparatory Academy

(A Component Unit of Pueblo School District No. 60)

Statement of Net Position

June 30, 2020

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash	$ 3,755,113	$ -	$ 3,755,113
Restricted Cash	-	1,893,365	1,893,365
Accounts Receivable	205,078	-	205,078
Capital Assets, *not being depreciated*	-	1,178,524	1,178,524
Capital Assets, *net of accumulated depreciation*	862,206	8,304,659	9,166,865
Total Assets	4,822,397	11,376,548	16,198,945
Deferred Outflows of Resources			
OPEB, *net of accumulated amortization*	30,378	-	30,378
Pensions, *net of accumulated amortization*	1,220,946	-	1,220,946
Total Deferred Outflows of Resources	1,251,324	-	1,251,324
Liabilities			
Accounts Payable	223,944	-	223,944
Accrued Liabilities	1,093	223,281	224,374
Accrued Salaries and Benefits	185,045	-	185,045
Deferred Revenue	784,478	-	784,478
Noncurrent Liabilities			
Due Within One Year	-	440,000	440,000
Due in More Than One Year	-	11,135,853	11,135,853
OPEB Liability	498,174	-	498,174
Net Pension Liability	10,135,731	-	10,135,731
Total Liabilities	11,828,465	11,799,134	23,627,599
Deferred Inflows of Resources			
OPEB, *net of accumulated amortization*	100,308	-	100,308
Pensions, *net of accumulated amortization*	7,125,071	-	7,125,071
Total Deferred Inflows of Resources	7,225,379	-	7,225,379
Net Position			
Net Investment in Capital Assets	862,206	(2,092,670)	(1,230,464)
Restricted for:			
Debt Service	-	1,407,589	1,407,589
Repair and Replacement	-	262,495	262,495
Emergencies	380,000	-	380,000
Unrestricted	(14,222,329)	-	(14,222,329)
Total Net Position	$ (12,980,123)	$ (422,586)	$ (13,402,709)

Chavez/Huerta K-12 Preparatory Academy

(A Component Unit of Pueblo School District No. 60)

Statement of Activities

For the Year Ended June 30, 2020

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Change in Net Position: Governmental Activities	Business-Type Activities	Total
Primary Government						
Governmental Activities						
Instruction	$ 3,422,919	$ 95,280	$ 848,739	$ (2,478,900)	$ -	$ (2,478,900)
Supporting Services	3,876,774	150	200,376	(3,676,248)	-	(3,676,248)
Total Governmental Activities	7,299,693	95,430	1,049,115	(6,155,148)	-	(6,155,148)
Business-Type Activities						
Building Corporation	793,734	-	-	-	(793,734)	(793,734)
Total Primary Government	$ 8,093,427	$ 95,430	$ 1,049,115	(6,155,148)	(793,734)	(6,948,882)
General Revenues						
Per Pupil Revenue				8,789,308	-	8,789,308
Additional At-Risk Funding				30,924	-	30,924
Capital Construction				285,264	-	285,264
Grants and Contributions not Restricted to Specific Programs				103,523	-	103,523
Investment Income				75,820	21,838	97,658
Other				93,961	-	93,961
Transfers				(916,009)	916,009	-
Total General Revenues and Transfers				8,462,791	937,847	9,400,638
Change in Net Position				2,307,643	144,113	2,451,756
Net Position, *Beginning of year*				(15,287,766)	(566,699)	(15,854,465)
Net Position, *End of year*				$ (12,980,123)	$ (422,586)	$ (13,402,709)

Chavez/Huerta K-12 Preparatory Academy

(A Component Unit of Pueblo School District No. 60)

Balance Sheet

Governmental Fund

June 30, 2020

		General
Assets		
Cash	$	3,755,113
Accounts Receivable		205,078
Total Assets	$	3,960,191
Liabilities and Fund Balance		
Liabilities		
Accounts Payable	$	223,944
Accrued Liabilities		1,093
Accrued Salaries and Benefits		185,045
Deferred Revenue		784,478
Total Liabilities		1,194,560
Fund Balance		
Restricted for Emergencies		380,000
Unrestricted, Unassigned		2,385,631
Total Fund Balance		2,765,631
Total Liabilities and Fund Balance	$	3,960,191

Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:

Total Fund Balance of the Governmental Fund	$	2,765,631
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		862,206
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds:		
Net pension liability		(10,135,731)
Pension-related deferred outflows of resources		1,220,946
Pension-related deferred inflows of resources		(7,125,071)
Net OPEB liability		(498,174)
OPEB-related deferred outflows of resources		30,378
OPEB-related deferred inflows of resources		(100,308)
Total Net Position of Governmental Activities	$	(12,980,123)

Chavez/Huerta K-12 Preparatory Academy

(A Component Unit of Pueblo School District No. 60)

Statement of Revenues, Expenditures and Changes in Fund Balance

Governmental Fund

For the Year Ended June 30, 2020

	General
Revenues	
Local Sources	$ 9,376,041
State Sources	601,867
Federal Sources	603,240
Total Revenues	10,581,148
Expenditures	
Current	
Instruction	4,467,616
Supporting Services	6,100,053
Total Expenditures	10,567,669
Net Change in Fund Balance	13,479
Fund Balance, *Beginning of year*	2,752,152
Fund Balance, *End of year*	$ 2,765,631

Chavez/Huerta K-12 Preparatory Academy

(A Component Unit of Pueblo School District No. 60)

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Fund to the Statement of Activities

For the Year Ended June 30, 2020

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Net Change in Fund Balance of the Governmental Fund	$ 13,479
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:	
Capital outlay	582,343
Depreciation expense	(126,845)
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Net Pension Liability	1,943,063
Pension-related deferred outflows of resources	(2,555,761)
Pension-related deferred inflows of resources	2,439,139
Net OPEB Liability	105,015
OPEB-related deferred outflows of resources	(3,549)
OPEB-related deferred inflows of resources	(89,241)
Change in Net Position of Governmental Activities	$ 2,307,643

See Notes to Financial Statements.

Chavez/Huerta K-12 Preparatory Academy

(A Component Unit of Pueblo School District No. 60)

Statement of Net Position

Proprietary Fund

June 30, 2020

	Building Corporation
Assets	
Current Assets	
Restricted Cash	$ 1,893,365
Noncurrent Assets	
Capital Assets, *Not Being Depreciated*	$ 1,178,524
Capital Assets*, Net of Accumulated Depreciation*	8,304,659
Total Noncurrent Assets	9,483,183
Total Assets	11,376,548
Liabilities	
Current Liabilities	
Accrued Interest Payable	223,281
Loan Payable*, Current Portion*	440,000
Total Current Liabilities	663,281
Noncurrent Liabilities	
Loan Payable	11,135,853
Total Liabilities	11,799,134
Net Position	
Net Investment in Capital Assets	(2,315,951)
Restricted for Debt Service	1,893,365
Total Net Position	$ (422,586)

See Notes to Financial Statements.

Chavez/Huerta K-12 Preparatory Academy

(A Component Unit of Pueblo School District No. 60)

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Fund

For the Year Ended June 30, 2020

	Building Corporation
Operating Revenues	
Rental Income	$ 916,009
Total Operating Revenues	916,009
Operating Expenses	
Depreciation	257,586
Debt Service	
Interest and Fiscal Charges	536,148
Total Operating Expenses	793,734
Net Operating Loss	122,275
Other Financing Sources	
Investment Income	21,838
Change in Net Position	144,113
Net Position, *Beginning of year*	(566,699)
Net Position, *End of year*	$ (422,586)

See Notes to Financial Statements.

Chavez/Huerta K-12 Preparatory Academy

(A Component Unit of Pueblo School District No. 60)

Statement of Cash Flows

Proprietary Fund

For the Year Ended June 30, 2020

	Building Corporation
Cash Flows From Operating Activities	
Rental Payments Received	$ 916,009
Loan Interest and Fees Paid	(527,375)
Loan Principal Paid	(425,000)
Net Cash Provided (Used) by Operating Activities	(36,366)
Cash Flows From Capital and Related Financing Activities	
Transfer to General Fund	21,838
Net Cash Provided (Used) by Capital and Related Financing Activities	21,838
Net Change in Cash	(14,528)
Cash, *Beginning of year*	1,907,892
Cash, *End of year*	$ 1,893,364
Reconciliation of Net Operating Loss to Net Cash Provided (Used) by Operating Activities	
Net Operating Loss	$ 122,275
Adjustments to Reconcile Net Operating Loss to Net Cash Provided (Used) by Operating Activities	
Depreciation Expense	257,586
Changes in Assets and Liabilities	
Loan Payable	(416,227)
Net Cash Provided (Used) by Operating Activities	$ (36,366)

Note 1: Summary of Significant Accounting Policies

The Chavez/Huerta K-12 Preparatory Academy (the Academy) was formed by the merger of Cesar Chavez Academy and Dolores Huerta Preparatory High, effective July 1, 2012. The Academy operates a charter school within Pueblo School District No. 60 (the District). The Academy is a non-profit organization as defined in Section 501(c)(3) of the Internal Revenue Code.

The accounting policies of the Academy conform to generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the Academy's more significant policies.

Reporting Entity

The financial reporting entity consists of the Academy, organizations for which the Academy is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the Academy. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are part of the Academy. 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 has the potential to provide benefits to, or impose financial burdens on, the Academy.

The Academy includes the CCA Building Corporation (the Building Corporation) within its reporting entity. The Building Corporation was incorporated to acquire, exchange, lease, hold, use, operate or otherwise deal with property, borrow money, and secure the repayment of moneys borrowed for the Building Corporation or the Academy. The Building Corporation is blended into the Academy's financial statements as an enterprise fund and does not issue separate financial statements.

The Academy is a component unit of the District. The Academy's charter was authorized by the District and the majority of the Academy's funding is provided by the District.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the Academy. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from the *business-type activities*, which rely to a significant extent on fees and charges for support.

Note 1: Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements *(Continued)*

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 revenues not properly included among program revenues are reported instead as *general revenues*.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as is the proprietary fund in the fund financial statements. 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 year or soon enough thereafter to pay liabilities of the current year, not to exceed 60 days. Intergovernmental revenues, grants, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenue is considered measurable and available only when cash is received by the Academy. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

Measurement Focus and Basis of Accounting

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with ongoing operations. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Note 1: Summary of Significant Accounting Policies (Continued)

Measurement Focus and Basis of Accounting *(Continued)*

The Academy reports the following major funds:

General Fund - This fund is the general operating fund of the Academy. It is currently used to account for all financial activities of the Academy.

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

Assets, Liabilities and Net Position/Fund Balance

Cash and Investments - For purposes of the statement of cash flows, cash equivalents include investments with original maturities of three months or less.

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

Capital Assets - Capital assets, which include property and equipment, are reported in the government-wide financial statements and the proprietary fund in the fund financial statements. Capital assets are defined as assets with an initial, individual cost of $5,000 or more 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 the acquisition value on the date of donation.

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported in the statement of net position in the government-wide financial statements and the proprietary fund in the fund financial statements. Depreciation is calculated using the straight-line method over the following estimated useful lives.

Land Improvements	10 - 40 years
Buildings	10 - 40 years
Building Improvements	10 - 40 years
Equipment	3 - 10 years

Long-Term Debt - In the government-wide financial statements and the proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. In the governmental fund financial statements, 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 are reported as other financing uses.

Issuance costs, whether or not withheld from the debt proceeds, are reported as current expenses or expenditures.

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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

Postemployment Benefits Other Than Pensions (OPEB) - The School participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan 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 and deductions from the HCTF's fiduciary net position have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, the HCTF recognizes benefit payments when due and payable in accordance with the benefit terms. Employer contributions are recognized when the compensation is payable to the employees. Investments are reported at fair value.

Net Position/Fund Balance - In the government-wide and fund financial statements, net position and fund balance are restricted when constraints placed on the use of resources are externally imposed. The Board of Directors is authorized to establish a fund balance commitment through passage of a resolution and may assign fund balances to a specific purpose through an informal action.

The Academy has not established a formal policy for its use of restricted and unrestricted fund balances. However, if both restricted and unrestricted fund balances are available for a specific purpose, the Academy uses restricted fund balance first, followed by committed, assigned, and unassigned balances.

Note 1: Summary of Significant Accounting Policies (Continued)

Subsequent Events

The Academy has evaluated subsequent events through October 8, 2020, the date the financial statements were available to be issued.

Note 2: Stewardship, Compliance and Accountability

Accountability

At June 30, 2020, the Building Corporation had a negative net position of $379,553. Management expects this negative balance to be eliminated as the Building Corporation's debt is paid.

Note 3: Cash and Investments

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

Petty Cash	$ 90
Deposits	1,937,202
Investments	3,711,185
Total	$ 5,648,477

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

Cash and Investments	$ 3,755,113
Restricted Cash and Investments	1,893,364
Total	$ 5,648,477

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2020, the Academy had bank deposits of $694,848 collateralized with securities held by the financial institution's agent but not in the Academy's name.

Note 3: Cash and Investments (Continued)

Investments

The Academy is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk.

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

Interest Rate Risk - State statutes generally limit investments to an original maturity of five years from the date of purchase unless the governing board authorizes the investment for a period in excess of five years.

Credit Risk - State statutes limit certain investments to those with specified ratings from nationally recognized statistical rating organizations, depending on the type of investment.

Concentration of Credit Risk - State statutes do not limit the amount the Academy may invest in a single issuer, except for corporate securities.

Local Government Investment Pools - At June 30, 2020, the Academy had $3,711,185 invested in the Colorado Local Government Liquid Asset Trust (ColoTrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating the Pools. The Pools operate in conformity with the Securities and Exchange Commission's Rule 2a-7. The Pools are measured at the net asset value per share, with each share valued at $1. The Pools are rated AAA by Standard and Poor's. Investments of the Pools are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

Restricted Cash and Investments

At June 30, 2020, the Building Corporation held investments of $1,936,398 restricted by its loan agreement for future debt service and building repair and replacements.

Chavez/Huerta K-12 Preparatory Academy
(A Component Unit of Pueblo School District No. 60)
Notes to Financial Statements
June 30, 2020

Note 4: Capital Assets

Changes in capital assets for the year ended June 30, 2020, are summarized below.

Governmental Activities	**Balance 6/30/19**	**Additions**	**Deletions**	**Balance 6/30/20**
Capital Assets, B*eing Depreciated*				
Site Improvements	$ 166,316	$ -	$ -	$ 166,316
Buildings	693,285	-	-	693,285
Building Improvements	363,790	177,064	-	540,854
Equipment	629,878	405,279	-	1,035,157
Total Capital Assets, B*eing Depreciated*	1,853,269	582,343	-	2,435,612
Less Accumulated Depreciation				
Site Improvements	(42,261)	(56,847)	-	(99,108)
Buildings	(644,619)	(3,676)	-	(648,295)
Building Improvements	(231,181)	(18,450)	-	(249,631)
Equipment	(528,500)	(47,872)	-	(576,372)
Total Accumulated Depreciation	(1,446,561)	(126,845)	-	(1,573,406)
Governmental Activities Capital Assets, *net*	$ 406,708	$ 455,498	$ -	$ 862,206
Business-Type Activities				
Capital Assets, *Not Being Depreciated*				
Land	$ 1,178,524	$ -	$ -	$ 1,178,524
Total Capital Assets, *Not Being Depreciated*	1,178,524	-	-	1,178,524
Capital Assets, *Being Depreciated*				
Site Improvements	89,058	-	-	89,058
Buildings	11,802,663	-	-	11,802,663
Building Improvements	39,209	-	-	39,209
Equipment	546,099	-	-	546,099
Total Capital Assets, *Being Depreciated*	12,477,029	-	-	12,477,029
Less Accumulated Depreciation				
Site Improvements	(27,308)	-	-	(27,308)
Buildings	(3,437,454)	(249,547)	-	(3,687,001)
Building Improvements	(8,804)	-	-	(8,804)
Equipment	(441,218)	(8,039)	-	(449,257)
Total Accumulated Depreciation	(3,914,784)	(257,586)	-	(4,172,370)
Total Capital Assets, *Being Depreciated, net*	8,562,245	(257,586)	-	8,304,659
Business-Type Activities Capital Assets, *net*	$ 9,740,769	$ (257,586)	$ -	$ 9,483,183

Note 4: Capital Assets (Continued)

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

Instruction	$	38,256
Supporting Services		88,589
Total	$	126,845

Note 5: Long-Term Debt

Following is a summary of long-term debt transactions for the year ended June 30, 2019.

Business-Type Activities	Balance 6/30/19	Additions	Payments	Balance 6/30/20	Due Within One Year
Building Loan	$ 12,150,000	$ -	$ (425,000)	$ 11,725,000	$ 440,000
Discount	(157,921)	-	8,773	(149,148)	-
Total	$ 11,992,079	$ -	$ (416,227)	$ 11,575,852	$ 440,000

In April 2007, the Colorado Educational and Cultural Facilities Authority (CECFA) issued $15,570,000 Charter School Revenue Bonds, Series 2007. Bond proceeds were loaned to the Building Corporation under a mortgage and loan agreement to refinance various existing debt, purchase land, and construct a new high school. The Academy is obligated under a lease agreement to make monthly lease payments to the Building Corporation for using the buildings and equipment. The Building Corporation is required to make equal loan payments to the Trustee, for payment of the bonds. Interest accrues at rates ranging from 4% to 4.5%. Interest payments are due semi-annually on August 1 and February 1. Principal payments are due annually on August 1, through 2037.

Annual debt service requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
2021	$ 440,000	$ 510,075	$ 950,075
2022	460,000	491,600	951,600
2023	480,000	472,025	952,025
2024	500,000	451,188	951,188
2025	520,000	428,875	948,875
2026-2030	2,965,000	1,772,794	4,737,794
2031-2035	3,705,000	1,029,488	4,734,488
2036-2038	2,655,000	182,813	2,837,813
Total	$ 11,725,000	$ 5,338,858	$ 17,063,858

Note 6: Risk Management

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

The Academy purchases commercial insurance for workers compensation risks. For its risk of property loss or damage and general liability, the Academy participates in the Colorado School Districts Self-Insurance Pool (CSDSIP).

The CSDSIP is sponsored by the Colorado Association of School Boards (CASB) and operates as a self-insurance pool comprised of various school districts and other related public educational entities within the State of Colorado. The Academy pays an annual premium to the CSDSIP for property and liability insurance coverage. The CSDSIP will be self-sustaining through member premiums and will reinsure through a duly authorized insurer. The reinsurance covers claims against the CSDSIP in excess of specific claim amounts and in the aggregate in an amount and at limits determined by the CSDSIP to be adequate to protect the solvency of the CSDSIP.

Note 7: Defined Benefit Pension Plan

General Information

Plan description - The School contributes to the SCHDTF, a cost-sharing multiple-employer defined benefit pension plan administered by PERA. All employees of the School participate in the SCHDTF. 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 financial report (CAFR) that includes information on the SCHDTF that may be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided - The SCHDTF provides retirement, disability, and survivor benefits to plan participants or their beneficiaries. Retirement benefits are determined by the amount of service credit earned or purchased, highest average salary, the benefit structure under which the member retires, the benefit option selected at retirement, and age at retirement.

The lifetime retirement benefit for all eligible retiring employees under the PERA benefit structure is the greater of the a) highest average salary over three years multiplied by 2.5 percent and then multiplied by years of service credit, or b) the value of the retiring employee's contribution account plus an equal match on eligible amounts as of the retirement date, annualized into a monthly amount based on life expectancy and other actuarial factors.

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

Note 7: Defined Benefit Pension Plan (Continued)

General Information *(Continued)*

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

As of December 31, 2019, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S., once certain criteria are met. Pursuant to SB 18-200, the annual increase for 2019 is 0.00 percent for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007, and all benefit recipients of the PPS benefit structure will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S. § 24-51-413. Benefit recipients under the PERA benefit structure who began eligible employment on or after January 1, 2007, will receive the lessor of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25 percent based on the parameters specified in C.R.S. § 24-51-413.

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

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

Contributions - The School, eligible employees, 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. The contribution rate for eligible employees is 8.75% of covered salaries during the period of July 1, 2019 through June 30, 2020. The School's contribution rate was 20.40% of covered salaries for July 1, 2019 through June 30, 2020. However, a portion of the School's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 8). Contribution rates for the SCHDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Note 7: Defined Benefit Pension Plan (Continued)

General Information *(Continued)*

As specified in C.R.S. § 24-51-414, the State is required to contribute $225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Pueblo Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes. During the year ended June 30, 2020, the direct distribution for the SCHDTF was $127,367,213.

Subsequent to the SCHDTF's December 31, 2019, measurement date, HB 20-1379 *Suspend Direct Distribution to PERA Public Employees Retirement Association for 2020-21 Fiscal Year*, was passed into law during the 2020 legislative session and signed by Governor Polis on June 29, 2020. This bill suspends the July 1, 2020, $225 million direct distribution allocated to the State, School, Judicial, and PPS Divisions, as required under Senate Bill 18-200.

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the Academy is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the Academy were $767,684 for the year ended June 30, 2020.

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

The net pension liability for the SCHDTF was measured as of December 31, 2019, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total pension liability to December 31, 2019.

Note 7: Defined Benefit Pension Plan (Continued)

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

At June 30, 2020, the Academy reported a liability of $10,135,731 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the Academy as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the Academy were as follows:

School Proportionate share of net pension liability	$ 11,421,314
The State's proportionate share of net pension liability as a nonemployer contributing entity associated with the School	(1,285,583)
Proportionate share of the net pension liability	$ 10,135,731

The Academy's proportion of the net pension liability was based on the Academy's contributions to the SCHDTF for the calendar year 2019 relative to the total contributions of participating employers and the State as a nonemployer contributing entity. At December 31, 2019, the Academy's proportion was .0678438969 percent, which was a decrease of .0003706961 percent from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, The Academy recognized pension benefit of $1,079,225 and revenue of $97,903 for support from the State as a nonemployer contributing entity. At June 30, 2020, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 552,403	$ -
Changes of assumptions and other inputs	289,359	4,597,472
Net difference between projected and actual earnings on plan investments	-	1,200,677
Changes in proportion	17,697	1,326,922
Contributions subsequent to the measurement date	361,487	-
Total	$ 1,220,946	$ 7,125,071

Note 7: Defined Benefit Pension Plan (Continued)

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

Academy contributions subsequent to the measurement date of $361,487 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,		
2021	$	(3,468,942)
2022		(2,397,061)
2023		9,673
2024		(408,433)
2025		(849)
Total	$	(6,265,612)

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

Price inflation	2.4%
Real wage growth	1.1%
Wage inflation	3.5%
Salary increases, including wage inflation	3.5% - 9.7%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate [1]	7.25%
Future post-employment benefit increases:	
Hired prior to 1/1/2007	1.25%
Hired after 12/31/2006	ad hoc

[1]The discount rate reflected in the roll-forward calculation of the total pension liability to the measurement date was 7.25%.

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

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

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

Note 7: Defined Benefit Pension Plan (Continued)

<u>Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions</u> *(Continued)*

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

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

The actuarial assumptions used in the December 31, 2018, 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.

Note 7: Defined Benefit Pension Plan (Continued)

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

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

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

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

Discount rate - The discount rate used to measure the total pension liability was 7.25 percent. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above.

In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 percent.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200 and the additional 0.50 percent resulting from the 2018 AAP assessment, statutorily recognized July 1, 2019, and effective July 1, 2020. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

Note 7: Defined Benefit Pension Plan (Continued)

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

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

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

Note 7: Defined Benefit Pension Plan (Continued)

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

Sensitivity of the School *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 one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate as follows:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	$ 13,442,149	$ 10,135,731	$ 7,359,705

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

Note 8: Postemployment Healthcare Benefits

General Information

Plan Description - All employees of the Academy are eligible to receive postemployment benefits other than pensions (OPEB) through the HCTF, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the Public Employees' Retirement Association of Colorado (PERA). The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (CRS), 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. PERA issues a publicly available financial report that includes information on the HCTF. That report may be obtained at www.copera.org/investments/pera-financial-reports.

Note 8: Postemployment Healthcare Benefits (Continued)

General Information *(Continued)*

Benefits Provided - The HCTF provides a healthcare premium subsidy to eligible 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 Pueblo Public Schools (PPS) 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 Pueblo Public Schools Health Care Trust Fund (PPS HCTF). The basis for the amount of the premium subsidy funded by each trust fund is the percentage of the member contribution account balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure and all retirees under the PPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a PPS 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.

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, and $115 per month for benefit recipients who are over 65 years of age 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 PPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

Note 8: Postemployment Healthcare Benefits (Continued)

General Information *(Continued)*

Contributions - As established by Title 24, Article 51, Section 208 of the CRS, 1.02% of the Academy's contributions to the SCHDTF (see Note 7) is apportioned to the HCTF. No employee contributions are required. These contribution requirements are established and may be amended by the State Legislature. 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 for the year ended June 30, 2020, was $43,455, equal to the required amount.

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

At June 30, 2020, the Academy reported a net OPEB liability of $498,174 representing its proportionate share of the net OPEB liability of the HCTF. The net OPEB liability was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2018. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2019.

The Academy's proportion of the net OPEB liability was based on the Academy's contributions to the HCTF for the calendar year December 31, 2019 relative to the total contributions of participating employers. At December 31, 2019, the Academy's proportion was 0.0443215728 percent, which was a decrease of 0.0000128603 percent from its proportion measured at December 31, 2018.

For the year ended June 30, 2020, the Academy recognized OPEB expense of $34,081. At June 30, 2020, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,654	$ 83,712
Changes of assumptions and other inputs	4,133	-
Net difference between projected and actual earnings on plan investments	-	8,315
Changes in proportion	2,814	8,281
Contributions subsequent to the measurement date	21,777	-
Total	$ 30,378	$ 100,308

Note 8: Postemployment Healthcare Benefits (Continued)

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

Academy contributions subsequent to the measurement date of $21,777 will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ended June 30,		
2021	$	(18,807)
2022		(18,807)
2023		(16,397)
2024		(20,387)
2025		(16,334)
Thereafter		(975)
Total	$	(91,707)

Actuarial Assumptions - The actuarial valuation as of December 31, 2018, determined the total OPEB liability using the following actuarial assumptions and other inputs, applied to all periods included in the measurement.

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
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates:	
Service-based premium subsidy	0.0%
PERACare Medicare plans	
5.60% for 2019, gradually decreasing to 4.50% in 2029	
Medicare Part A premiums:	
3.50% for 2019, gradually rising to 4.50% in 2025	

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

The actuarial assumptions used in the December 31, 2018 valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, and were adopted by PERA's governing board on November 18, 2016. In addition, certain actuarial assumptions pertaining to per capita health care costs and the related trends are analyzed and reviewed by PERA's actuary as needed.

Note 8: Postemployment Healthcare Benefits (Continued)

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

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

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2018, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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. The mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Note 8: Postemployment Healthcare Benefits (Continued)

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

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

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

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

The following health care costs assumptions were updated and used in the measurement of the obligations for the HCTF:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2019 plan year.
- The morbidity assumptions were updated to reflect the assumed standard aging factors.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

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

The most recent analysis of the long-term expected rate of return was adopted by PERA's governing board on November 18, 2016, and included the target allocation and best estimates of geometric real rates of return for each major asset class, as presented previously (see Note 7).

Note 8: Postemployment Healthcare Benefits (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 percent.

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2019, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.50 percent.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate - The following presents the Academy's proportionate share of the net OPEB liability calculated using the discount rate of 7.25 percent, as well as the Academy's proportionate share of the net OPEB liability if it were calculated using a discount rate that is one percentage point lower (6.25) or one percentage point higher (8.25 percent) than the current rate, as follows:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	$ 563,286	$ 498,174	$ 442,489

Note 8: Postemployment Healthcare Benefits (Continued)

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

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

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Proportionate share of the net OPEB liability	$ 486,340	$ 498,174	$ 511,849

OPEB Plan Fiduciary Net Position - Detailed information about the HCTF's fiduciary net position is available in PERA's separately issued financial report, which may be obtained at www.copera.org/investments/pera-financial-reports.

Note 9: Commitments and Contingencies

Claims and Judgments

The Academy participates in a number of federal and state programs that are fully or partially funded by revenues received from other governmental entities. Expenditures financed by these revenues are subject to audit by the appropriate government. If expenditures are disallowed due to noncompliance with program regulations, the Academy may be required to reimburse the other government. At June 30, 2020, significant amounts of related expenditures have not been audited but management 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 taxing powers and imposes spending limitations. The Amendment is subject to many interpretations, but the Academy believes it is in substantial compliance with the Amendment. In accordance with the Amendment, the Academy has established an emergency reserve representing 3 percent of qualifying expenditures. At June 30, 2020, the reserve was reported as restricted fund balance in the General Fund, in the amount of $380,000.

Note 10: Subsequent Events

Subsequent to year-end, the United States of America and the State of Colorado have declared an emergency associated with the Coronavirus pandemic. The Academy has been economically impacted by the event, however the full economic effect has yet to be determined.

Required Supplementary Information

Chavez/Huerta K-12 Preparatory Academy

(A Component Unit of Pueblo School District No. 60)

Required Supplementary Information

Schedule of Proportionate Share of the Net Pension Liability and Contributions

Public Employees' Retirement Association of Colorado Health Care Trust Fund

June 30, 2020

	12/31/19	12/31/18
Proportionate Share of the Net Pension Liability		
School's Proportion of the Net Pension Liability	0.0678438969%	0.0682145930%
School's Proportionate Share of the Net Pension Liability	$ 10,135,731	$ 12,078,795
School's Covered-Employee Payroll	$ 4,260,336	$ 3,749,664
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	238%	322%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	65%	57%

	6/30/20	6/30/19
School Contributions		
Statutorily Required Contribution	$ 767,684	$ 785,142
Contributions in Relation to the Statutorily Required Contribution	$ 767,684	785,142
Contribution Deficiency (Excess)	$ -	$ -
School's Covered-Employee Payroll	$ 4,389,033	3,871,152
Contributions as a Percentage of Covered-Employee Payroll	17.49%	20.28%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

(Continued)

Chavez/Huerta K-12 Preparatory Academy

(A Component Unit of Pueblo School District No. 60)

Required Supplementary Information

Schedule of Proportionate Share of the Net Pension Liability and Contributions

Public Employees' Retirement Association of Colorado Health Care Trust Fund

June 30, 2020

(Continued)

	12/31/17	12/31/16	12/31/15	12/31/14	12/31/13
Proportionate Share of the Net Pension Liability					
School's Proportion of the Net Pension Liability	0.0796704910%	0.0788908866%	0.0782479466%	0.0870071850%	0.0950888738%
School's Proportionate Share of the Net Pension Liability	$ 25,762,605	$ 23,488,868	$ 11,967,471	$ 11,792,396	$ 12,128,560
School's Covered-Employee Payroll	$ 3,675,255	$ 3,540,764	$ 3,644,977	$ 3,644,977	$ 3,833,335
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	701%	663%	328%	324%	316%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	44%	43%	59%	63%	64%

	6/30/18	6/30/17	6/30/16	6/30/15	6/30/14
School Contributions					
Statutorily Required Contribution	$ 753,241	$ 652,622	$ 617,622	$ 587,688	$ 600,866
Contributions in Relation to the Statutorily Required Contribution	753,241	(652,622)	(617,622)	(587,688)	(600,866)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
School's Covered-Employee Payroll	$ 3,735,171	$ 3,551,099	$ 3,475,430	$ 3,482,715	$ 3,759,983
Contributions as a Percentage of Covered-Employee Payroll	20.17%	18.38%	17.77%	16.87%	15.98%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

Chavez/Huerta K-12 Preparatory Academy

(A Component Unit of Pueblo School District No. 60)

Required Supplementary Information

Schedule of Proportionate Share of the Net OPEB Liability and Contribution

Public Employees' Retirement Association of Colorado School Division Trust Fund

June 30, 2020

	12/31/19	12/31/18	12/31/17
Proportionate Share of the Net OPEB Liability			
School's Proportion of the Net OPEB Liability	0.0443215728%	0.0443344331%	0.0452703084%
School's Proportionate Share of the Net OPEB Liability	$ 498,174	$ 603,189	$ 588,333
School's Covered Payroll	$ 4,260,336	$ 3,749,664	$ 1,541,318
School's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	12%	13%	38%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	24%	17%	18%

	6/30/19	6/30/19	6/30/18
School Contributions			
Statutorily Required Contribution	$ 40,649	$ 39,486	$ 38,099
Contributions in Relation to the Statutorily Required Contribution	(40,649)	(39,486)	(38,099)
Contribution Deficiency (Excess)	$ -	$ -	$ -
School's Covered Payroll	$ 4,389,033	$ 3,871,152	$ 3,735,171
Contributions as a Percentage of Covered Payroll	0.93%	1.02%	1.02%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

Chavez/Huerta K-12 Preparatory Academy
(A Component Unit of Pueblo School District No. 60)
Budgetary Comparison Schedule
For the Year Ended June 30, 2020

	Original Budget	Final Budget	Actual	Variance *Positive (Negative)*
Revenues				
Local Sources				
Per Pupil Revenue	$ 7,725,564	$ 8,898,044	$ 8,789,308	$ (108,736)
Pupil Activities	107,033	107,033	95,280	(11,753)
Grants and Contributions	119,000	224,000	321,522	97,522
Investment Income	48,000	48,000	75,820	27,820
Other	9,500	107,500	94,111	(13,389)
Total Local Sources	8,009,097	9,384,577	9,376,041	(8,536)
State Sources				
Additional At-Risk Funding	-	-	30,924	30,924
Capital Construction	240,000	240,000	285,264	45,264
Transportation	60,000	60,000	44,921	(15,079)
Grants	288,500	288,500	240,758	(47,742)
Total State Sources	588,500	588,500	601,867	13,367
Federal Sources				
Grants	613,820	675,819	603,240	(72,579)
Total Federal Grants	613,820	675,819	603,240	(72,579)
Total Revenues	9,211,417	10,648,896	10,581,148	(67,748)
Expenditures				
Salaries	4,009,180	4,712,155	4,375,244	336,911
Employee Benefits	1,179,250	1,215,128	1,430,093	(214,965)
Purchased Services	2,341,060	2,504,094	3,163,945	(659,851)
Supplies and Materials	895,710	944,500	825,689	118,811
Property	244,500	553,900	735,524	(181,624)
Other	23,600	719,119	37,174	681,945
Total Expenditures	8,693,300	10,648,896	10,567,669	81,227
Net Change in Fund Balance	518,117	-	13,479	13,479
Fund Balance, *Beginning of year*	3,356,590	2,812,619	2,752,152	(60,467)
Fund Balance, *End of year*	$ 3,874,707	$ 2,812,619	$ 2,765,631	$ (46,988)

Note 1: Schedule of Proportionate Share of the Net Pension Liability and Contributions

The Public Employees' Retirement Association of Colorado (PERA) School Division Trust Fund's net pension liability and associated amounts are measured annually at December 31, based on an actuarial valuation as of the previous December 31. The School's contributions and related ratios represent cash contributions and any related accruals that coincide with the School's fiscal year ending on June 30.

Changes in Assumptions and Other Inputs

For the year ended June 30, 2020, the total pension liability was determined by an actuarial valuation as of December 31, 2018. The following revised economic and demographic assumptions were effective as of December 31, 2018.

- Investment rate of return assumption of 7.25% per year, compounded annually. This assumption did not change from the prior year.
- Price inflation assumption of 2.4% per year. This assumption did not change from the prior year.
- Real rate of investment return assumption increased from 4.78% per year, net of investment expenses, to 7.25%. The rate reflected in the roll-forward calculation of the collective total pension liability to the measurement date was 7.25%. This assumption did not change from prior year.
- Wage inflation assumption of 3.5% per year. This assumption did not change from the prior year.
- Healthy and disabled mortality assumptions are based on the RP-2014 Mortality Tables.

Note 2: Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

A budget is adopted for the Academy on a basis consistent with generally accepted accounting principles (GAAP). The Academy adheres to the following procedures to establish the budgetary information reflected in the financial statements.

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