# COPERNI 3 CHARTER SCHOOL

## BASIC FINANCIAL STATEMENTS

## June 30, 2022

TABLE OF CONTENTS

# FINANCIAL SECTION

Board of Directors
Coperni 3 Charter School
Colorado Springs, Colorado

**INDEPENDENT AUDITOR'S REPORT**

**Opinions**

We have audited the accompanying financial statements of the governmental activities and each major fund of the Coperni 3 Charter School (the "School"), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Coperni 3 Charter School as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Responsibilities of Management 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, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements. In performing an audit in accordance with GAAS, we

• exercise professional judgment and maintain professional skepticism throughout the audit.

• identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.

• obtain an understanding of internal control relevant to the audit 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 School's internal control. Accordingly, no such opinion is expressed.

• evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.

• conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedules of the School's proportionate share, and the schedules of the School's contributions on pages 45-49 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

PB Solutions LLC

Littleton, Colorado
October 6, 2022

**Third Future Schools**
**Coperni 3**
**Management's Discussion and Analysis**
**As of and for the Year Ended June 30, 2022**

Coperni 3 (C3), is one of six schools managed by Third Future Schools. We offer readers of C3's financial statements this narrative overview and analysis of the financial activities of the C3 for the fiscal year ended June 30, 2022. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the school's financial statements, which follow this narrative.

## Financial Highlights

The year ending June 30, 2022, represented the third year of school operations with revenue of $5,798,567. Total General Fund expenditures were $5,699,270 with an increase to the Fund Balance of $99,297 for a total ending Fund Balance of $277,227.

## Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to C3's basic financial statements. The school's basic financial statements consist 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 designed to provide readers with a board overview of C3's finances, in a manner like a private-sector business.

The statement of net position presents information on all C3's assets, deferred outflows of resources, liabilities, and deferred inflows or resources with the difference between them reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of C3 is improving or deteriorating.

The statement of activities presents information showing how C3's net position changed during the year. All Changes in net position reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenue and expenses are reported in this statement for some items that will only result in cash flow changes in future fiscal periods.

The financial results of the C3 under a government-wide accounting presentation are materially impacted by GASB 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB State No 27*, and GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Under GASB 68 and 75, TFS/C3 must report liabilities for its proportionate share of the entire underfunded status of these respective plans. Also, GASB 87 accounting for leases has an impact of C3's financial statements.

Excluding the impact of GASB 68 and GASB 75, the assets of C3 exceeded its liabilities at the close of the most recent fiscal year by $1,757,835. However, due to GASB 68 and GASB 75, stating the Public Employees' Pension Association of Colorado (PERA) the liabilities and deferred inflows of resources of C3 exceeded the assets and deferred outflows of resources causing a deficit net position of ($832,253) on a government wide basis.

### Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. C3, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Governmental funds are used to account for the same functions reported as governmental activities in the government-wide financial statements, C3 maintains one governmental fund – its General Fund – which reports all activity, including that of the Building Corporation.

C3 adopts an annual budget for its general fund. A budgetary comparison had been provided for the general fund in the financial statements to demonstrate compliance with the budget.

### Notes to the Financial Statements

The next section of the basic financial statements is the notes. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the budgetary information for the school.

**Governmental Funds** – Governmental funds used to account for those functions reported as governmental activities in the government-wide financial statements. The school's basic services are accounted for in a governmental fund. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps the reader determine if there are financial resources available to finance the school's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

C3 adopts an annual budget on a fund basis. The budgetary comparison statements are not included in the basic financial statements but are part of the supplemental statements and schedules that follow the notes. The budget is a legally adopted document that incorporates input from the faculty, management, and the Board of Directors of the School in determining what activities will be pursued and what services will be provided by the school during the year. It also authorizes the school to obtain funds from identified sources to finance these current period activities. The budgetary statement provided demonstrates how well the school has complied with the budget ordinance and whether or not the school has succeeded in providing the services as planned when the budget was adopted

## Government-Wide Financial Analysis

As noted previously, net position may serve over time as a useful indictor of C3's financial position. As of June 30, 2022, C3's net position was ($832,253). Net investment in capital assets was $1,480,608 as of June 30, 2022. C3 had unrestricted net position deficit of ($2,429,758) as of June 30, 2022, which is significantly impacted by GASBs 68 and 75 as previously discussed. Following is a condensed statement of net position as of June 30, 2022:

# Third Future Schools
# Coperni 3
# Management's Discussion and Analysis
# As of and for the Year Ended June 30, 2022

## Condensed Statement of Net Position

| ASSETS | 2021 | 2022 |
|---|---|---|
| Cash and Investments | $ 47,634 | $ 317,441 |
| Accounts Receivables | 257,808 | 465,549 |
| Prepaid Expenses | 195,972 | - |
| Deposits | 83,573 | 83,573 |
| Capital Assets, Not Depreciated | 254,517 | - |
| Right to Use Assets, Net of Accumulated Amortization | | 3,187,533 |
| Capital Assets, Net of Accumulated Depreciation | 2,443,306 | 2,901,533 |
| *Total Assets:* | 3,282,810 | 6,955,629 |
| DEFERRED OUTFLOWS OF RESOURCES | | |
| Related to OPEB Liability | 143,603 | 184,557 |
| Related to Pensions | 3,606,927 | 2,687,612 |
| *Total Deferred Outflows of Resources:* | 3,750,530 | 2,872,169 |
| LIABILITIES | | |
| Accounts Payable | 18,438 | 61,990 |
| Accrued Salary and Benefits Liability | 139,657 | 180,665 |
| Due to Other Schools/Network | 248,962 | 346,681 |
| Noncurrent Liabilities | | |
| Due in One Year | 68,918 | 474,299 |
| Due in More than One Year | 1,349,945 | 4,134,159 |
| Net OPEB Liability | 139,912 | 183,334 |
| Net Pension Liability | 3,857,001 | 3,789,442 |
| *Total Liabilities:* | 5,822,833 | 9,170,570 |
| DEFERRED INFLOWS OF RESOURCES | | |
| Related to OPEB Liability | 45,055 | 64,764 |
| Related to Pensions | 1,497,343 | 1,424,717 |
| *Total Deferred Inflows of Resources:* | 1,542,398 | 1,489,481 |
| NET POSITION | | |
| Investment in Capital Assets | 1,278,960 | 1,480,608 |
| Restricted for Emergencies (Tabor) | 93,000 | 116,897 |
| Unrestricted | (1,703,851) | (2,429,758) |
| *Total Net Position:* | **$ (331,891)** | **$ (832,253)** |

C3's primary source of revenue during the year was per pupil revenue. C3 incurred expenses related to instruction, support services, and long-term debt during the fiscal year-end June 30, 2022.

**Condensed Statement of Net Position**

| | 2021 | 2022 |
|---|---|---|
| REVENUES | | |
| Operating Grants and Contributions | $ 2,268,328 | $ 1,566,605 |
| Capital Grants and Contributions | 102,266 | 100,633 |
| Charges for Services | 2,931 | 78.174 |
| General Revenues | 3,207,415 | 3,949,309 |
| TOTAL REVENUES | **5,580,940** | **5,694,721** |
| EXPENDITURES | | |
| Current | | |
| Instructional | 2,784,204 | 3,552,673 |
| Supporting Services | 2,345,832 | 2,445,005 |
| Interest and Fiscal Charges | 47,104 | 197,405 |
| TOTAL EXPENDITURES | **5,177,140** | **6,195,083** |
| NET CHANGE IN NET POSITION | **403,800** | **(500,362)** |
| NET POSITION, Beginning | **(735,691)** | **331,891** |
| NET POSITION, Ending | **$ (331,891)** | **$ (832,253)** |

## Financial Analysis of the School's Funds

As noted earlier, C3 uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**Governmental Funds**. The focus of the C3's general fund is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing C3's financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

At the end of the current fiscal year, unassigned fund balance of the General Fund was $39,342 and total fund balance of $277,227. The school required by statute to keep an emergency reserve, which was $116,897 as of June 30, 2022.

Actual revenues of $5,798,567 were greater than budgeted by $260,287 while actual expenditures of $5,699,299 were greater than budgeted by $87,223. The net change to the fund balance was an increase of $99,297.

## Capital Asset and Debt Administration

**Capital assets.** C3's investment in capital assets is $2,901,533 as of June 30, 2022. It consists primarily of buildings and leasehold improvements. Also listed as assets because of GASB 87 the right to use assets, net of accumulated amortization was $3,187,533. More details can be found in note 4 of the footnotes to the financial statements.

**Long-term Debt**. The balance of C3's long term debt is $4,608,458 as of June 30, 2022 (this excludes the Pension and OPEB liabilities). More details can be found in notes 5 and 6 of the footnotes to the financial statements.

.

## Economic Factors and Next Year's Budget

The primary factor driving the budget will be student enrollment. The Funded Pupil Count (FPC) is currently projected for the 2022-2023 school year is 350 an increase of 12 from the estimated actuals for fiscal year end 2022 which was 338. Pupil count is a major factor in preparing C3's budget for the fiscal year 2022-2023.

## Requests for Information

This report is designed to provide an overview of the school's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to James Terry, Chief Financial Officer at 431 Sable Blvd, Aurora, CO 80011, email James.Terry@ThirdFuture.org.

# BASIC FINANCIAL STATEMENTS

COPERNI 3 CHARTER SCHOOL

STATEMENT OF NET POSITION
As of June 30, 2022

| | GOVERNMENTAL ACTIVITIES |
|---|---|
| ASSETS | |
| Cash and Investments | $ 317,441 |
| Grants Receivable | 346,679 |
| Due from CSI | 39,551 |
| Due From Related Party | 79,319 |
| Deposits | 83,573 |
| Capital Assets, Depreciated, Net of Accumulated Depreciation | 2,901,533 |
| Right to Use Assets, Net of Accumulated Amortization | 3,187,533 |
| TOTAL ASSETS | 6,955,629 |
| DEFERRED OUTFLOWS OF RESOURCES | |
| Related to Pensions | 2,687,612 |
| Related to OPEB | 184,557 |
| TOTAL DEFERRED OUTFLOWS OF RESOURCES | 2,872,169 |
| LIABILITIES | |
| Accounts Payable | 61,990 |
| Accrued Salaries and Benefits | 180,665 |
| Due to TFS Network | 346,681 |
| Noncurrent Liabilities | |
| Due in One Year | 474,299 |
| Due in More than One Year | 4,134,159 |
| Net Pension Liability | 3,789,442 |
| Net OPEB Liability | 183,334 |
| TOTAL LIABILITIES | 9,170,570 |
| DEFERRED INFLOWS OF RESOURCES | |
| Related to Pensions | 1,424,717 |
| Related to OPEB | 64,764 |
| TOTAL DEFERRED INFLOWS OF RESOURCES | 1,489,481 |
| NET POSITION | |
| Net Investment in Capital Assets | 1,480,608 |
| Restricted for Emergencies | 116,897 |
| Unrestricted | (2,429,758) |
| TOTAL NET POSITION | $ (832,253) |

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

COPERNI 3 CHARTER SCHOOL

STATEMENT OF ACTIVITIES
Year Ended June 30, 2022

| | | PROGRAM REVENUES | | | NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION |
|---|---|---|---|---|---|
| FUNCTIONS/PROGRAMS | EXPENSES | CHARGES FOR SERVICES | OPERATING GRANTS AND CONTRIBUTIONS | CAPITAL GRANTS AND CONTRIBUTIONS | GOVERNMENTAL ACTIVITIES |
| PRIMARY GOVERNMENT | | | | | |
| **Governmental Activities** | | | | | |
| Instructional | $ 3,552,673 | $ - | $ 467,728 | $ - | $ (3,084,945) |
| Supporting Services | 2,445,005 | 78,174 | 1,098,877 | 100,633 | (1,167,321) |
| Interest and Other Fiscal Charges | 197,405 | - | - | - | (197,405) |
| Total Governmental Activities | $ 6,195,083 | $ 78,174 | $ 1,566,605 | $ 100,633 | (4,449,671) |
| | | GENERAL REVENUES | | | |
| | | Per Pupil Revenue | | | 3,713,843 |
| | | Mill Levy Override | | | 187,157 |
| | | Other | | | 48,309 |
| | | TOTAL GENERAL REVENUES | | | 3,949,309 |
| | | CHANGE IN NET POSITION | | | (500,362) |
| | | NET POSITION, Beginning | | | (331,891) |
| | | NET POSITION, Ending | | | $ (832,253) |

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

COPERNI 3 CHARTER SCHOOL

BALANCE SHEET
GOVERNMENTAL FUND
June 30, 2022

| | GENERAL FUND |
|---|---|
| ASSETS | |
| Cash and Investments | $ 317,441 |
| Grants Receivable | 346,679 |
| Due from CSI | 39,551 |
| Due from Related Party | 79,319 |
| Deposit | 83,573 |
| TOTAL ASSETS | $ 866,563 |
| | |
| LIABILITIES AND FUND BALANCES | |
| LIABILITIES | |
| Accounts Payable | $ 61,990 |
| Accrued Salaries and Benefits | 180,665 |
| Due to TFS Network | 346,681 |
| TOTAL LIABILITIES | 589,336 |
| | |
| FUND BALANCES | |
| Nonspendable | 83,573 |
| Restricted for Emergencies | 116,897 |
| Assigned | 37,415 |
| Unassigned | 39,342 |
| TOTAL FUND BALANCES | 277,227 |
| | |
| TOTAL LIABILITIES AND FUND BALANCES | $ 866,563 |

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

COPERNI 3 CHARTER SCHOOL

RECONCILIATION OF THE GOVERNMENTAL FUND
BALANCE SHEET TO THE STATEMENT OF NET POSITION
Year Ended June 30, 2022

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

| | | |
|---|---|---|
| Total fund balances of governmental funds | | $ 277,227 |
| Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds. | | |
| Capital Assets, depreciated | 3,442,104 | |
| Accumulated Depreciation | (540,571) | |
| Right to Use Assets | 3,650,201 | |
| Accumulated Amortization | (462,668) | 6,089,066 |
| Long-term liabilities and related assets are not due and payable in the current period and ,therefore, are not reported in the funds. | | |
| Loan Payable | (1,350,477) | |
| Lease Payable | (3,257,981) | |
| Net Pension Liability | (3,789,442) | |
| Net OPEB Liability | (183,334) | (8,581,234) |
| Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds. | | |
| Deferred outflows of resources - Related to Pensions | 2,687,612 | |
| Deferred inflows of resources - Related to Pensions | (1,424,717) | |
| Deferred outflows of resources - Related to OPEB | 184,557 | |
| Deferred inflows of resources - Related to OPEB | (64,764) | 1,382,688 |
| Net position of governmental activities | | $ (832,253) |

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

COPERNI 3 CHARTER SCHOOL

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUND
Year Ended June 30, 2022

| | GENERAL FUND |
|---|---|
| REVENUES | |
| Local Sources | $ 4,708,407 |
| State Sources | 286,058 |
| Federal Sources | 804,102 |
| TOTAL REVENUES | 5,798,567 |
| EXPENDITURES | |
| Current | |
| Instruction | 2,967,277 |
| Supporting Services | 2,073,982 |
| Debt Service | |
| Principal | 68,386 |
| Interest | 48,986 |
| Lease Principal | 392,220 |
| Lease Interest | 148,419 |
| TOTAL EXPENDITURES | 5,699,270 |
| NET CHANGE IN FUND BALANCES | 99,297 |
| FUND BALANCES, Beginning | 177,930 |
| FUND BALANCES, Ending | $ 277,227 |

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

COPERNI 3 CHARTER SCHOOL

RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF THE GOVERNMENTAL FUND
TO THE STATEMENT OF ACTIVITIES
Year Ended June 30, 2022

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

| | | |
|---|---|---|
| Net change in fund balances - total governmental funds | | $ 99,297 |
| Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. | | |
| Capital Outlay | 424,699 | |
| Depreciation and Amortization | (683,657) | (258,958) |
| Some expenses reported in the statement of activities do not require current financial resources and are not reported in the funds. | | |
| Loan Principal Payments | 68,386 | |
| Lease Principal Payments | 392,220 | 460,606 |
| Deferred Charges related to pensions and OPEB are not recognized in the governmental funds. However, for the government-wide statements those amounts are capitalized and amortized. | | |
| Deferred charges related to Pension Plan | (779,130) | |
| Deferred charges related to OPEB | (22,177) | (801,307) |
| Change in net position of governmental activities | | $ (500,362) |

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

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

The Coperni 3 Charter School (the "School") was formed pursuant to the Colorado Charter Schools Act to form and operate a charter school. On February 7, 2019, the School entered into a contract with the Colorado Charter School Institute (the "Institute") pursuant to the Colorado Charter School Institute Act, for an initial term of three years. The current contract expires June 30, 2022.

The accounting policies of the School conform with generally accepted accounting principles as applicable to governmental entities. The Government Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and reporting principles. Following is a summary of the more significant policies:

### Reporting Entity

The definition of the reporting entity is based primarily on financial accountability. The financial reporting entity consists of the School and organizations for which the School is financially accountable. It is also financially accountable for legally separate organizations if the School's officials appoint a voting majority for the organization's governing body and either it is able to impose its will on the organization, or if the organization provides benefits to, or imposes financial burdens on the School. The School may also be financially accountable for organizations that are fiscally dependent upon it.

Based on the application of these criteria, the following organization is included in the School's reporting entity:

Third Future Schools Building Corporation #2

The Third Future Schools Building Corporation #2 (the "Corporation"), a blended component unit, is considered to be financially accountable to the School. The purpose of the Corporation is to provide a mechanism to issue and pay debt on behalf of the School. The Corporation is considered to be part of the School for financial reporting purposes because its resources are entirely for the direct benefit of the School and is blended into the School's financial statements. Separate financial statements are not available for the Corporation.

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the School.

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

For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by intergovernmental revenues, are reported in a single column.

The statement of net position reports all financial, capital and debt resources of the School. The difference between the assets plus deferred outflows of resources and liabilities and deferred inflows of resources of the School is reported as net position.

**Government-Wide and Fund Financial Statements**

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

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

**Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

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

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

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

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

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

In the fund financial statements, the School reports the following major governmental funds:

The *General Fund* is the School's primary operating fund. It accounts for all financial resources of the School, except those required to be accounted for in another fund.

**Assets, Liabilities, and Fund Balance/Net Position**

Deposits and Investments – For purposes of the statement of cash flows, the School considers cash and cash equivalents to be all demand deposits as well as short-term investments with a maturity date of three months or less. Investments are stated at fair value.

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

Prepaid Expenses – Payments made to vendors for services that will benefit future periods are recorded as prepaid expenses. An expenditure is reported in the year in which the services are consumed.

Capital Assets – Capital assets, which include property and equipment, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the School as assets with an initial, individual cost of more than $10,000 and an estimated useful life in excess of one year.

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

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

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

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

| | |
|---|---|
| Buildings and Leasehold Improvements | 15 years |

Unearned Revenues – The deferred revenues include amounts received but not yet available for expenditure.

Accrued Salaries and Benefits – Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from August to July but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, as of June 30, 2022, were $180,665. The accrued compensation is reported as a liability in the General Fund.

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

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

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

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

Long-Term Debt – In the government-wide financial statements long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

Compensated Absences – The School's policy allows employees to accumulate paid time off. Employees who resign or terminate employment will be paid for their unused paid time off up to a maximum of 8 days provide they have completed five of more years of service to the School. At June 30, 2022, no liability has been accrued for these compensated absences.

Net Position– The government-wide and business-type fund financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted.

Investment in Capital Assets is intended to reflect the portion of net position which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.

Restricted Net Position are liquid assets, which have third party limitations on their use.

Unrestricted Net Position represents assets that do not have any third-party limitation on their use. While School management may have categorized and segmented portion for various purposes, the School Board has the unrestricted right to revisit or alter these managerial decisions.

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

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

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

- Nonspendable – This classification includes amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. The School reports deposits as nonspendable at June 30, 2022.

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

- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The School did not have any committed resources as of June 30, 2022.

- Assigned – This classification includes spendable fund balance amounts that are intended to be used for a specific purpose that are neither considered restricted nor committed. The School reports assigned resources related to Special Education Reserve as of June 30, 2022.

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

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

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

The School would typically use Restricted fund balances first, followed by Committed resources, and then Assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend Unassigned fund balance.

**Risk Management**

The School 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 School purchases commercial insurance for these risks of loss. Settled claims have not exceeded this coverage in the last three years.

**Income Taxes**

The School is a tax-exempt entity under section 501 (c) 3 of the US Internal Revenue Code. The School's tax filings are subject to audit by various taxing authorities. The School believes it has no significant uncertain tax provisions for the year ended June 30, 2022.

**Subsequent Events**

The School has evaluated events subsequent to the year ended June 30, 2022, through October 6, 2022, the date these financial statements were issued, and has incorporated any required recognition into these financial statements.

***NOTE 2: <u>STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY</u>***

**Budgets**

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

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

***NOTE 2:*** ***STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY*** (Continued)

**State Compliance**

At June 30, 2022, expenditures in the General Fund exceeded budgeted amounts by $87,223. This may be a violation of state statute.

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

At June 30, 2022, cash and investments consist of the following:

| | |
|---|---|
| Petty Cash | $ 400 |
| Deposits | 317,041 |
| Total | $ 317,441 |

**Deposits**

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At June 30, 2022, State regulatory commissioners have indicated that all financial institutions holding deposits for the School are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held.

The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

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

**Cash Pooled in Third Future Schools (TFS) Network**

During the year ended June 30, 2022 the School, as part of the TFS Network, started using a pooled cash process. Cash deposits are held at a single operating bank account for the Network's three schools: Academy of Advanced Learning, Coperni 2, and Coperni 3.

At June 30, 2022 the School's balance in equity in pooled cash was $317,041. The bank balances with the financial institutions were $752,266. Of these balances, $250,000 was covered by federal depository insurance and $502,266 was covered by collateral held by authorized escrow agents in the financial institutions name (PDPA).

***THE REMAINDER OF THIS PAGE IS INTENIONALLY LEFT BLANK***

## *NOTE 4:* *CAPITAL ASSETS*

Capital Asset activity for the year ended June 30, 2022 is summarized below:

| | Balance 6/30/2021 | Additions | Deletions | Balance 6/30/2022 |
|---|---|---|---|---|
| **Governmental Activities** | | | | |
| Capital Assets, Not Depreciated | | | | |
| Construction in Progress | $ 254,517 | $ - | $ 254,517 | $ - |
| Capital Asset, Being Depreciated | | | | |
| Buildings | 1,500,000 | - | - | 1,500,000 |
| Leasehold Improvements | 1,262,888 | 679,216 | - | 1,942,104 |
| Right to Use Assets | 3,650,201 | | - | 3,650,201 |
| Total Capital Assets, Being Depreciated | 6,413,089 | 679,216 | - | 7,092,305 |
| Accumulated Depreciation | | | | |
| Buildings | 200,000 | 100,000 | - | 300,000 |
| Leasehold Improvements | 119,582 | 120,989 | - | 240,571 |
| Right to Use Assets | - | 462,668 | - | 462,668 |
| Total Depreciation | 319,582 | 683,657 | - | 1,003,239 |
| Total Capital Assets, Being Depreciated, Net | 6,093,507 | (4,441) | - | 6,089,066 |
| Net Capital Assets | $ 6,348,024 | $ (4,441) | $ 254,517 | $ 6,089,066 |

Depreciation and amortization have been charged to the Supporting Services program of the School.

## *NOTE 5:* *LONG-TERM DEBT*

The following is a summary of the School's long-term debt transactions for the year ended June 30, 2022:

| | Balance 6/30/2021 | Additions | Payments | Balance 6/30/2022 | Due In One Year |
|---|---|---|---|---|---|
| Note Payable - CFS | $ 1,418,863 | $ - | $ 68,386 | $ 1,350,477 | $ 73,477 |
| Net Pension Liability | 3,857,001 | - | 67,559 | 3,789,442 | - |
| Net OPEB Liability | 139,912 | 43,422 | - | 183,334 | - |
| Total | $ 5,415,776 | $ 43,422 | $ 135,945 | $ 5,323,253 | $ 73,477 |

**Notes Payable – CFS**

In March 2019, the School entered into a loan agreement with Charter Facility Solutions ("CFS") in the amount of $1,500,000 to finance the payment of the Option Consideration required under the purchase option agreement with the CSDC Property Corporation for the purchase of the School's leased facility. Interest accrues at a rate of 3.5% and payments of principal and interest ranging from $4,375 to $9,781 are due monthly beginning April 1, 2019, through March 1, 2024, with a balloon payment for the balance due on April 1, 2024.

Future debt service requirements on the bonds are as follows:

| Year Ended June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2023 | $ 73,477 | $ 43,895 | $ 117,372 |
| 2024 | 1,277,000 | 36,446 | 1,313,446 |
| Total | $ 1,350,477 | $ 80,341 | $ 1,430,818 |

***NOTE 6:*** ***CHANGE IN ACCOUNTING PRINCIPLES-LEASES***

For the year ended June 30, 2022, the School implemented Governmental Accounting Standards Board (GASB) Statement No. 87, Leases. GASB 87 enhances the relevance and consistency of information for the government's leasing activities. For lessees, the accounting standard establishes requirements for lease accounting based on the principle that leases are financings of the right to use a leased asset. The standard also establishes requirements for lessors to recognize a lease receivable and deferred inflow of resources. These changes were incorporated in the School's financial statements for the year ended June 30, 2022.

**Building Lease**

In March 2019, the School entered into a lease agreement with CSDC Property Corporation (the "Landlord") for the School's building. The School is required to make monthly lease payments ranging from $32,953 to $46,179 to the Landlord through June 30, 2029. Total lease liability under this lease was $5,257,565. The balance at June 30, 2022 was $3,249,111. The interest rate implied in the leases is calculated at 4.25%.

A right to use asset of $3,633,156 and a lease liability of $3,633,156 were incorporated in the beginning net position of the government wide financial statements, resulting in a zero restatement.

The following is a summary of the School's Building lease transactions for the year ended June 30, 2022:

| | Balance 6/30/2021 | Additions | Payments | Balance 6/30/2022 | Due In One Year |
|---|---|---|---|---|---|
| CSDC Property Corp | $ 3,633,156 | $ - | $ 384,045 | $ 3,249,111 | $ 391,952 |

***NOTE 6:*** ***CHANGE IN ACCOUNTING PRINCIPLES-LEASES*** (Continued)

Annual requirements to amortize long-term obligations and related interest are as follows:

| Year Ended June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2023 | $ 391,952 | $ 130,519 | $ 522,471 |
| 2024 | 414,266 | 113,430 | 527,696 |
| 2025 | 437,600 | 95,372 | 532,972 |
| 2026 | 461,999 | 76,303 | 538,302 |
| 2027 | 487,510 | 56,175 | 543,685 |
| 2028-2029 | 1,055,784 | 47,491 | 1,103,275 |
| Total | $ 3,249,111 | $ 519,290 | $ 3,768,401 |

Total lease expense for the year ended June 30, 2022 was $531,014.

**Copier Lease Agreements**

In July 2020, the School entered into a lease agreement with Xerox to lease a copier. Total lease liability under these leases was $28,872 and the balance at June 30, 2022 was $8,870. The interest rate implied in the leases is calculated at 8.5%. The lease payment schedules require the School to make monthly lease payments of $802 beginning in July 2020 through June 30, 2023.

A right to use asset of $17,045 and a lease liability of $17,045 were incorporated in the beginning net position of the government wide financial statements, resulting in a zero restatement.

The following is a summary of the School's copier lease transactions for the year ended June 30, 2022:

| | Balance 6/30/2021 | Additions | Payments | Balance 6/30/2022 | Due In One Year |
|---|---|---|---|---|---|
| Copier Lease | $ 17,045 | $ - | $ 8,175 | $ 8,870 | $ 8,870 |

***NOTE 6:*** ***CHANGE IN ACCOUNTING PRINCIPLES-LEASES*** (Continued)

Annual requirements to amortize long-term obligations and related interest are as follows:

| Year Ended June 30, | Principal | Interest | Total |
|---|---|---|---|
| 2023 | $ 8,870 | $ 754 | $ 9,624 |

Total lease expense for the year ended June 30, 2022 was $9,624.

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

**Summary of Significant Accounting Policies**

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

**General Information about the Pension Plan**

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

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

**General Information about the Pension Plan** (Continued)

*Benefits provided as of December 31, 2021.* PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at
C.R.S. § 24-51-602, 604, 1713, and 1714.

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

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit.
- The value of the retiring employee's member contribution account plus a 100% match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

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

- Highest average salary multiplied by 2.5% and then multiplied by years of service credit.
- $15 times the first 10 years of service credit plus $20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

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

Members may elect to withdraw their member contribution accounts upon termination of employment with all PERA employers; waiving rights to any lifetime retirement benefits earned. If eligible, the member may receive a match of either 50% or 100% 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.

Upon meeting certain criteria, benefit recipients who elect to receive a lifetime retirement benefit generally receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Subject to the automatic adjustment provision (AAP)

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

**General Information about the Pension Plan** (Continued)

under C.R.S. § 24-51-413, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, and all eligible benefit recipients of the DPS benefit structure will receive the maximum annual increase (AI) or AI cap of 1.00% unless adjusted by the AAP. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the lesser of an annual increase of the 1.00% AI cap or the average increase of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed a determined increase that would exhaust 10% of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned AI cap by up to 0.25% based on the parameters specified in C.R.S. § 24-51-413.

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

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

*Contributions provisions as of June 30, 2022:* Eligible employees of, the School and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 10.50% of their PERA-includable salary during the period of July 1, 2021 through June 30, 2022. Employer contribution requirements are summarized in the table below:

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

**General Information about the Pension Plan** (Continued)

| | July 1, 2021 Through June 30, 2022 |
|---|---|
| Employer contribution rate | 10.90% |
| Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f) | (1.02%) |
| Amount apportioned to the SCHDTF | 9.88% |
| Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411 | 4.50% |
| Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411 | 5.50% |
| **Total employer contribution rate to the SCHDTF** | **19.88%** |

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the School were $441,283 for the year ended June 30, 2022.

For purposes of GASB 68 paragraph 15, a circumstance exists in which a nonemployer contributing entity is legally responsible for making contributions to the SCHDTF and is considered to meet the definition of a special funding situation. As specified in C.R.S. § 24-51-414, the State is required to contribute $225 million (actual dollars) direct distribution each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the total annual payroll of the

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

**General Information about the Pension Plan** (Continued)

SCHDTF, State Division Trust Fund, Judicial Trust Fund, and Denver Public Schools Division Trust Fund. In addition to the $225 million (actual dollars) direct distribution due July 1, 2022, House Bill (HB) 22-1029, instructs the State treasurer to issue a warrant to PERA in the amount of $380 million (actual dollars), upon enactment, with reductions to future direct distributions scheduled to occur July 1, 2023, and July 1, 2024.

**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, 2021, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll-forward the TPL to December 31, 2021. The School's proportion of the net pension liability was based on the School's contributions to the SCHDTF for the calendar year 2021 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2022, the School reported a liability of $3,789,442 for its proportionate share of the net pension liability that reflected an increase for support from the State as a nonemployer contributing entity. The amount recognized by the School as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the School were as follows:

| | |
|---|---|
| The School's proportionate share of the net pension liability | $3,789,442 |
| The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the School | 434,411 |
| Total | $4,223,853 |

At December 31, 2021, the School's proportion was 0.0325%, which was an increase of 0.00705% from its proportion measured as of December 31, 2020.

***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)

For the year ended June 30, 2022, the School recognized pension expense of $1,139,208 and revenue of $46,379 for support from the State as a nonemployer contributing entity. At June 30, 2022, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Difference between expected and actual experience | $145,075 | N/A |
| Changes of assumptions or other inputs | $289,296 | N/A |
| Net difference between projected and actual earnings on pension plan investments | N/A | $1,424,717 |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | $2,052,605 | N/A |
| Contributions subsequent to the measurement date | $200,636 | N/A |
| Total | $2,687,612 | $1,424,717 |

$200,636 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| **Year ended June 30**: | |
|---|---|
| 2023 | $1,284,713 |
| 2024 | $163,802 |
| 2025 | ($213,327) |
| 2026 | ($172,929) |

***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)

*Actuarial assumptions.* The TPL in the December 31, 2020, actuarial valuation was determined using the following actuarial cost method, actuarial assumptions, and other inputs:

| | |
|---|---|
| Actuarial cost method | Entry age |
| Price inflation | 2.30% |
| Real wage growth | 0.70% |
| Wage inflation | 3.00% |
| Salary increases, including wage inflation: | 3.40%-11.00% |
| Long-term investment rate of return, net of pension plan investment expenses, including price inflation | 7.25% |
| Discount rate | 7.25% |
| Post-retirement benefit increases: | |
| PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (compounded annually) | 1.00% |
| PERA benefit structure hired after 12/31/06[1] | Financed by the AIR |

[1] Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

The TPL as of December 31, 2021, includes the anticipated adjustments to contribution rates and the AI cap, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.

The mortality tables described below are generational mortality tables developed on a benefit-weighted basis.

Pre-retirement mortality assumptions were based upon the PubT-2010 Employee Table with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows:

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

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

- **Males:** 112% of the rates prior to age 80 and 94% of the rates for ages 80 and older, with generational projection using scale MP-2019**.**

- **Females:** 83% of the rates prior to age 80 and 106% of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- **Males:** 97% of the rates for all ages, with generational projection using scale MP-2019.

- **Females:** 105% of the rates for all ages, with generational projection using scale MP-2019.

Disabled mortality assumptions were based upon the PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages with generational projection using scale MP-2019.

The actuarial assumptions used in the December 31, 2020, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020, meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

Several factors are considered in evaluating the long-term rate of return assumption, 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 percentages 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)

The PERA Board first adopted the 7.25% long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation, and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

| Asset Class | Target Allocation | 30 Year Expected Geometric Real Rate of Return |
|---|---|---|
| Global Equity | 54.00% | 5.60% |
| Fixed Income | 23.00% | 1.30% |
| Private Equity | 8.50% | 7.10% |
| Real Estate | 8.50% | 4.40% |
| Alternatives | 6.00% | 4.70% |
| **Total** | **100.00%** | |

Note: 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 nominal rate of return assumption of 7.25%.

*Discount rate.* The discount rate used to measure the TPL was 7.25%. 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 3.00%.

- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in Senate Bill (SB) 18-200, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. 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, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions 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, as a nonemployer contributing entity, will provide an annual direct distribution of $225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.

- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- The AIR balance was excluded from the initial FNP, 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 FNP and the subsequent AIR benefit payments were estimated and included in the projections.

- The projected benefit payments reflect the lowered AI cap, from 1.25% to 1.00%, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.

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

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

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

Based on the above assumptions and methods, the SCHDTF's FNP 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% on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%. There was no change in the discount rate from the prior measurement date.

*Sensitivity of the School's proportionate share of the net pension liability to changes in the discount rate.* The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25%, 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%) or one percentage point higher (8.25%) than the current rate:

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|---|---|---|---|
| Proportionate share of the net pension liability | $5,577,749 | $3,789,442 | $2,297,167 |

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

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

**Summary of Significant Accounting Policies**

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

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

**General Information about the OPEB Plan**

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

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

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

Enrollment in the PERACare health benefits program 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.

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

**General Information about the OPEB Plan** (Continued)

*PERA Benefit Structure*
The maximum service-based premium subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is $115 per month for benefit recipients who are 65 years of age or older or who are under 65 years of age and entitled to Medicare. The 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% reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

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

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

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

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

**General Information about the OPEB Plan** (Continued)

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the School were $22,641 for the year ended June 30, 2022.

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

At June 30, 2022, the School reported a liability of $183,334 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2021, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll-forward the TOL to December 31, 2021. The School proportion of the net OPEB liability was based on the School's contributions to the HCTF for the calendar year 2021 relative to the total contributions of participating employers to the HCTF.

At December 31, 2021, the School's proportion was 0.02126%, which was an increase of 0.00654% from its proportion measured as of December 31, 2020.

For the year ended June 30, 2022, the School recognized OPEB expense of $465. At June 30, 2022, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

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

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

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|---|
| Difference between expected and actual experience | $279 | $43,471 |
| Changes of assumptions or other inputs | $3,796 | $9,945 |
| Net difference between projected and actual earnings on OPEB plan investments | N/A | $11,348 |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | $170,188 | N/A |
| Contributions subsequent to the measurement date | $10,294 | N/A |
| Total | $184,557 | $64,764 |

$10,294 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

| **Year ended June 30:** | |
|---|---|
| 2023 | $29,436 |
| 2024 | $27,920 |
| 2025 | $28,975 |
| 2026 | $9,300 |
| 2027 | $11,725 |
| Thereafter | $2,143 |

*Actuarial assumptions.* The TOL in the December 31, 2020 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

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

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

| | State Division | School Division | Local Government Division | Judicial Division |
|---|---|---|---|---|
| Actuarial cost method | Entry age | | | |
| Price inflation | 2.30% | | | |
| Real wage growth | 0.70% | | | |
| Wage inflation | 3.00% | | | |
| Salary increases, including wage inflation | | | | |
| Members other than State Troopers | 3.30%-10.90% | 3.40%-11.00% | 3.20%-11.30% | 2.80%-5.30% |
| State Troopers | 3.20%-12.40% | N/A | 3.20%-12.40% | N/A |
| Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation | 7.25% | | | |
| Discount rate | 7.25% | | | |
| Health care cost trend rates | | | | |
| PERA benefit structure: | | | | |
| Service-based premium subsidy | 0.00% | | | |
| PERACare Medicare plans | 4.50% in 2021, 6.00% in 2022, gradually decreasing to 4.50% in 2029 | | | |
| Medicare Part A premiums | 3.75% in 2021, gradually increasing to 4.50% in 2029 | | | |
| DPS benefit structure: | | | | |
| Service-based premium subsidy | 0.00% | | | |
| PERACare Medicare plans | N/A | | | |
| Medicare Part A premiums | N/A | | | |

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

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

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.

In determining the additional liability for PERACare enrollees who are age 65 or older and who are not eligible for premium-free Medicare Part A in the December 31, 2020, valuation, the following monthly costs/premiums (actual dollars) are assumed for 2021 for the PERA Benefit Structure:

| | Initial Costs for Members without Medicare Part A | | |
|---|---|---|---|
| **Medicare Plan** | **Monthly Cost** | **Monthly Premium** | **Monthly Cost Adjusted to Age 65** |
| Medicare Advantage/Self-Insured Rx | $633 | $230 | $591 |
| Kaiser Permanente Medicare Advantage | 596 | 199 | 562 |

The 2021 Medicare Part A premium is $471 (actual dollars) per month.

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, 2020, 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.

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

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

The PERA benefit structure health care cost trend rates used to measure the TOL are summarized in the table below:

| Year | PERACare Medicare Plans | Medicare Part A Premiums |
|---|---|---|
| 2021 | 4.50% | 3.75% |
| 2022 | 6.00% | 3.75% |
| 2023 | 5.80% | 4.00% |
| 2024 | 5.60% | 4.00% |
| 2025 | 5.40% | 4.00% |
| 2026 | 5.10% | 4.25% |
| 2027 | 4.90% | 4.25% |
| 2028 | 4.70% | 4.25% |
| 2029+ | 4.50% | 4.50% |

Mortality assumptions used in the December 31, 2020, valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below, reflect generational mortality and were applied, as applicable, in the determination of the TOL for the HCTF, but developed using a headcount-weighted basis. Affiliated employers of the State, School, Local Government and Judicial Divisions participate in the HCTF.

Pre-retirement mortality assumptions for the State and Local Government Divisions (members other than State Troopers) were based upon the PubG-2010 Employee Table with generational projection using scale MP-2019.

Pre-retirement mortality assumptions for State Troopers were based upon the PubS-2010 Employee Table with generational projection using scale MP-2019.

The pre-retirement mortality assumptions for the School Division were based upon the PubT-2010 Employee Table with generational projection using scale MP-2019.

Pre-retirement mortality assumptions for the Judicial Division were based upon the PubG-2010(A) Above-Median Employee Table with generational projection using scale MP-2019.

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

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

Post-retirement non-disabled mortality assumptions for the State and Local Government Divisions (members other than State Troopers) were based upon the PubG-2010 Healthy Retiree Table, adjusted as follows:

- **Males:** 94% of the rates prior to age 80 and 90% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 87% of the rates prior to age 80 and 107% of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Healthy Retiree Table, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the School Division were based upon the PubT-2010 Healthy Retiree Table, adjusted as follows:

- **Males:** 112% of the rates prior to age 80 and 94% of the rates for ages 80 and older, with generational projection using scale MP-2019.
- **Females:** 83% of the rates prior to age 80 and 106% of the rates for ages 80 and older, with generational projection using scale MP-2019.

Post-retirement non-disabled mortality assumptions for the Judicial Division were based upon the unadjusted PubG-2010(A) Above-Median Healthy Retiree Table with generational projection using scale MP-2019.

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010 Contingent Survivor Table, adjusted as follows:

- **Males:** 97% of the rates for all ages, with generational projection using scale MP-2019.
- **Females:** 105% of the rates for all ages, with generational projection using scale MP-2019.

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

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

Disabled mortality assumptions for members other than State Troopers were based upon the PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages with generational projection using scale MP-2019.

Disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Disabled Retiree Table with generational projection using scale MP-2019.

The following health care costs assumptions were updated and used in the roll-forward calculation for the Trust Fund:

- 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 2021 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

Actuarial assumptions pertaining to per capita health care costs and their related trend rates are analyzed and updated annually by PERA Board's actuary, as discussed above.

The actuarial assumptions used in the December 31, 2020, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020, meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four to five years for PERA. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

Several factors are considered in evaluating the long-term rate of return assumption, 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.

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

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

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 percentages and then adding expected inflation.

As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the table as follows:

| Asset Class | Target Allocation | 30 Year Expected Geometric Real Rate of Return |
|---|---|---|
| Global Equity | 54.00% | 5.60% |
| Fixed Income | 23.00% | 1.30% |
| Private Equity | 8.50% | 7.10% |
| Real Estate | 8.50% | 4.40% |
| Alternatives | 6.00% | 4.70% |
| **Total** | **100.00%** | |

Note: 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 nominal rate of return assumption of 7.25%.

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

| | 1% Decrease in Trend Rates | Current Trend Rates | 1% Increase in Trend Rates |
|---|---|---|---|
| Initial PERACare Medicare trend rate | 3.50% | 4.50% | 5.50% |
| Ultimate PERACare Medicare trend rate | 3.50% | 4.50% | 5.50% |
| Initial Medicare Part A trend rate | 2.75% | 3.75% | 4.75% |
| Ultimate Medicare Part A trend rate | 3.50% | 4.50% | 5.50% |
| Net OPEB Liability | $178,069 | $183,334 | $189,433 |

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

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

*Discount rate.* The discount rate used to measure the TOL was 7.25%. 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, 2021, 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 3.00%.

- 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.

- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.

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

Based on the above assumptions and methods, the HCTF's FNP 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% on OPEB plan investments was applied to all periods of projected benefit payments to determine the TOL. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%. There was no change in the discount rate from the prior measurement date.

***NOTE 8:*** ***DEFINED BENEFIT OTHER POSTEMPLOYMENT BENEFIT (OPEB) PLAN*** (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%, 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%) or one-percentage-point higher (8.25%) than the current rate:

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|---|---|---|---|
| Proportionate share of the net OPEB | $212,923 | $183,334 | $158,060 |

*OPEB plan fiduciary net position.* Detailed information about the HCTF's FNP is available in PERA's ACFR at www.copera.org/investments/pera-financial-reports.

***NOTE 9:*** ***RELATED PARTY TRANSACTIONS***

The School is a member of the Third Future Schools Network ("TFS" or the "Network")

For the year ended June 30, 2022, the Network included the following locations:

TFS – Academy of Advanced Learning
TFS – Coperni 2
TFS – Coperni 3

At June 30, 2022, the School owed $346,681 to the Network. This amount was loaned to the school in a prior year to provide additional funding for operations. This amount is reported as due from other schools on the General Fund balance sheet.

During the fiscal year ended June 30, 2022, the Network transferred $124,490 to the School to provide funding for operations. The School paid network fees to the Network in the amount $308,667.

***NOTE 9:*** ***RELATED ORGANIZATIONS AND RELATED PARTIES*** (Continued)

Third Future Schools Texas Network

During the year ended June 30, 2022, the School provided professional services to the Third Future Schools Texas Network.

At June 30, 2022, the School reports revenue from the provision of professional services in the amount of $78,174. The amount is reported as an amount due from related parties on the School's balance sheet.

At June 30, 2022, the School owes $1,145 to Coperni 2 for payments made by Coperni 2 on the School's behalf. The amount is reported as an amount due from related parties on the School's balance sheet.

Related Party Contracts

During the fiscal year ended June 30, 2022, the School contracted with a landscaping company owned by the School's Chief of Staff's family member to provide capital lease improvements as well as landscaping repair and maintenance services. The School paid $232,200 to the company for these services

***NOTE 10:*** ***COMMITMENTS AND CONTINGENCIES***

**Claims and Judgments**

The School participates in a number of federal and state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the School may be required to reimburse the grantor government. As of June 30, 2022, significant amounts of grant expenditures have not been audited but the School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

***NOTE 10:*** ***COMMITMENTS AND CONTINGENCIES*** (Continued)

**Tabor Amendment**

In November 1992, Colorado voters passed an amendment to the State Constitution, Article X, Section 20 (the "Tabor Amendment"), which has several limitations, including revenue raising, spending abilities, and other specific requirements of state and local government. The Tabor Amendment is complex and subject to judicial interpretations. The School believes it has complied with the Amendment.

The School has established a reserve, representing 3% of qualifying expenditures, as required by the Amendment. At June 30, 2022, the emergency reserve of $116,897 was reported as a restriction of net position and fund balance in the Governmental Activities and General Fund, respectively.

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

At June 30, 2022, the net position of the governmental activities is in a deficit position in the amount of $832,253 due to the School including its Net Pension and Net OPEB liabilities per requirements of GASB No. 68 and No.75.

# REQUIRED SUPPLEMENTARY INFORMATION

COPERNI 3 CHARTER SCHOOL

BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2022

| | ORIGINAL BUDGET | FINAL BUDGET | ACTUAL | VARIANCE Positive (Negative) | 2021 ACTUAL |
|---|---|---|---|---|---|
| REVENUES | | | | | |
| Local Sources | | | | | |
| Per Pupil Revenue | $ 4,304,939 | $ 4,266,551 | $ 3,713,843 | $ (552,708) | $ 2,762,374 |
| Mill Levy Override | - | - | 187,157 | 187,157 | 99,976 |
| Charges for Services | - | - | 78,174 | 78,174 | 2,931 |
| Network Support | - | 415,000 | 554,353 | 139,353 | 665,089 |
| Contributions | 115,000 | 119,120 | 126,571 | 7,451 | 629,812 |
| Other | 21,000 | 20,550 | 48,309 | 27,759 | 120,046 |
| State Sources | | | | | |
| Capital Construction | - | - | 100,633 | 100,633 | 102,266 |
| PERA On Behalf Contribution | - | - | 46,379 | 46,379 | - |
| Grants and Donations | - | - | 139,046 | 139,046 | 65,205 |
| Federal Sources | | | | | |
| Grants and Donations | 663,684 | 717,059 | 804,102 | 87,043 | 908,222 |
| TOTAL REVENUES | 5,104,623 | 5,538,280 | 5,798,567 | 260,287 | 5,355,921 |
| EXPENDITURES | | | | | |
| Current | | | | | |
| Salaries | 2,249,569 | 2,294,216 | 2,281,797 | 12,419 | 1,686,868 |
| Employee Benefits | 694,013 | 716,086 | 717,157 | (1,071) | 506,271 |
| Purchased Services | 1,272,720 | 1,489,870 | 1,286,528 | 203,342 | 1,367,966 |
| Supplies and Materials | 126,656 | 167,698 | 247,011 | (79,313) | 206,355 |
| Property | 305,882 | 782,465 | 492,832 | 289,633 | 920,327 |
| Other | 10,100 | 11,100 | 15,934 | (4,834) | 20,343 |
| Debt Service | | | | | |
| Principal | 98,112 | 98,112 | 68,386 | 29,726 | 64,872 |
| Interest | 52,500 | 52,500 | 48,986 | 3,514 | 52,500 |
| Lease Principal | - | - | 392,220 | (392,220) | - |
| Lease Interest | - | - | 148,419 | (148,419) | - |
| TOTAL EXPENDITURES | 4,809,552 | 5,612,047 | 5,699,270 | (87,223) | 4,825,502 |
| NET CHANGE IN FUND BALANCE | 295,071 | (73,767) | 99,297 | 173,064 | 530,419 |
| FUND BALANCE, Beginning | 89,703 | 530,418 | 177,930 | (352,488) | (352,489) |
| FUND BALANCE, Ending | $ 384,774 | $ 456,651 | $ 277,227 | $ (179,424) | $ 177,930 |

See the accompanying independent auditor's report.

COPERNI 3 CHARTER SCHOOL

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PERA SCHOOL DIVISION TRUST FUND PLAN

Years Ended December 31,

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Proportion of the Net Pension Liability (Asset) | 0.03256% | 0.02551% | 0.02106% |
| Proportionate Share of the Net Pension Liability (Asset) | $ 3,789,442 | $ 3,857,001 | $ 3,139,659 |
| State of Colorado Proportionate Share of the Net Pension Liability (Asset) | 434,411 | - | 398,226 |
| Total Proportionate Share of the Net Pension Liability (Asset) | 4,223,853 | 3,857,001 | 3,537,885 |
| Covered payroll | $ 2,035,061 | $ 1,361,604 | $ 613,516 |
| Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll | 186.2% | 283.3% | 511.7% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 74.86% | 66.99% | 64.52% |

NOTE: Information for the prior seven years was not available for this report

See the accompanying independent auditor's report.

COPERNI 3 CHARTER SCHOOL

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
PERA SCHOOL DIVISION TRUST FUND PLAN

Years Ended June 30,

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| Contractually Required Contributions | $ 441,283 | $ 321,491 | $ 228,691 |
| Contributions in Relation to the Contractually Required Contributions | 441,283 | 321,491 | 228,691 |
| Contribution Deficiency (Excess) | $ - | $ - | $ - |
| Covered payroll | $ 2,219,723 | $ 1,617,153 | $ 1,180,036 |
| Contributions as a Percentage of Covered Payroll | 19.88% | 19.88% | 19.38% |

NOTE: Information for the prior seven years was not available for this report.

See the accompanying independent auditor's report.

COPERNI 3 CHARTER SCHOOL

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
PERA HEALTH CARE TRUST FUND PLAN

Years Ended December 31,

| | 2021 | 2020 | 2019 |
|---|---|---|---|
| Proportion of the Net OPEB Liability (Asset) | 0.02126% | 0.01472% | 0.01365% |
| Proportionate Share of the Net OPEB Liability (Asset) | $ 183,334 | $ 139,912 | $ 153,386 |
| Covered payroll | $ 2,035,061 | $ 1,361,604 | $ 613,516 |
| Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll | 9.01% | 10.28% | 25.00% |
| Plan Fiduciary Net position as a Percentage of the Total OPEB Liability | 39.40% | 32.78% | 24.49% |

NOTE: Information for the prior seven years was not available for this report.

See the accompanying independent auditor's report.

COPERNI 3 CHARTER SCHOOL

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
PERA HEALTH CARE TRUST FUND PLAN

Years Ended June 30,

| | 2022 | 2021 | 2020 |
|---|---|---|---|
| Contractually Required Contributions | $ 22,641 | $ 16,495 | $ 12,036 |
| Contributions in Relation to the Contractually Required Contributions | 22,641 | 16,495 | 12,036 |
| Contribution Deficiency (Excess) | $ - | $ - | $ - |
| Covered payroll | $ 2,219,723 | $ 1,617,153 | $ 1,180,036 |
| Contributions as a Percentage of Covered Payroll | 1.02% | 1.02% | 1.02% |

NOTE: Information for the prior seven years was not available for this report.

See the accompanying independent auditor's report.