



Financial Statements
June 30, 2022

**CIVICA Colorado (a component unit of
Weld County School District RE-5J)**

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Independent Auditor's Report

To the Board of Directors
CIVICA Colorado
Milliken, Colorado

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the governmental activities, the business-type activities, and each major fund of CIVICA Colorado (the School) (a component unit of Weld County School District RE-5J) 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, the business-type activities, and each major fund of the School, as of June 30, 2022, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund 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) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*). 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.

Restatement and Reissuance

As discussed in Note 12, subsequent to the issuance of the School's 2022 financial statements and our report thereon dated February 15, 2023, we became aware that those financial statements recognized revenue that should have been recognized in the previous period for governmental activities. In our original report we expressed an unmodified opinion on the 2022 financial statements, and our opinion on the revised statements, as expressed herein, remains unmodified.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the 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 and *Government Auditing Standards* 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 and *Government Auditing Standards*, 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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management’s discussion and analysis on pages 4-8, schedule of the school’s proportionate share of net pension liability on page 50, and schedule of the school’s contributions - pension on page 51, schedule of the school’s proportionate share of net OPEB liability on page 52, and the schedule of the school’s contributions – OPEB on page 53, be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 22, 2023, on our consideration of the School’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School’s internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School’s internal control over financial reporting and compliance.



Reno, Nevada
February 22, 2023

This section of the annual financial report for CIVICA Colorado (the School) provides an overview of the School's financial activities as of and for the fiscal year ended June 30, 2022. It should be read in conjunction with the financial statements, which immediately follow this section.

Financial Highlights

- The assets and deferred outflows of resources of the School were higher than its liabilities and deferred inflows of resources the close of the current fiscal year by \$1,455,453.
- State sources of revenue including Pupil Centered Funding Plan revenue, was \$1,343,981, an increase from \$0 in the prior year due to it being the first year of operations for the School.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's financial statements. The School's basic financial statements comprise three components: school-wide financial statements, fund financial statements and notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

School-Wide Financial Statements

The School-Wide financial statements are designed to provide readers with a broad overview of the School's finances, in a manner similar to a private-sector business, using the accrual basis of accounting.

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

The Statement of Activities presents information on how the School's net position changed during the fiscal year. All changes in net position are reported when the underlying event occurs without regard to the timing of related cash flows. Accordingly, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods.

The school-wide financial statements include not only CIVICA Colorado itself (known as the *primary government*), but also the CIVICA Building Corporation (the Corporation). The Corporation, a legally separate organization, is for all practical purposes a part of the School and its activity is reported as business-type activities within the financial statements.

Both school-wide statements above report two types of activities:

Governmental activities – Funding received from state and federal sources primarily support these activities. Services associated with the operation of the School fall into this category, including instruction, support services, unallocated depreciation and amortization and debt service – interest.

Business-type activities – These activities are intended to record the activities related to the Corporation including bond proceeds, capital asset purchases, and lease income.

Fund Financial Statements

A “fund” is a collection of related accounts grouped to maintain control over resources that have been segregated for specific activities, projects, or objectives. The School, like other state and local governments, uses fund accounting to ensure and report compliance with finance related legal requirements.

The School reports two funds: one governmental fund (the General Fund) and one proprietary fund (the Corporation).

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

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

The School maintains an enterprise fund, a type of proprietary fund, to report the same functions presented as business-type activities in the school-wide financial statements. The enterprise fund accounts for the activities related to the Corporation including bond proceeds, capital asset purchases, and lease income. Proprietary funds provide the same type of information as the school-wide financial statements, only in more detail.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the school-wide and fund financial statements. The notes to the financial statements can be found on pages 19 through 49 of this report.

School-Wide Financial Analysis

The Statement of Net Position provides the perspective of the School as a whole. The table below provides a summary of the School's net position as of June 30:

	2022			2021		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Assets						
Current and long-term assets	\$ 404,746	\$ 2,738,866	\$ 3,143,612	\$ 105,613	\$ -	\$ 105,613
Capital assets, net	1,869,600	4,626,635	6,496,235	-	-	-
Total assets	2,274,346	7,365,501	9,639,847	105,613	-	105,613
Deferred outflows of resources	1,037,673	-	1,037,673	-	-	-
Liabilities						
Current liabilities	62,636	75,510	138,146	215,851	-	215,851
Noncurrent liabilities	797,604	7,990,000	8,787,604	-	-	-
Total liabilities	860,240	8,065,510	8,925,750	215,851	-	215,851
Deferred inflows of resources	296,317	-	296,317	-	-	-
Net Position						
Net investment in capital assets	1,869,600	(127,450)	1,742,150	-	-	-
Restricted	54,838	414,545	469,383	-	-	-
Unrestricted (deficit)	231,024	(987,104)	(756,080)	(110,238)	-	(110,238)
Total net position	\$ 2,155,462	\$ (700,009)	\$ 1,455,453	\$ (110,238)	\$ -	\$ (110,238)

The unrestricted net position of governmental activities represents the accumulated results of life-to-date operations. The results of the current-year operations for the School as a whole are reported in the Statement of Activities, which shows changes in net position. The change in balances represents that the current year was the first full year of operations for the School, which is primarily reflected in the governmental activities. The overall increase in the net position was primarily due to a large contribution of land that was received for \$1,869,600. The deficit in the Business-Type Activities is due to the financing activity for the School's campus.

The results of this year's operations for the School as a whole are reported in the summarized Statements of Activities (below) which shows the changes in net position for the fiscal years ended June 30:

	2022			2021		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Charges for services	\$ 26,397	\$ 75,510	\$ 101,907	\$ -	\$ -	\$ -
Operating grants, contributions, and interest	419,754	971	420,725	103,203	-	103,203
Capital grants, contributions, and interest	1,869,600	4,290	1,873,890	-	-	-
General revenues and transfers	1,942,417	(347,847)	1,594,570	2,700	-	2,700
	<u>4,258,168</u>	<u>(267,076)</u>	<u>3,991,092</u>	<u>105,903</u>	<u>-</u>	<u>105,903</u>
Instruction expenses	1,021,195	-	1,021,195	-	-	-
Support services expenses	567,269	-	567,269	216,141	-	216,141
Unallocated depreciation and amortization	266,356	-	266,356	-	-	-
Debt service	137,648	-	137,648	-	-	-
Building corporation	-	432,933	432,933	-	-	-
	<u>1,992,468</u>	<u>432,933</u>	<u>2,425,401</u>	<u>216,141</u>	<u>-</u>	<u>216,141</u>
Change in net position	2,265,700	(700,009)	1,565,691	(110,238)	-	(110,238)
Net position, beginning of year	(110,238)	-	(110,238)	-	-	-
Net Position, end of year	<u>\$ 2,155,462</u>	<u>\$ (700,009)</u>	<u>\$ 1,455,453</u>	<u>\$ (110,238)</u>	<u>\$ -</u>	<u>\$ (110,238)</u>

A Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities appears on page 14.

The change in activity represents the first full year in operations for the School. Prior year activity was limited to initial setup costs in preparation of the first year and grant reimbursements for some of those setup costs.

Fund Analysis

As noted earlier, the School uses Funds to help it control and manage money for particular purposes. Looking at Funds helps the reader consider whether the School is being held accountable for the resources taxpayers and others provide to it and may give more insight into the School's overall financial health.

As of June 30, 2022, the general fund reported a fund balance of \$209,725, this was an increase from a deficit fund balance of \$213,441 in the prior year. The primary reason for this increase was due the current fiscal year being the first year of operations for the School.

As of June 30, 2022, the Building Corporation fund reported a net position of a \$700,009 deficit, this was a decrease from a \$0 net position in the prior year. The primary reason for this decrease was due to the issuance of bonds in the current year and the use of those bond proceeds.

General Fund Budget Analysis and Highlights

The Board of Directors of CIVICA Colorado adopted an annual budget for the School. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with the School's budget.

Actual revenues were above the final budget by \$34,488, mainly due to Federal funds received over the final budget. This was due to timing of Federal funds received. The actual expenditures were above the final budget by \$356,436.

Capital Assets and Debt Administration

Capital Assets

The capitalization threshold for assets purchased by the School is established at a value of \$5,000. At this time, the School has capital assets net of accumulated depreciation of \$6,496,235 consisting of land and a building. We present more detailed information about our capital assets in the notes to the financial statements.

Long-Term Obligations

At the end of this year, the School had \$7,990,000 in long-term obligations resulting from a bond issued during the year. We present more detailed information about our long-term obligations in the notes to the financial statements.

Economic Factors and Next Year's Budget

The Administration and Board of Education consider many factors and make assumptions based on the best available information when setting the School's operating budget. Since such a significant portion of the School's revenue is dependent on State funding and the health of the State's School Fund, the actual revenue received depends on the State's ability to collect revenues to fund its committed appropriation to school districts. It doesn't appear that the revenue system in place can keep pace with spending pressures school districts statewide are experiencing from increases in retirement contributions, employee health insurance, general pay raises, and energy costs. The Board and Administration take all this into account when setting the budget and trying to maintain a sufficient fund balance which will allow us to address this ever changing situation.

Another important factor affecting the School's budget is our student count. State funding revenue is determined by multiplying the student count by the State allowance per pupil. Based on preliminary counts for the 2022-2023 fiscal year.

As a result, it is critical that the School maintain an adequate fund balance in order to be able to react to these ever changing conditions and to provide for the fair and equitable treatment of both our students and employees.

The School continues to examine the impact that the CARES Act and American Rescue Plan Act may have on its operations. During the 2022-2023 fiscal year the School is anticipating continued Federal Grants approved by the CARES Act and American Rescue Plan Act.

Requests for Information

This financial report is intended to provide a general overview of the finances of the School. Requests for additional information can be obtained from the Chief Financial Officer of Academica Nevada, LLC, 6630 Surrey St., Las Vegas, NV 89119.

CIVICA Colorado
Statement of Net Position
June 30, 2022

	Governmental Activities	Business-Type Activities	Total
Assets			
Cash	\$ 316,636	\$ -	\$ 316,636
Restricted cash and cash equivalents	8,252	2,663,356	2,671,608
Accounts receivable	147,424	-	147,424
Internal balances	(75,510)	75,510	-
Prepaid expenses	7,944	-	7,944
Capital assets			
Land	1,869,600	635,054	2,504,654
Other capital assets, net of accumulated depreciation	-	3,991,581	3,991,581
Total assets	<u>2,274,346</u>	<u>7,365,501</u>	<u>9,639,847</u>
Deferred Outflows of Resources			
OPEB related	47,917	-	47,917
Pension related	989,756	-	989,756
Total deferred outflows of resources	<u>1,037,673</u>	<u>-</u>	<u>1,037,673</u>
Total assets and deferred outflows of resources	<u>3,312,019</u>	<u>7,365,501</u>	<u>10,677,520</u>
Liabilities			
Accounts payable and accrued expenses	62,636	-	62,636
Interest payable	-	75,510	75,510
Noncurrent liabilities, due within one year			
Compensated absences	7,259	-	7,259
Noncurrent liabilities, due in more than one year			
Bonds payable	-	7,990,000	7,990,000
Net OPEB liability	36,473	-	36,473
Net pension liability	753,872	-	753,872
Total liabilities	<u>860,240</u>	<u>8,065,510</u>	<u>8,925,750</u>
Deferred Inflows of Resources			
OPEB related	12,884	-	12,884
Pension related	283,433	-	283,433
Total deferred inflows of resources	<u>296,317</u>	<u>-</u>	<u>296,317</u>
Net Position			
Net investment in capital assets	1,869,600	(127,450)	1,742,150
Restricted for			
Debt service	-	414,545	414,545
National school lunch	8,252	-	8,252
TABOR reserve	46,586	-	46,586
Unrestricted (deficit)	231,024	(987,104)	(756,080)
Total net position (deficit)	<u>\$ 2,155,462</u>	<u>\$ (700,009)</u>	<u>\$ 1,455,453</u>

CIVICA Colorado
Statement of Activities
Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes Changes in Net Position		
		Charges for Services	Operating Grants, Contributions, and Interest, As Restated	Capital Grants, Contributions, and Interest	Governmental Activities	Business-Type Activities	Total
Governmental activities							
Instruction	\$ 1,021,195	\$ -	\$ 326,490	\$ -	\$ (694,705)	\$ -	\$ (694,705)
Support services	567,269	26,397	93,264	1,869,600	1,421,992	-	1,421,992
Unallocated depreciation and amortization	266,356	-	-	-	(266,356)	-	(266,356)
Debt service Interest	137,648	-	-	-	(137,648)	-	(137,648)
Total governmental activities	<u>1,992,468</u>	<u>26,397</u>	<u>419,754</u>	<u>1,869,600</u>	<u>323,283</u>	<u>-</u>	<u>323,283</u>
Business-type activities							
Building Corporation	<u>432,933</u>	<u>75,510</u>	<u>971</u>	<u>4,290</u>	<u>-</u>	<u>(352,162)</u>	<u>(352,162)</u>
Total primary government	<u>\$ 2,425,401</u>	<u>\$ 101,907</u>	<u>\$ 420,725</u>	<u>\$ 1,873,890</u>	<u>323,283</u>	<u>(352,162)</u>	<u>(28,879)</u>
General Revenues							
State unrestricted revenues					1,343,981	-	1,343,981
Gain on disposal of assets					250,589	-	250,589
Transfers					<u>347,847</u>	<u>(347,847)</u>	<u>-</u>
Total general revenues and transfers					<u>1,942,417</u>	<u>(347,847)</u>	<u>1,594,570</u>
Change in Net Position					2,265,700	(700,009)	1,565,691
Net Position, Beginning of Year, as Restated					<u>(110,238)</u>	<u>-</u>	<u>(110,238)</u>
Net Position, End of Year					<u>\$ 2,155,462</u>	<u>\$ (700,009)</u>	<u>\$ 1,455,453</u>

CIVICA Colorado
Balance Sheet – General Fund
June 30, 2022

Assets	
Cash	\$ 316,636
Restricted cash and cash equivalents	8,252
Accounts receivable	147,424
Prepaid expenses	<u>7,944</u>
Total assets	<u><u>\$ 480,256</u></u>
Liabilities	
Accounts payable and accrued expenses	\$ 62,636
Due to other funds	<u>75,510</u>
Total liabilities	<u>138,146</u>
Deferred Inflows of Resources	
Unavailable revenue	<u>132,385</u>
Fund Balances	
Nonspendable - prepaids	7,944
Restricted for national school lunch	8,252
Restricted for TABOR reserve	46,586
Assigned for student activities	6,304
Unassigned	<u>140,639</u>
Total fund balances	<u>209,725</u>
Total liabilities, deferred inflows and fund balances	<u><u>\$ 480,256</u></u>

CIVICA Colorado
 Reconciliation of Fund Balance of the General Fund to the Statement of Net Position
 June 30, 2022

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

Total fund balance, general fund	\$	209,725
Capital assets used in governmental activities are not financial resources, and, therefore, are not reported in the funds.		
Governmental capital assets		1,869,600
Deferred outflows and inflows of resources related to pensions and OPEB are applicable to future periods and, therefore, are not reported in the governmental funds.		
Deferred outflows of resources related to pensions	\$ 989,756	
Deferred inflows of resources related to pensions	(283,433)	
Deferred outflows of resources related to OPEB	47,917	
Deferred inflows of resources related to OPEB	<u>(12,884)</u>	
		741,356
Long-term liabilities are not due and payable in the current period, and, therefore, are not reported in the governmental funds.		
Compensated absences	(7,259)	
Net OPEB liability	(36,473)	
Net pension liability	<u>(753,872)</u>	
		(797,604)
Unavailable revenue represents amounts that are not available to fund current expenditures and, therefore, revenue is not recognized in the governmental funds		
		<u>132,385</u>
Net position of governmental activities	\$	<u><u>2,155,462</u></u>

CIVICA Colorado
Statement of Revenues, Expenditures, and Changes in Fund Balance – General Fund
Year Ended June 30, 2022

Revenues	
State sources	\$ 1,343,981
Federal sources	411,231
Other sources	<u>26,397</u>
Total revenues	<u>1,781,609</u>
Expenditures	
Current	
Instruction	996,599
Support services	556,276
Debt service	<u>498,415</u>
Total expenditures	<u>2,051,290</u>
Excess (Deficiency) of Revenues Over Expenditures	(269,681)
Other Financing Sources (Uses)	
Notes issued	345,000
Transfers in	<u>347,847</u>
Total other financing sources (uses)	<u>692,847</u>
Net Changes in Fund Balances	423,166
Fund Balances, Beginning of Year	<u>(213,441)</u>
Fund Balances, End of Year	<u><u>\$ 209,725</u></u>

Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balance of General 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 Balance, General Fund	\$	423,166
<p>Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful life as depreciation and amortization expense.</p>		
Current amortization expense		(266,356)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the governmental funds.</p>		
Contributed capital assets	\$ 1,869,600	
Disposition of right-to-use asset and related lease liability	250,589	
Change in unavailable revenue	29,182	
		2,149,371
<p>Debt proceeds provide current financial resources to governmental funds; however, issuing debt increases long-term liabilities in the statement of net position. In the current year, these amounts consist of:</p>		
Notes issued		(345,000)
<p>Repayment of long-term debt is reported as an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. In the current year, these amounts consist of:</p>		
Note principal payments	345,000	
Lease principal payments	15,767	
		360,767
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Change in compensated absences	(7,259)	
Subsequent OPEB contributions	2,911	
OPEB expense	(4,351)	
Subsequent pension contributions	56,735	
Pension expense	(104,284)	
		(56,248)
Change in Net Position of Governmental Activities	\$	2,265,700

Statement of Revenues, Expenditures and Changes in Fund Balance Budget to Actual – General Fund
Year Ended June 30, 2022

	Budget		Actual	Variance
	Original	Final		
Revenues				
State sources	\$ 1,342,837	\$ 1,364,608	\$ 1,343,981	\$ (20,627)
Federal sources	356,438	382,513	411,231	28,718
Other sources	-	-	26,397	26,397
Total revenues	<u>1,699,275</u>	<u>1,747,121</u>	<u>1,781,609</u>	<u>34,488</u>
Expenditures				
Current				
Instruction				
Salaries	389,335	389,335	373,745	15,590
Benefits	159,309	152,337	193,069	(40,732)
Supplies	211,749	221,552	429,785	(208,233)
Total instruction	<u>760,393</u>	<u>763,224</u>	<u>996,599</u>	<u>(233,375)</u>
Support services				
Salaries	178,500	205,729	182,898	22,831
Benefits	69,896	66,351	15,871	50,480
Supplies	83,498	78,588	28,362	50,226
Purchased services	158,821	182,047	51,983	130,064
Other	329,940	385,915	277,162	108,753
Total support services	<u>820,655</u>	<u>918,630</u>	<u>556,276</u>	<u>362,354</u>
Debt service				
Principal	-	-	360,767	(360,767)
Interest	-	13,000	137,648	(124,648)
Total debt service	<u>-</u>	<u>13,000</u>	<u>498,415</u>	<u>(485,415)</u>
Total expenditures	<u>1,581,048</u>	<u>1,694,854</u>	<u>2,051,290</u>	<u>(356,436)</u>
Excess (Deficiency) of Revenues Over Expenditures	118,227	52,267	(269,681)	(321,948)
Other Financing Sources (Uses)				
Notes issued	-	-	345,000	345,000
Transfers in	-	-	347,847	347,847
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>692,847</u>	<u>692,847</u>
Net Change in Fund Balances	118,227	52,267	423,166	370,899
Fund Balances, Beginning of Year	-	-	(213,441)	(213,441)
Fund Balances, End of Year	<u>\$ 118,227</u>	<u>\$ 52,267</u>	<u>\$ 209,725</u>	<u>\$ 157,458</u>

CIVICA Colorado
Statement of Net Position – CIVICA Building Corporation Fund
Year Ended June 30, 2022

Assets	
Current Assets	
Due from other funds	<u>\$ 75,510</u>
Noncurrent Assets	
Restricted cash and cash equivalents	2,663,356
Capital assets	
Land	635,054
Buildings and improvements	4,016,685
Less accumulated depreciation	<u>(25,104)</u>
Total noncurrent assets	<u>7,289,991</u>
Total assets	<u>7,365,501</u>
Liabilities	
Current Liabilities	
Interest payable	75,510
Noncurrent Liabilities	
Bonds payable	<u>7,990,000</u>
Total liabilities	<u>8,065,510</u>
Net Position	
Net investment in capital assets	(127,450)
Restricted for	
Debt service	414,545
Unrestricted (deficit)	<u>(987,104)</u>
Total net position (deficit)	<u>\$ (700,009)</u>

CIVICA Colorado

Statement of Revenues, Expenses and Changes in Fund Net Position – CIVICA Building Corporation Fund
Year Ended June 30, 2022

Operating Revenues		
Lease income		\$ 75,510
Operating Expenses		
Interest expense		75,510
Depreciation expense		25,104
Total operating expenses		100,614
Operating income (loss)		(25,104)
Nonoperating Revenues (Expenses)		
Interest income		5,261
Bond issuance costs		(332,319)
Total nonoperating revenues (expenses)		(327,058)
Income (loss) before transfers		(352,162)
Transfers		
Transfers out		(347,847)
Change in Net Position		(700,009)
Net Position, Beginning of Year		-
Net Position, End of Year		\$ (700,009)

CIVICA Colorado
Statement of Cash Flows – CIVICA Building Corporation Fund
Year Ended June 30, 2022

Noncapital Financing Activities	
Transfers to other funds	<u>\$ (347,847)</u>
Capital and Related Financing Activities	
Bond issuance costs	(332,319)
Proceeds from issuance of bonds	7,990,000
Purchase of capital assets	<u>(4,651,739)</u>
Net Cash from Capital and Related Financing Activities	<u>3,005,942</u>
Investing Activities	
Interest income	<u>5,261</u>
Net Change in Cash and Restricted Cash	2,663,356
Cash and Restricted Cash, Beginning of Year	<u>-</u>
Cash and Restricted Cash, End of Year	<u><u>\$ 2,663,356</u></u>
Reconciliation of operating income (loss) to net cash from (used for) operating activities:	
Operating income (loss)	<u>\$ (25,104)</u>
Adjustments to reconcile operating income (loss) to net cash from (used for) operating activities	
Depreciation	25,104
Changes in	
Due from other funds	(75,510)
Interest payable	<u>75,510</u>
Total adjustments	<u>25,104</u>
Net Cash from Operating Activities	<u><u>\$ -</u></u>

Note 1 - Description of Business and Summary of Significant Accounting Policies

Description of Activity

CIVICA Colorado (School), is a charter school with one campus, established in 2021. The School's major operation is to offer an educational environment with the vision to develop willing students into character-driven, academically-trained, college or career-ready young adults, through strong and consistent character development, core academics delivered by skilled instructors, and industry-specific courses taught by industry professionals. The school year beginning August 1, 2021 was the school's first year of operation.

The School was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Weld County School District RE-5J (the District). The School has its own separate governing board; however, the District's Board of Education must approve all charter school applications and budgets.

The financial statements of the School have been prepared in conformity with accounting principles generally accepted in the United States of America, as applied to governmental units. GASB is the accepted standard-setting body for established governmental accounting and financial reporting principles.

The accompanying financial statements present the School and its component unit, an entity for which the School is considered to be financially accountable. Blended component units are, in substance, part of the School's operations, even though they are legally separate entities. Thus, a blended component unit is appropriately presented as a fund of the School.

The CIVICA Building Corporation (Building Corp) was organized for the purpose of acquiring, leasing, constructing, improving, and equipping and financing the school facility, which is then leased to the School. The Building Corp is reported as an enterprise fund and does not issue separate financial statements.

The School is a component unit of the District and included in the District's Annual Comprehensive Financial Report.

Government-Wide and Fund Financial Statements

The government-wide financial statements report on all of the nonfiduciary activities of the School and its blended component unit. Governmental activities, which normally are supported by local, state, and federal sources are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges for interfund services provided and used, the elimination of which would distort the direct costs and program revenues reported for the various functions.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenue includes (a) charges to recipients who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Revenues not classified as program revenues are reported as general revenue.

The fund financial statements provide information about the School's funds, including its blended component unit. Separate statements for each fund category: governmental and proprietary are presented. The emphasis of the fund financial statements is on major governmental and enterprise funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from an exchange transaction such as providing services and producing and delivering goods in connection with a proprietary fund's primary ongoing operations. Nonoperating revenues and nonoperating expenses result from nonexchange transactions or ancillary services.

The School reports the following major governmental fund:

- The *General Fund* is the School's general operating fund and is used to account for all financial resources except those required to be accounted for in other funds.

The School reports the following major enterprise fund:

- The *CIVICA Building Corporation Fund* is used to account for the financial activities of the Building Corp, including the facilities acquisition and related debt service.

Measurement Focus and Basis of Accounting

The government-wide financial statements and the proprietary fund financial statements are reported using the *economic resources* measurement focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when liabilities are incurred, regardless of the timing of related cash flows. Revenue from per pupil operating revenue is recognized in the fiscal year for which the funding is provided. Revenue from grants, donations, and other similar items is recognized in the fiscal year in which all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the *current financial resources* measurement focus and the *modified accrual basis of accounting*. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is 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. Revenue not meeting this definition is classified as a deferred inflow of resources. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to debt service, pension and other postemployment benefits, compensated absences, and claims and judgments, if applicable, are recorded only when payment is due.

Budgets and Budgetary Accounting

Budgets are required by State law for all funds, except fiduciary funds. A proposed budget is submitted to the School's Board of Directors for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. It also includes a statement describing the major objectives of the educational program to be undertaken by the School and the manner in which the budget proposes to fulfill such objectives. Public hearings are conducted by the Board of Directors to obtain public comments.

On or before June 30, the budget is adopted by formal resolution. After the adoption of the budget, the Board of Directors may review and change the budget at any time prior to January 31 of the fiscal year for which the budget was adopted. After January 31, the Board of Directors may not review or change the budget except where money for a specific purpose from other than ad valorem taxes becomes available which could not have been reasonable or foreseen at the time of the adoption of the budget. Expenditures may not legally exceed appropriations at the fund level. Authorization to transfer budgeted amounts between line items within any fund rests with School management. Revisions that alter the total expenditures in any fund must be approved by the Board of Directors. Appropriations are based on total funds expected to be available in each budget year, including beginning fund balances as established by the Board of Directors.

Budgets for all fund types are adopted on a basis consistent with Generally Accepted Accounting Principles (GAAP). GAAP basis accounting requires that expenditures of salaries and related benefits be recorded in the fiscal year ended. Thus, the School budgets for all accrued salaries and related benefits earned but unpaid at June 30. Budgeted amounts reported in the accompanying financial statements are as originally adopted and as amended throughout the year. All appropriations lapse at the end of each fiscal year.

Assets, Liabilities, Deferred Inflows and Outflows of Resources, and Net Position/Fund Balance

Cash and Cash Equivalents

Cash principally consists of demand deposits with financial institutions and highly liquid investments having maturities of three months or less when purchased.

For the purposes of the Statement of Cash Flows, cash equivalents include short-term highly liquid investments (with maturities of 3 months or less when purchased) that are both readily convertible to known amounts of cash, and so near their maturity that they present insignificant risk in changes of value. The School's money market mutual funds are considered to be cash equivalents.

Restricted Cash and Cash Equivalents

The School has restricted cash and cash equivalents related to amounts held by the Trustee which may be used to service the Revenue Bonds Series 2022, as well as amounts held by the School as bond proceeds that have not yet been spent. In addition, amounts are restricted for the National School Lunch Program.

Receivables

At times, the School has amounts receivable from various sources. As of June 30, 2022, the School had accounts receivable of \$147,424.

The School makes judgements about its ability to collect outstanding accounts receivable. If necessary, the School establishes an allowance if collection becomes doubtful, based primarily on the aging of the specific invoice and historical collection experience. The School has recorded an allowance of \$0 against outstanding accounts receivable for the school year ending June 30, 2022.

Inventories and Prepaids

All inventories are valued at cost using the first-in/first-out (FIFO) method. Inventories of governmental funds in the fund financial statements are considered consumable supplies and as such are recorded as expenditures at the time of purchase.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

Capital Assets

Capital assets are stated at cost less accumulated depreciation. Donated capital assets are stated at their acquisition value as of the donation date. Depreciation is provided principally on the straight-line method over the estimated useful lives of the assets, which are generally 20 to 40 years for buildings and improvements and 3 to 15 years for furniture, equipment and other. It is the policy of the School to capitalize all capital assets costing more than \$5,000 with an estimated useful life of three or more years. Improvements are capitalized and depreciated over the remaining useful lives of related capital assets. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the assets life are not capitalized. Expenditures for property betterments and renewals are capitalized. Upon sale or other disposition of depreciable assets, cost and accumulated depreciation are removed from the accounts and any gain or loss is recorded upon disposal.

Management reviews the recoverability of its capital assets in accordance with the provisions of GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and Insurance Recoveries*. GASB Statement No. 42 requires recognition of impairment of long-lived assets in the event the asset's service utility has declined significantly and unexpectedly. Accordingly, management evaluates assets' utility annually or when an event occurs that may impair recoverability of the asset. No impairments were identified as of June 30, 2022.

Right-to-use leased assets are recognized at the lease commencement date and represent the School's right-to-use an underlying asset for the lease term. Right-to-use leased assets are measured at the initial value of the lease liability plus any payments made to the lessor before commencement of the lease term, plus any initial direct costs necessary to place the lease asset into service. Right-to-use leased assets are amortized over the shorter of the lease term or useful life of the underlying asset using the straight-line method.

Accrued Salaries and Benefits

Salaries and benefits of teachers and other personnel are paid over a twelve-month period but are earned during a school year of approximately nine months. The salaries and benefits earned, but unpaid, are reported as a liability in the respective funds.

Long-term Obligations

In the government-wide financial statements, long-term debt is reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type Statement of Net Position.

Bond premiums, discounts, and prepaid bond insurance, if applicable, are amortized over the life of the bonds. Bonds payable, if any, are reported net of the applicable bond premium or discount. Bond issuance costs are expensed during the current period.

In the governmental fund financial statements, bond proceeds and premiums/discounts are recognized during the current period as another financing source or use, as applicable. Bond issuance costs are reported as expenditures in the current period.

Lease liabilities represent the School's obligation to make lease payments arising from the lease. Lease liabilities are recognized at the lease commencement date based on the present value of future payments expected to be made during the lease term. The present value of lease payments are discounted based on a borrowing rate determined by the School.

Compensated Absences

The School allows licensed instructional staff ("Teachers") eleven days of paid time off ("PTO") per year. Teachers who return the following school year will be able to rollover all unused PTO up to a total of 30 days. In addition, Teachers who use five days or less of PTO during the previous year may cash out up to eleven days at 80% of the teachers daily rate of pay. No more than eleven days may be cashed out per year.

Deferred Outflows/Inflows of Resources

Deferred Outflows – In addition to assets, the Statement of Net Position/Governmental Funds Balance Sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net assets that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The School reflects deferred outflows of resources in the Statement of Net Position for items related to pensions and other postemployment benefits under the accrual basis of accounting.

Deferred Inflows – In addition to liabilities, the Statement of Net Position/Governmental Funds Balance Sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net assets that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School reflects deferred inflows of resources which are unavailable revenue in the governmental funds balance sheet for revenues not received within 60 days of year-end that arise under the modified accrual basis of accounting. In addition, the School recognizes deferred inflows of resources related to pensions and other postemployment benefits in the Statement of Net Position under the accrual basis of accounting.

Pension Plan

The School participates in the Schools 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 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.

Other Postemployment Benefit (OPEB) Plan

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.

Equity Classifications

In the government-wide financial statements and proprietary fund financial statements, equity is classified as net position and displayed in three components:

Net Investment in Capital Assets – Consists of capital assets, net of accumulated depreciation/amortization and reduced by outstanding balances for bonds, and other debt that are attributed to the acquisition, construction or improvements of those assets.

Restricted – Consists of net position with constraints placed on their use either by (1) external groups such as creditors, contributors, or laws and regulations; or (2) law through constitutional provisions or enabling legislation.

Unrestricted – All other net position that does not meet the definition of net investment in capital assets or restricted.

In the governmental fund financial statement, fund equity is classified as fund balance. Fund balance is further classified in the following components, if applicable:

Nonspendable – Amounts that cannot be spent because they are either not in a spendable form or are legally or contractually required to remain intact.

Restricted – Amounts which can be spent only for specific purposes because of constitutional provisions, enabling legislation, or because of constraints that are externally imposed by creditors, grantors, contributors, or the law or regulation of other governments.

Committed – Amounts which can be used only for specific purposes. Committed fund balance is reported pursuant to constraints imposed by formal resolution 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 that was used when the funds were initially committed.

Assigned – Amounts that the School intends to use for a specific purpose, but do not meet the definition of restricted or committed fund balance.

Unassigned – All other spendable amounts in the General Fund.

When an expenditure is incurred for purposes for which both restricted and unrestricted fund balance/net position is available, the School considers restricted funds to have been spent first. When an expenditure is incurred for which committed, assigned, or unassigned fund balances are available, the School considers amounts to have been spent first out of committed funds, then assigned funds, and finally unassigned funds, as needed. Unless the Board of Directors have provided otherwise in its commitment or assignment actions.

Revenue Sources

State funding – The School receives funding from the State of Colorado as administered by the Weld RE-5J School District based on the number of students enrolled in its schools. The State provides unrestricted funding for normal school operations.

Federal grants – The School has received federal grants, which are passed through the Weld RE-5J School District. Funds are generally received on a reimbursement basis and, accordingly, revenues related to these federal grants are recognized when qualifying expenditures have been incurred and when all other eligibility requirements have been met.

All unrestricted contributions received are recognized as revenue when received. Contributions received with eligibility requirements are recognized when all eligibility requirements have been met. Contributions that have purpose restrictions are assigned and held for that purpose.

Revenues from auxiliary services are recognized as services are provided. Other revenues are recognized as earned.

Implementation of GASB Statement No. 87

As of July 1, 2021, the School adopted GASB Statement No. 87, *Leases*. The implementation of this standard establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. The standard requires recognition of certain right-to-use leased assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. There was no effect from the implementation of this standard on beginning net position as the right-to-use leased asset and lease liability were both \$7,102,823. The additional disclosures required by this standard are included in Notes 4 and 5.

Use of Estimates

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets, deferred outflows of resources, liabilities, and deferred inflows of resources and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses/expenditures during the reporting period. It is reasonably possible actual results could differ materially from those estimates and that a change in estimate may occur in the near term.

Recent Accounting Pronouncements

The GASB has recently issued the following statements that are applicable to the School, which the School is assessing the impact of the implementation, if any, on its financial statements as of June 30, 2022:

Statement No. 91, Conduit Debt Obligations will provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. A conduit debt obligation is defined as a debt instrument having all of the following characteristics (a) there are at least three parties involved: (1) an issuer, (2) a third-party obligor, and (3) a debt holder or a debt trustee, (b) the issuer and the third-party obligor are not within the same financial reporting entity, (c) the debt obligation is not a parity bond of the issuer, nor is it cross-collateralized with other debt of the issuer, (d) the third-party obligor or its agent, not the issuer, ultimately receives the proceeds from the debt issuance and (e) the third-party obligor, not the issuer, is primarily obligated for the payment of all amounts associated with the debt obligation (debt service payments). All conduit debt obligations involve the issuer making a limited commitment. An issuer should not recognize a conduit debt obligation as a liability. However, an issuer should recognize a liability associated with an additional commitment or a voluntary commitment to support debt service if certain recognition criteria are met. This Statement also addresses arrangements often characterized as leases that are associated with conduit debt obligations. This Statement requires issuers to disclose general information about their conduit debt obligations. This Statement is effective for reporting periods beginning after December 15, 2021 which will be the School's fiscal year ending June 30, 2023. Management is still evaluating the impact of this Statement.

GASB Statement No. 94, Public-private and Public-public partnerships and availability payment arrangements will improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). A PPP is an arrangement in which a government contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. Some PPPs meet the definition of a service concession arrangement (SCA), which is a PPP in which (1) The operator collects and is compensated by fees from third parties; (2) the transferor determines or has the ability to modify or approve which services the operator is required to provide, to whom the operator is required to provide the services, and the prices or rates that can be charged for the services; and (3) the transferor is entitled to significant residual interest in the service utility of the underlying PPP asset at the end of the arrangement. This statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). An APA is an arrangement in which a

government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. This Statement is effective for reporting periods beginning after June 15, 2022 which will be the School's fiscal year ending June 30, 2023. Management is still evaluating the impact of this Statement.

GASB Statement No. 96, Subscription-Based information Technology Arrangements provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). A SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange or exchange-like transaction. A government generally should recognize a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability. Activities associated with a SBITA, other than making subscription payments, should be grouped into the following three stages, and their costs should be accounted for accordingly: (1) Preliminary Project Stage, including activities such as evaluating alternatives, determining needed technology, and selecting a SBITA vendor. Outlays in this stage should be expensed as incurred; (2) Initial Implementation Stage, including all ancillary charges necessary to place the subscription asset into service. Outlays in this stage generally should be capitalized as an addition to the subscription asset; (3) Operation and Additional Implementation Stage, including activities such as subsequent implementation activities, maintenance, and other activities for a government's ongoing operations related to a SBITA. Outlays in this stage should be expensed as incurred unless they meet specific capitalization criteria. If a SBITA contract contains multiple components, a government should account for each component as a separate SBITA or nonsubscription component and allocate the contract price to the different components. This Statement provides an exception for short-term SBITAs, those having a maximum possible term of 12 months (or less), including any options to extend, regardless of their probability of being exercised. These SBITAs should be recognized as outflows of resources. This Statement requires a government to disclose descriptive information about its SBITAs other than short-term SBITAs, such as the amount of the subscription asset, accumulated amortization, other payments not included in the measurement of a subscription liability, principal and interest requirements for the subscription liability, and other essential information. This Statement is effective for reporting periods beginning after June 15, 2022 which will be the School's fiscal year ending June 30, 2023. Management is still evaluating the impact of this Statement.

GASB Statement No. 101, Compensated Absences requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. Leave is attributable to services already rendered when an employee has performed the services required to earn the leave. Leave that accumulates is carried forward from the reporting period in which it is earned to a future reporting period during which it may be used for time off or otherwise paid or settled. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. However, leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in a liability for compensated absences. This Statement is effective for reporting periods beginning after December 15, 2023 which will be the School's fiscal year ending June 30, 2025. Management is still evaluating the impact of this Statement.

Note 2 - Stewardship, Compliance and Accountability

The School conformed to all significant statutory constraints on its financial administration during the year, with the following possible exceptions:

- Actual expended exceeded appropriations in the General Fund by \$356,436.
- A budget was not prepared for the CIVICA Building Corporation Fund.

Note 3 - Cash and Restricted Cash and Cash Equivalents

A reconciliation of the School's cash and cash equivalent balances as of June 30, 2022 is as follows:

Cash deposits	\$ 324,888
Money market mutual funds	<u>2,663,356</u>
	<u>\$ 2,988,244</u>
Cash	\$ 316,636
Restricted cash and cash equivalents	
Amounts held by Trustee for:	
Future debt service	490,055
Remaining bond proceeds for capital projects	2,173,301
National school lunch program	<u>8,252</u>
	<u>\$ 2,988,244</u>

Cash deposits and money market mutual funds

At June 30, 2022, the School's carrying amount of deposits was \$324,888 and the bank balance was \$462,157. The difference between the carrying amount and the bank balance results from outstanding checks and deposits not yet reflected in the banks records. Bank balances were greater than the School's carrying amount by \$137,269.

At June 30, 2022, the School had \$2,663,356 in money market mutual funds. These funds are primarily not held for the purpose of income or profit and have remaining maturities at time of purchase of one year or less. Therefore, the money market mutual funds are recorded at amortized cost.

Investment Policy

Colorado Revised Statutes set forth acceptable investments for Colorado governments. The School has not adopted a formal investment policy that further limits its investment choices or further limits its exposure to certain risks as set forth below.

Colorado Revised Statutes authorize the School to invest in the following:

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

Custodial credit risk on deposits

Custodial credit risk is the risk that in the event of a bank failure, the School's deposits may not be returned. The School's bank deposits are covered by the Federal Deposit Insurance Corporation (FDIC) insurance in the amount of \$250,000. The Colorado Public Deposit Protection Act (PDPA) requires the School to make deposits only in eligible public depositories as defined by the regulators. Amounts in excess of FDIC must be collateralized.

The PDPA requires the eligible depository with public deposits in excess of the FDIC to create single institution collateral pools for all public funds. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The fair value of the collateral must be at least equal to 102% of the aggregate uninsured deposits. All of the School's deposits are collateralized.

Credit risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation and is a function of the credit quality ratings of investments. As of June 30, 2022, the School's money market mutual funds were rated AAA by the S&P global ratings.

Interest rate risk

Interest rate risk is the risk of possible reduction in the value of a security, especially a bond, resulting from a rise in interest rates. Colorado revised statutes limit investment maturities to five years or less.

Restricted cash and cash equivalents

As more fully described in Note 5, the School obtained financing from the Colorado Educational and Cultural Facilities Authority (Authority) primarily to provide funds to finance the acquisition and future improvements of the school campus. Pursuant to the terms of the loan agreement with the Authority, certain amounts are held by the Trustee as future reserves for debt service to provide a measure of security to bondholders. The Trustee holds various accounts as set forth in the indenture of trust and loan agreement. Amounts held by the Trustee are not available to the Authority for spending until certain criteria are met. The balance restricted and held by the Trustee at June 30, 2022 was \$2,663,356.

In addition, certain amounts are restricted for use in the National School Lunch Program. These monies are restricted to use by the underlying terms and conditions of the grant agreement for use in the program. The balance restricted for the National School Lunch Program at June 30, 2022 was \$8,252.

Note 4 - Capital Assets

Capital assets consist of the following for governmental activities as of June 30, 2022:

	Balance July 1, 2021 (Restated)	Additions	Deletions	Balance June 30, 2022
Governmental Activities				
Capital assets, not being depreciated				
Land and improvements	\$ -	\$ 1,869,600	\$ -	\$ 1,869,600
Right-to-use leased assets being amortized				
Buildings and improvements	7,102,823	-	(7,102,823)	-
Less accumulated amortization				
Buildings and improvements	-	(266,356)	266,356	-
Right-to-use leased assets, net	7,102,823	(266,356)	(6,836,467)	-
Total Governmental Activities				
Capital Assets, Net	<u>\$ 7,102,823</u>	<u>\$ 1,603,244</u>	<u>\$ (6,836,467)</u>	<u>\$ 1,869,600</u>

The balance as of July 1, 2021, has been restated due to the implementation of GASB No. 87, *Leases*.

Capital assets consist of the following for business-type activities as of June 30, 2022:

	Balance July 1, 2021	Additions	Deletions	Balance June 30, 2022
Business-Type Activities				
Capital assets, not being depreciated				
Land and improvements	\$ -	\$ 635,054	\$ -	\$ 635,054
Capital assets, being depreciated				
Buildings and improvements	-	4,016,685	-	4,016,685
Less accumulated depreciation				
Buildings and improvements	-	(25,104)	-	(25,104)
Capital assets, being depreciated, net	-	3,991,581	-	3,991,581
Total Business-Type Activities				
Capital Assets, Net	\$ -	\$ 4,626,635	\$ -	\$ 4,626,635

Amortization for year ended June 30, 2022, was \$266,356 for governmental activities. The School determined it was impractical to allocate amortization to the various functions as the assets serve instruction and support services equally. Depreciation expense of \$25,104 was charged to the CIVICA Building Corporation.

Note 5 - Long-Term Obligations

Bonds Payable

In March 2022, the School obtained financing from the Colorado Educational and Cultural Facilities Authority (Authority). The Authority issued \$7,790,000 in Series 2022A and \$200,000 in Series 2022B revenue bonds for the benefit of the School. The bonds were issued to provide funds to finance the acquisition and future improvements of the school campus, fund certain reserve accounts held by the Trustee, and pay costs incurred in connection with the issuance of the bonds.

There are a number of restrictions related to the revenue bonds. The School is in compliance with all significant limitations and restrictions at June 30, 2022.

The School's revenue bonds are secured by pledged revenues and deed of trust of the facility specified in the indenture of trust and loan agreement. Pledged revenues consist of lease income in the CIVICA Building Corporation Fund, which are paid by the General Fund. The pledged revenues were \$75,510 for the year ended June 30, 2022. There were no principal or interest payments required to be made to the Authority for the year ended June 30, 2022. Total principal and interest remaining on the bonds is \$10,735,116. In an event of default on the bonds, the Trustee may institute legal proceedings against the School.

The CIVICA Building Corporation Fund has granted the Authority a mortgage lien on the school campus and a security interest in the lease revenues between the CIVICA Building Corporation Fund and the General Fund. The Authority's rights under the agreement have been assigned to the Trustee.

A summary of the revenue bonds is as follows:

Issue	Issue Date	Final Maturity Date	Interest Rate	Amount Issued
Business-Type Activities Revenue Bonds, Series 2022 A/B	3/31/2022	7/15/2029	4.75 - 5.75%	\$ 7,990,000

Note Payable

The School entered into a direct borrowing under a line of credit with a maximum borrowing of \$350,000 in July of 2021. The line of credit was originally set to expire on July 1, 2023. Borrowings under the line bore interest at 1.00% plus the prime rate as published in the Wester Edition Wall Street Journal, with interest payments due monthly and was secured by the School's real and personal property. Pursuant to the issuance of the Series 2022 Revenue Bonds, the outstanding principal and accrued interest were paid off and the outstanding balance is \$0 at June 30, 2022.

Leases

The School entered an agreement to lease the school campus, beginning on July 1, 2021 and terminating on June 30, 2041. Under the terms of the lease, the School paid a monthly base fee of \$15,767. The School had the option to terminate the lease, upon purchase of the campus. The School obtained the Series 2022 revenue bonds to finance the purchase of the campus and the lease terminated.

During the year ended June 30, 2022, the School recorded \$266,356 in amortization expense and \$126,133 in interest expense for the right to use the campus prior to purchase. The School used a discount rate of 4.75% based on the cost of financing the purchase of the campus.

Concurrent with the issuance of the Series 2022 revenue bonds, CIVICA Building Corporation leased the campus to the School, with an amortized payment schedule that is the same as the debt service requirements. As this lease is within the same financial reporting entity, a right-to-use asset and related lease liability have not been recognized, as appropriate under GASB Statement No. 87 *Leases*. Lease expense of \$75,510 and lease income of \$75,510 is reflected in the General Fund and CIVICA Building Corporation Fund, respectively, for the year ended June 30, 2022.

Long-term liability activity for the year ended June 30, 2022 was as follows:

	Balance July 1, 2021 (As Restated)	Additions	Deletions	Balance June 30, 2022	Due Within One Year
Governmental Activities:					
Lease liability	\$ 7,102,823	\$ -	\$ (7,102,823)	\$ -	\$ -
Note payable	-	345,000	(345,000)	-	-
Compensated absences	-	10,584	(3,325)	7,259	7,259
Total Governmental Activities	\$ 7,102,823	\$ 355,584	\$ (7,451,148)	\$ 7,259	\$ 7,259
Business-Type Activities:					
Revenue Bonds, Series 2022 A/B	\$ -	\$ 7,990,000	\$ -	\$ 7,990,000	\$ -

The balance as of July 1, 2021, has been restated due to the implementation of GASB Statement No. 87, *Leases*. The revenue bonds are liquidated by the CIVICA Building Corporation Fund.

Presented below is a summary of the debt service requirements to maturity:

<u>Year Ending June 30,</u>	<u>Business-Type Activities</u>	
	<u>Revenue Bonds</u>	
	<u>Principal</u>	<u>Interest</u>
2023	\$ -	\$ 302,041
2024	-	381,525
2025	-	381,525
2026	20,000	380,950
2027	85,000	377,931
2028-2030	7,885,000	921,144
Total	\$ 7,990,000	\$ 2,745,116

Note 6 - Defined Benefit 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-financialreports.

Benefits Provided

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.

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) 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

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, as a percentage of salary, are summarized in the table below during the period 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 SDTF	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	19.88%

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.

The School's contributions were \$106,906 for the year ended June 30, 2022, of which \$56,735 occurred subsequent to the SCHDTF measurement date of December 31, 2021.

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 proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. 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.

Net Pension Liability

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 proportion of the net pension liability was based on the School 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 \$753,872 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:

School proportionate share of the net pension liability	\$	753,872
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the School		<u>86,422</u>
	\$	<u><u>840,294</u></u>

At December 31, 2021, the School proportion was 0.0064780257%, which was an increase of 0.0064780257% from its proportion measured as of December 31, 2020.

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

For the year ended June 30, 2022, the School recognized pension expense of \$104,284 and revenue/(expense) of \$(20,659) 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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 28,861	\$ -
Changes of assumptions or other inputs	57,552	-
Net difference between projected and actual earnings on pension plan investments	-	283,433
Changes in proportion and differences between contributions recognized and proportionate share of contributions	846,608	-
School contributions subsequent to the measurement date	<u>56,735</u>	<u>-</u>
	<u><u>\$ 989,756</u></u>	<u><u>\$ 283,433</u></u>

The \$56,735 reported as deferred outflows of resources related to pensions, resulting from the School's contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2023.

The average of the expected remaining service lives of all employees that are provided with pensions through SCHDTF (active and inactive) is 3.32 years.

Other estimated amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions, excluding contributions subsequent to the measurement date, will be recognized in pension expense as follows:

Year Ending June 30,	
2023	\$ 348,219
2024	286,720
2025	49,050
2026	(34,401)

Actuarial Assumptions

The total pension liability was valued as of December 31, 2020, with a measurement date of December 31, 2021. The valuation used 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*	Financed by AIR

*Post-retirement benefit increases are provided by the Annual Increase Reserve (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 total pension liability as of December 31, 2021, includes the anticipated adjustments to contribution rates and the annual increase cap, resulting from the 2020 automatic adjustment provision (AAP) assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.

The actuarial assumptions used in the December 31, 2020 valuation was based on the 2020 experience analysis, dated October 28, 2020, for the period January 1, 2016, through December 31, 2019. Revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020.

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

The 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:

- 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 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.

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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
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%

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 total pension liability was 7.25%. The following methods and assumptions were used in the project 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 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.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the schedule 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 contribution entity, will provide an annual direct distribution of \$225 million, 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 fund net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fund net position 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.

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 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 Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 1,109,637	\$ 753,872	\$ 456,998

Pension Plan Fiduciary Net Position

Detailed information about the SDTF fiduciary net position is available in PERA’s ACFR which can be obtained at www.copera.org/investments/pera-financial-reports.

Note 7 - Defined Benefit Other Post-Employment Benefit (OPEB) Plan

Plan Description

Eligible employees of the School are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended, 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.

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.

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

Contributions

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from School were \$5,485 for the year ended June 30, 2022, of which \$2,911 occurred subsequent to the measurement date of December 31, 2021.

Net OPEB Liability

At June 30, 2022, the School reported a liability of \$36,473 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's proportion of the net OPEB liability was based on 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 proportionate share was 0.0042296571%, which was an increase of 0.0042296571% from its proportionate share measured as of December 31, 2020.

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

For the year ended June 30, 2022, the School recognized OPEB expense of \$4,351. At June 30, 2022, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 56	\$ 8,648
Changes of assumptions or other inputs	755	1,978
Net difference between projected and actual earnings on pension plan investments	-	2,258
Changes in proportion and differences between contributions recognized and proportionate share of contributions	44,195	-
School contributions subsequent to the measurement date	2,911	-
	\$ 47,917	\$ 12,884

The \$2,911 reported as deferred outflows of resources related to OPEB, resulting from the School's contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ending June 30, 2023.

The average of the expected remaining service lives of all employees that are provided with pensions through HCTF (active and inactive) is 6.18 years.

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 Ending June 30,		
2023	\$	5,295
2024		4,993
2025		5,203
2026		6,933
2027		8,209
Thereafter		1,489

Actuarial Assumptions

The TOL 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%
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

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:

Medicare Plan	Initial Costs for Members without Medicare Part A		
	Monthly Cost	Monthly Premium	Monthly Cost Adjusted to Age 65
Medicare Advantage/Self-Insured Rx	\$ 633	\$ 230	\$ 591
Kaiser Permanente Medicare Advantage HMO	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.

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

<u>Year</u>	<u>PERACare Medicare Plans</u>	<u>Medicare Part A Premiums</u>
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.

The pre-retirement mortality assumptions for the School Division 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:

- 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 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.

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. 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:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
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%

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 Healthcare 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:

	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rates</u>	<u>1% Increase in Trend Rates</u>
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	<u>3.50%</u>	<u>4.50%</u>	<u>5.50%</u>
Net OPEB Liability	<u>\$ 35,425</u>	<u>\$ 36,473</u>	<u>\$ 37,686</u>

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.

Sensitivity of 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 Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 42,359	\$ 36,473	\$ 31,444

Pension Plan Fiduciary Net Position

Detailed information about the HCTF’s FNP is available in PERA’s ACFR which can be obtained at www.copera.org/investments/pera-financial-reports.

Note 8 - Related Parties

Management Agreement

The School entered into an agreement with Academica Nevada, LLC (the Management Company), a professional charter school management company to provide management and administrative services to the School. Services include, but not limited to, facility design, staffing recommendations, human resource coordination, regulatory compliance, legal and corporate upkeep, maintenance of books and records, bookkeeping, budgeting and financial reporting. Under the terms of the management agreement, the School agrees to pay a fee per full time equivalent (FTE) student per year.

The fee per FTE student per year is tiered based on total enrollment as follows:

Total FTE Students	Fee/FTE Student
0 -164	\$ -
165-224	50
225-254	75
255-399	250
400+	550

Management fees incurred under this agreement for the year ended June 30, 2022, were \$0.

Note 9 - Interfund Transactions

Interfund transactions occur between the General Fund of the School and the CIVICA Building Corporation Enterprise Fund of the School. Amounts owed from the General Fund to the CIVICA Building Corporation Fund were \$75,510 at June 30, 2022 and are the result of the leasing arrangement more fully described in Note 5.

In addition, as a result of the bond issuance that is more fully described in Note 5, the CIVICA Building Corporation Enterprise Fund transferred \$347,847 to the General Fund for the purpose of paying off a line of credit and related accrued interest.

Note 10 - Risk Management

The School is exposed to various risks of loss related to torts, thefts of, damage to and destruction of assets, errors and omissions and natural disasters for which the School carries commercial insurance. Settlement amounts have not exceeded insurance coverage for the past year. In addition, there were no reductions in insurance coverage from those in the prior year.

Note 11 - Contingencies

The School has received proceeds from several federal and state grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant monies to the grantor agencies. Management believes that the required refund will be immaterial. No provision has been made in the accompanying financial statements for the refund of grants monies.

Note 12 - Re-issuance and Restatement

Subsequent to the issuance of the School's financial statements, management became aware of certain errors with respect to revenue and restated the following balances in the Statement of Activities:

	As Originally Reported	Adjustment	As Restated
Operating Grants, Contributions, and Interest Instruction Support	\$ 412,808	\$ (86,318)	\$ 326,490
	110,149	(16,885)	93,264
Total	522,957	(103,203)	419,754
Change in Net Position	2,368,903	(103,203)	2,265,700
Net Position, Beginning of Year	(213,441)	103,203	(110,238)
Net Position, End of Year	\$ 2,155,462	\$ -	\$ 2,155,462

CIVICA Colorado
 Schedule of the School's Proportionate Share of the Net Pension Liability
 Last Ten Fiscal Years*

	2021
School's proportion of the net pension liability	0.0064780257%
School's proportionate share of the net pension liability	\$ 753,872
State's proportionate share of the net pension liability associated with the School	86,422
Total	\$ 840,294
School's covered payroll	\$ 269,904
School's proportionate share of the net pension liability as a percentage of its covered payroll	279%
Plan fiduciary net position as a percentage of the total pension liability	74.9%

Notes to Schedule

The amounts presented for each year were determined as of December 31.

*Complete 10-year information to be presented in future years as it becomes available.

CIVICA Colorado
 Schedule of the School's Contributions – Pension
 Last Ten Fiscal Years*

	2022
Contractually required contribution	\$ 106,906
Contributions in relation to the contractually required contribution	(106,906)
Contribution deficiency (excess)	\$ -
School's covered payroll	\$ 537,757
Contributions as a percentage of covered payroll	19.88%

Notes to Schedule

The amounts presented for each year were determined as of June 30.

*Complete 10-year information to be presented in future years as it becomes available.

CIVICA Colorado
 Schedule of the School's Proportionate Share of the Net OPEB Liability
 Last Ten Fiscal Years*

	2021
School's proportion of the net OPEB liability	0.0042296571%
School's proportionate share of the net OPEB liability	\$ 36,473
School's covered payroll	\$ 269,904
School's proportionate share of the net OPEB liability as a percentage of its covered payroll	13.5%
Plan fiduciary net position as a percentage of the total pension liability	39.4%

Notes to Schedule

The amounts presented for each year were determined as of December 31.

*Complete 10-year information to be presented in future years as it becomes available.

CIVICA Colorado
Schedule of the School's Contributions – OPEB
Last Ten Fiscal Years*

	<u>2022</u>
Contractually required contribution	\$ 5,485
Contributions in relation to the contractually required contribution	<u>(5,485)</u>
Contribution deficiency (excess)	<u>\$ -</u>
School's covered payroll	\$ 537,757
Contributions as a percentage of covered payroll	1.02%

Notes to Schedule

The amounts presented for each year were determined as of June 30.

*Complete 10-year information to be presented in future years as it becomes available.



**Independent Auditor’s Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

The Board of Directors
CIVICA Colorado
Milliken, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, and each major fund of the CIVICA Colorado (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 and have issued our report thereon dated February 22, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the School’s internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School’s internal control. Accordingly, we do not express an opinion on the effectiveness of the School’s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and responses as items 2022-001 through 2022-009 that we consider to be material weaknesses.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the School's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The School's Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the School's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. The School's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

The image shows a handwritten signature in black ink that reads "Eide Bailly LLP". The signature is written in a cursive, professional style.

Reno, Nevada
February 22, 2023

**2022-001: Financial Reporting
Material Weakness**

Criteria: Management is responsible for establishing and maintaining an effective system of internal control over financial statement reporting. One of the components of an effective system of internal control over financial reporting is the preparation of full disclosure financial statements that do not require adjustment as part of the audit process and are prepared in accordance with generally accepted accounting principles (GAAP).

Condition: Management prepares internal use financial statements and prepared an initial draft of the annual financial statements. However, the annual financial statements were inconsistent, missing required disclosures, missing required statements, and did not properly address new Governmental Accounting Standards Board (GASB) Statements.

Cause: Government financial statements and standards require unique training and processes. Accounting personnel did not have the training necessary to prepare the financial statements in accordance with generally accepted accounting principles, with respect to government financial statements without significant assistance.

Effect: As auditors, we assisted in the preparation of the full disclosure financial statements. This was necessary to ensure the financial statements were prepared in accordance with GAAP.

Recommendation: We recommend the School allocate the resources necessary to provide sufficient training in the preparation of governmental financial statements in accordance with GAAP.

Views of Responsible Officials: In 2022, the office had downsized due to turnover in staff. While a process was in place for reconciling, a secondary review was not performed to verify accuracy of the residual value calculations.

To strength the oversight of financial management in the School, Academica Colorado, the School's management company, has filled two of the open positions and is seeking to increase staffing and realign staff responsibilities to reduce individual workloads and provide additional oversight and review. In addition, the month end close will be printed, signed, and dated by the preparer and reviewer. The month end close will then also be sent to the board of directors.

**2022-002: Internal Control Policy and Segregation of Duties
Material Weakness**

Criteria: Management is responsible for establishing and maintaining an effective system of internal control over financial reporting. Adherence to those policies and appropriate segregation of duties are key components of internal control.

Condition: Some personnel have the ability to record and approve journal entries as well as record and approve payables within the accounting system without secondary approval.

In addition, internal control policies were not adhered to for noncapital property in excess of \$200 (i.e., laptops), expenditures, payroll, and information to provide to the Board of Directors.

Cause: System controls in place do not ensure proper segregation of duties for certain personnel when posting journal entries or processing payables.

In addition, internal control policies are in place for the inventory of noncapital property, such as laptops, approval of purchase orders, payroll, and financial information (to be provided to the Board of Directors). However, these controls are not part of a routine process to ensure adherence.

Effect: Material misstatements, whether due to error or fraud, could occur and not be prevented or detected.

Recommendation: We recommend the School enhance system controls to require segregation of duties with respect to journal entries and payroll. In addition, we recommend the School adhere to the established internal control policies.

Views of Responsible Officials: In 2022, the office had downsized due to turnover in staff. Access to approve entries to the accounting software will only be given to the Director of Accounting and CFO. While access to prepare journal entries will be removed from the Director of Accounting and CFO.

Internal control policies have been reviewed with the staff, and proper audits will take place to ensure compliance.

**2022-003: Student Activity Fund Revenues
Material Weakness**

Criteria: Management is responsible for establishing and maintaining an effective system of internal control over financial reporting. Maintaining underlying records for revenues in the student activity fund is a key component of internal control.

Condition: Supporting documentation to describe the amount, nature, or period the revenue is earned is not maintained beyond record of the bank deposit.

Cause: The only significant control, with respect to financial reporting, in place over the student activity fund is a bank reconciliation.

Effect: Deposits (revenue) in the student activity fund may not be complete and reflect the amount actually earned. Error or fraud could occur, prior to preparation of the deposit, and not be prevented or detected.

Recommendation: We recommend the School implement segregation of duties to ensure at least two people are involved in the receipting, recording, and reconciling of student activity fund deposits and that supporting documentation is maintained which describes at a minimum, the amount, date, and nature of the revenue.

Views of Responsible Officials: In 2022, the office had downsized due to turnover in staff. To strengthen the oversight of financial management in the School, Academica Colorado, the School's management company, has filled two of the open positions and is seeking to increase staffing and realign staff responsibilities to reduce individual workloads and provide additional oversight of SGF funds. In addition, Academica Colorado is sending an experienced office manager from another school to provide training to the school's office manager.

**2022-004: CIVICA Building Corporation
Material Weakness**

<i>Criteria:</i>	Management is responsible for establishing and maintaining an effective system of internal control over financial reporting. Identification and appropriate accounting of separate legal entities is a key component of effective internal control over financial reporting. Generally accepted accounting principles (GAAP) requires the financial reporting entity to include organizations for which it is financially accountable or where the relationship with the organization is significant and exclusion from the financial statements would be misleading (component units).
<i>Condition:</i>	<p>The CIVICA Building Corporation, a separate legal entity, met the criteria to be included as a blended component unit of the School. However, activity relating to CIVICA Building Corporation was inaccurately reported under the general fund of the School. In addition, adjustments were necessary for bonds, net position, capital assets, and lease income.</p> <p>Moreover, a budget was not submitted for the CIVICA Building Corporation as required by Colorado Revised Statute 22-44-105.</p>
<i>Cause:</i>	The School had procedures to identify and record the related activity; however, accounting personnel did not have the training necessary to understand the financial reporting requirements with respect to component units, bonds, net position, capital assets, and lease income.
<i>Effect:</i>	<p>The following disclosure and balances required updates related to this change:</p> <ul style="list-style-type: none">• Enterprise fund and all related statements and disclosures were added for financial statement presentation. This included the presentation of interfund activity (use of bond proceeds for the line of credit and leasing activity) as well as all the assets, liabilities, income, and expense that should have been recorded in the CIVICA Building Corporation.• Correction of a misclassification of underwriter's discount of \$99,875 that was presented as bond discounts rather than issuance costs. In addition, interest expense was understated by \$37,755.• Correction of a misclassification of restricted bond proceeds of \$29,487 that were originally reported as unrestricted.

- Correction of \$295,294 allocated as land rather than building due to inappropriate use of an allocation percentage for asset additions.
- Significant changes to equity classifications were required.

Recommendation:

We recommend the School allocate the resources necessary to obtain training for financial reporting with respect to component units and enhance internal controls surrounding the recording of bonds (and related activity), capital assets, and net position.

Views of Responsible Officials:

In 2022, the office had downsized due to turnover in staff. While a process was in place for reconciling, a secondary review was not performed to verify accuracy of the residual value calculations.

To strengthen the oversight of financial management in the School, Academica Colorado, the School's management company, has filled two of the open positions and is seeking to increase staffing and realign staff responsibilities to reduce individual workloads and provide additional oversight and review.

**2022-005: Land Donation
Material Weakness**

Criteria: Management is responsible for establishing and maintaining an effective system of internal control over financial reporting. Proper recording of land donations at fair market value in accordance with generally accepted accounting principles (GAAP) is a key component of effective internal control over financial reporting.

Condition: Donated land additions were recorded at the tax assessed value rather than acquisition value.

Cause: The School did not have adequate internal controls to ensure donated capital assets were recorded at acquisition value.

Effect: Prior to adjustment, donated land was understated by \$1,742,910.

Recommendation: We recommend the School enhance internal controls to ensure donated capital assets are recorded at acquisition value.

Views of Responsible Officials: In 2022, the office had downsized due to turnover in staff. While a process was in place for reconciling, a secondary review was not performed to verify accuracy of the residual value calculations.

To strength the oversight of financial management in the School, Academica Colorado, the School's management company, has filled two of the open positions and is seeking to increase staffing and realign staff responsibilities to reduce individual workloads and provide additional oversight and review. As part of the closing process, board meeting minutes will be reviewed to look for unusual or one-time transactions.

**2022-006: Revenue Recognition
Material Weakness**

Criteria: Management is responsible for establishing and maintaining an effective system of internal control over financial reporting. Recognition of deferred inflows of resources – unavailable revenue for governmental fund revenue not collected within 60 days, as defined by the School’s significant accounting policies, is a key component of effective internal control over financial reporting.

Condition: Deferred inflows of resources – unavailable revenue for the general fund was not recognized when amounts were received after 60 days from June 30, 2022 as well as the initial opening balances.

Cause: The School did not have adequate internal controls to review the timing and receipt of revenues to ensure adjustment was made for any revenues considered to be unavailable, as defined in the significant accounting policies.

Effect: Prior to adjustment, deferred inflows of resources – unavailable revenue was understated and the related revenue was overstated by \$132,385 in the General Fund. In addition, beginning net position was understated by \$103,203 and revenue was overstated by \$103,203 for governmental activities.

Recommendation: We recommend the School enhance internal controls to review the timing and receipt of revenues to ensure revenue recognition accounting policies are followed.

Views of Responsible Officials: In 2022, the office had downsized due to turnover in staff. While a process was in place for reconciling, a secondary review was not performed to verify accuracy of the residual value calculations.

To strengthen the oversight of financial management in the School, Academica Colorado, the School’s management company, has filled two of the open positions and is seeking to increase staffing and realign staff responsibilities to reduce individual workloads and provide additional oversight and review. On an annual basis, reconciliations will be performed on accounts receivable and revenues to ensure that revenues not collected within 60 days are reported as deferred inflows and not as revenue.

**2022-009: Public Employees Retirement Association (PERA) – Pension and OPEB
Material Weakness**

Criteria: Management is responsible for establishing and maintaining an effective system of internal control over financial reporting. Proper reporting of employee terminations to PERA as well as proper disclosure and reporting of amounts related to pensions and other postemployment benefits (OPEB) are key components of effective internal control over financial reporting.

Condition: PERA reporting requirements regarding terminations were not followed by the School.

In addition, significant adjustments were necessary to the pension plan disclosures and recording of all related pension amounts.

Moreover, the Schools participation in the Health Care Trust Fund was not appropriately identified and all related disclosures and amounts with respect to OPEB were not reported.

Cause: The School did not have adequate internal controls to ensure employee terminations were appropriately reported to PERA. Moreover, accounting personnel did not have the training necessary to properly report the pension and OPEB related disclosures and amounts.

Effect: Two employee terminations were not timely reported to PERA. In addition, the final contributions amount, a required field per PERA, was not included in the termination submissions that were provided.

The School's required disclosures and amounts with respect to OPEB were not reported. In addition, the pension related disclosures and amounts required significant adjustment. The unreported OPEB balances were as follows:

- Deferred Outflows \$47,917
- Net OPEB Liability \$36,473
- Deferred Inflows \$12,884
- OPEB Expense \$1,440

Prior to adjustment, deferred outflows – pension was understated by \$843,753 and the non-employer contributing share of \$20,659 was not recorded.

Recommendation:

We recommend the School enhance internal controls to ensure PERA reporting requirements are met for terminations. In addition, we recommend the School allocate the resources necessary to obtain training for financial reporting with respect to pensions and OPEB.

Views of Responsible Officials:

In 2022, the office had downsized due to turnover in staff. While a process was in place for reconciling, a secondary review was not performed to verify accuracy of the residual value calculations.

To strengthen the oversight of financial management in the School, Academica Colorado, the School's management company, has filled two of the open positions and is seeking to increase staffing and realign staff responsibilities to reduce individual workloads and provide additional oversight and review. On an annual basis the School will post the GASB 68/75 entry as provided by PERA.