

**CRESTONE CHARTER SCHOOL**  
**BASIC FINANCIAL STATEMENTS**  
**June 30, 2023**

## TABLE OF CONTENTS

	<b>PAGE</b>
Independent Auditors' Report	
Management's Discussion and Analysis	i - vi
Basic Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Balance Sheet – Governmental Funds	3
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Fund	4
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	5
Notes to the Financial Statements	6 – 36
Required Supplementary Information	
Budgetary Comparison Statement – General Fund	37
Schedule of the School's Proportionate Share – School Division Trust Fund	38
Schedule of the School's Contributions – School Division Trust Fund	39
Schedule of the School's Proportionate Share – Health Care Trust Fund	40
Schedule of the School's Contributions – Health Care Trust Fund	41
<b>State Compliance</b>	
Electronic Financial Data Integrity Check Figures	42



# JOHN CUTLER & ASSOCIATES

Governing Council  
Crestone Charter School  
Crestone, Colorado

## INDEPENDENT AUDITORS' REPORT

### Report on the Financial Statements

#### *Opinions*

We have audited the financial statements of the governmental activities and each major fund, of Crestone Charter School (the "School"), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Crestone Charter School as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

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

#### *Responsibilities of Management for the Financial Statements*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with the accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

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

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgement 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 of 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 of 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 judgement, 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 and required budgetary and pension information on pages 37-41 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 (GASB) 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.

### ***Supplementary and Other Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The state compliance as listed in the table of contents, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

The state compliance has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the state compliance is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

*John Luttrell & Associates, LLC*

February 29, 2024

**Crestone Charter School**  
**Management's Discussion and Analysis**  
**As of and for the Fiscal Year Ended June 30, 2023**

As management of the Crestone Charter School, Saguache County, Colorado, we offer readers of the School's Annual Financial Report this narrative and analysis of the financial activities of the School for the fiscal year ended June 30, 2023.

**Financial Highlights**

- The assets and deferred outflows of the School exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$5,767,817. Of this amount, the school has a positive *unrestricted net position* balance of \$394,898.
- The School's total net position increased by \$134,687 with School-wide net position totaling \$5,767,817 at the end of the fiscal year.

Overview of the Financial Statements Management's discussion and analysis is intended to serve as an introduction to the School's basic financial statements. Comparison to the prior year's activity is provided in this document. The basic financial statements presented are comprised of three components: 1) School-wide financial statements, 2) Fund financial statements, and 3) Notes to the basic financial statements.

The School-wide Financial Statements are designed to provide the reader of the School's financial statements a broad overview of the financial activities in a manner similar to a private sector business. The School-wide Financial Statements include the Statement of Net Position and the Statement of Activities.

The Statement of Net Position presents information about all of the School's position and liabilities. The difference between assets and liabilities is reported as *net position*. Over time changes in net position may serve as a useful indicator of whether the financial position of the School is improving or deteriorating.

The Statement of Activities presents information showing how the net position of the School changed during the current fiscal year. Changes in net position are recorded in the statement of activities when the underlying event occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement even though the resulting cash flow may be recorded in a future period.

The School is a component unit of the Moffat Consolidated School District #2. Financial information for the Charter School is presented separately from the primary government because the Charter School is financially accountable to the District and provides services to the School's students.

**Other Financial Highlights**

The school implemented GASB 68 resulting in a net pension liability for 2023 of \$1,724,027. Under GASB 68, the School's proportionate share of the net pension liability of the Colorado State Requirement System, the Public Employees Retirement Association, is recorded as a liability of the School.

The school implemented GASB 75 resulting in a net Other Post Employment Benefit (OPEB) liability of \$52,804 at June 30, 2023. Under GASB 75, the District's proportionate share of the net Other Post

Employment Benefits liability of the Health Care Trust Fund (HCTF) of the state retirement system of the Public Employees Retirement Association, is recorded as a liability of the District.

## Fund Financial Statements

Fund financial statements are designed to demonstrate compliance with finance-related legal requirements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific objectives.

Governmental funds account for essentially the same information reported in the *governmental activities* of the School-wide financial statements. However, unlike the School-wide statements, the 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 financing requirements in the near term.

Since the *governmental funds* and the *governmental activities* report information using the same functions, it is useful to compare the information presented.

The School maintains three different governmental funds. Both funds are classified as major funds. They are the general fund, student activity fund, and the capital projects fund. They are presented separately in the fund financial statements.

The School adopts an annual appropriated budget for each of the governmental funds. A budgetary comparison schedule for the general fund and the capital projects fund are included in the fund financial statements to demonstrate compliance with the adopted budget.

Notes to the Basic Financial Statements: The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the basic financial statements.

## School-wide Financial Analysis

School-wide Net Position. The assets of the School are classified as current assets and capital assets. Cash, investments, receivables, inventories and prepaid expenditures are current assets. These assets are available to provide resources for the near-term operations of the School. The majority of the current assets are cash and receivables.

Capital assets are used in the operations of the School. These assets are land improvements, building improvements, equipment, and construction in progress. Capital assets are discussed in greater detail in the section titled, Capital Assets and Debt Administration, elsewhere in this analysis.

Current liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued salaries and benefits, interest payable, and current debt obligations. The liquidation of current liabilities is anticipated to be either from current available resources, current assets or new resources that become available during fiscal 2023-2024.

The assets of the primary government activities exceed liabilities resulting in a net position of \$5,767,817 with an unrestricted net position of \$394,898. Total net position of the primary government activities do not include internal balances. (Table A-1)

The legally required TABOR reserve has been recorded by the School's chartering district.

**Table A-1 Statement of Net Position 2022-2023**

	<u>2022</u>	<u>2023</u>
	Governmental Activities	Governmental Activities
Current assets	2,413,479	2,703,578
Capital Assets	4,876,582	4,872,323
Total Assets	7,290,061	7,575,901
Deferred Outflows	352,037	372,074
Current Liabilities	242,331	362,958
Long Term Liabilities	1,172,852	1,776,831
Total Liabilities	1,415,183	2,139,789
Deferred Inflows	593,787	40,369
Net Position		
Investment in Capital Assets	4,876,582	5,327,519
Restricted	320,000 (TABOR w/ Best Reserve)	45,400 (TABOR w/out Best Reserve)
Unrestricted	<u>436,546</u>	<u>394,898</u>
Total Net Position	5,633,128	<u>\$5,767,817</u>

**Table A-2 Statement of Activities for 2022-2023 (new version)**

	2022 Governmental Activities	2023 Governmental Activities
Program Revenues:		
Charges for Services	\$4,495	-
Operating Grants & Contributions	554,644	642,157
Capital Grants & Contributions	-	10,350
General Revenues:		
Per Pupil Revenue	1,370,677	1,478,915
Interest	973	1,137
Other	-	32,398
Unrestricted state Aid	-	45,748
Total General Revenue	1,371,650	1,558,198
Total Revenue	1,930,789	2,210,705

	2022 Governmental Activities	2023 Governmental Activities
Expenses		
Instructional	656,626	1,044,145
Student Support Services	146,537	1,031,873
General Administration	194,504	
School Administration	155,281	
Operations & Maintenance	121,108	
Student Transportation	29,509	
Central Support	40,492	
Food Service	23,067	
Other	520	
Pension Amortization	-	
Total Expenses	1,367,644	2,076,018
Change in Net Position	563,145	134,687
Ending Net Position	\$5,633,128	\$5,767,817

**Table A-3 Statement of Revenues**

Revenues	2022	2023
Local Sources	39,647	-
County Sources	0	-
State Sources	248,735	611,729
Federal Sources	271,730	-
Allocated From Moffat School	1,370,677	1,553,228
Total Revenues	1,930,789	2,164,957

## **Governmental**

### **Change in Net Position 2023**

Revenue for 2023 was \$2,210,705 and expenses were 2,076,018, for a net change of \$134,687.

### **Change in Fund Balance 2023**

Revenue for 2023 was \$2,164,957 and expenses were 1,995,487, for a net change of \$169,470. The net position change is less than the fund balance change because the net position does not include depreciation in excess of capital expense (4,259) and deferred charges for pensions (30,524).

### **Financial Analysis of the School's Governmental Funds**

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

The governmental funds of the School provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the School's financing requirements. Unassigned fund balance, in particular, measures the School's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of the School.

The capital projects fund accounts for spending of monies set aside for projects related to building needs, vehicle purchases, land purchases or equipment.

The Student Activity Fund is an account used for the transactions within student clubs and organizations.

### **General Fund Budgetary Highlights**

According to the Audit, the revised beginning Fund Balance was 2,171,150 and it increased by \$169,470 resulting in an ending fund balance on June 20, 2023 of \$2,340,620 due to underestimated revenue in PPR, and an underspending in instructional programming, student support services (counselor), and supplies. Note that CCS reserves increased by about \$300 for the last two years, so this year was a better estimate of revenue and expenses.

### **Capital Assets and Debt Administration**

The School's investment in capital assets for its governmental and business-type activities as of June 30, 2023 remained steady at approximately, \$4.8 million.

CAPITAL ASSETS				
A summary of changes in capital assets is as follows:				
<u>Governmental Activities - Component Unit</u>				
	Balance			Balance
	June 30, 2022	Additions	Deletions	June 30, 2023
<u>Non Depreciable Assets:</u>				
Land	448,458			448,458
Construction in Progress	-			
<u>Total Non Depreciable Assets:</u>	448,458			448,458
<u>Depreciable Assets:</u>				
Building & Site improvements	5,816,390	35,349		5,851,739
Equipment & Vehicles	169,631	143,756		313,387
<u>Total Depreciable Assets</u>	5,986,021	179,105		6,165,126
<u>Less Accumulated Depreciation for:</u>				
Building & Site Improvements	1,447,157	150,040		157,197
Equipment & Vehicles	110,740	33,324		144,064
<u>Total Accumulated Depreciation</u>	1,557,897	183,364		174,261
<u>Depreciable Assets net</u>	4,428,124	(4259)		4,423,865
<u>Total Capital Assets. Net</u>	4,876,582	(4259)		4,872,323

## Governmental Activities

### Economic Factors and Next Year's Budgets and Rates

#### Budget

Each year the School must plan for its future by reviewing the past, adjusting current activities and adopting the next year's budget. The current budget process is to examine all budget lines for significant changes, and adjust for cost increases/decreases based on enrollment and staffing needs. The preliminary budget is presented to the School's Governing Council for approval. The approved budget is sent to the Moffat District for final approval by the Board of Education. When funding is adequate to accommodate increases, and School provides benefit cost increases for all approved staffing. This concept assumes existing staffing ratios are level and non-compensation budgets are continued to the next year unless specifically identified to change in the budget development process.

#### Requests for Information

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

Thomas Cleary, Director, Crestone Charter School, PO Box 400, Crestone, CO 81131

Complete financial statements for the Moffat Consolidated #2 School District may be obtained at the District's offices.

## **BASIC FINANCIAL STATEMENTS**

CRESTONE CHARTER SCHOOL

STATEMENT OF NET POSITION

As of June 30, 2023

	<u>GOVERNMENTAL ACTIVITIES</u>
<b>ASSETS</b>	
Cash and Investments	\$ 2,022,845
Restricted Cash and Investments	455,196
Accounts Receivable	217,576
Prepaid Expenses	7,961
Capital Assets, Not Depreciated	448,458
Capital Assets, Depreciated, Net of Accumulated Depreciation	<u>4,423,865</u>
<b>TOTAL ASSETS</b>	<u>7,575,901</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Related to Pensions	359,653
Related to OPEB	<u>12,421</u>
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>372,074</u>
<b>LIABILITIES</b>	
Accounts Payable	113,810
Accrued Salaries	44,152
Unearned Revenue	204,996
Noncurrent Liabilities	
Net Pension Liability	1,724,027
Net OPEB Liability	<u>52,804</u>
<b>TOTAL LIABILITIES</b>	<u>2,139,789</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to Pensions	21,771
Related to OPEB	<u>18,598</u>
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>40,369</u>
<b>NET POSITION</b>	
Investment in Capital Assets	5,327,519
Restricted for Emergencies	45,400
Unrestricted	<u>394,898</u>
<b>TOTAL NET POSITION</b>	<u><u>\$ 5,767,817</u></u>

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

CRESTONE CHARTER SCHOOL

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2023

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUES		NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION GOVERNMENTAL ACTIVITIES
		OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
PRIMARY GOVERNMENT				
<b>Governmental Activities</b>				
Instruction	\$ 1,044,145	\$ 642,157	\$ -	\$ (401,988)
Supporting Services	1,031,873	-	10,350	(1,021,523)
Total Governmental Activities	<u>\$ 2,076,018</u>	<u>\$ 642,157</u>	<u>\$ 10,350</u>	<u>(1,423,511)</u>
		GENERAL REVENUES		
			Per Pupil Revenue	1,478,915
			Interest	1,137
			Other	32,398
			Unrestricted State Aid	45,748
			TOTAL GENERAL REVENUES	<u>1,558,198</u>
			CHANGE IN NET POSITION	134,687
	-		NET POSITION, Beginning	<u>5,633,130</u>
			NET POSITION, Ending	<u>\$ 5,767,817</u>

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

CRESTONE CHARTER SCHOOL

BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2023

	<u>TOTAL GOVERNMENTAL FUNDS</u> <u>General Fund</u>
<b>ASSETS</b>	
Cash and Investments	\$ 2,022,845
Restricted Cash and Investments	455,196
Accounts Receivable	217,576
Prepaid Expenses	7,961
TOTAL ASSETS	<u>\$ 2,703,578</u>
<b>LIABILITIES AND FUND BALANCE</b>	
<b>LIABILITIES</b>	
Accounts Payable	\$ 113,810
Accrued Salaries	44,152
Unearned Revenue	204,996
TOTAL LIABILITIES	<u>362,958</u>
<b>FUND BALANCES</b>	
Restricted for Emergencies	45,400
Unassigned	2,295,220
TOTAL FUND BALANCE	<u>2,340,620</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 2,703,578</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Fund Balance	\$ 2,340,620
Capital assets used in governmental activities are not financial resources and, therefore, are not in the funds.	4,872,323
Long-term liabilities and related assets related to pensions and OPEB are not due and payable in the current period and therefore, are not reported in the funds. This liability includes includes net pension liability (\$1,724,027), net OPEB liability (\$52,804), deferred outflows related to pensions and OPEB \$372,074, deferred inflows related to pensions and OPEB (\$40,369).	<u>(1,445,126)</u>
Net position of governmental activities	<u>\$ 5,767,817</u>

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

CRESTONE CHARTER SCHOOL

STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
Year Ended June 30, 2023

	TOTAL GOVERNMENTAL FUNDS
	<u>General Fund</u>
REVENUES	
Local Sources	\$ 1,553,228
State Sources	611,729
	<u>2,164,957</u>
TOTAL REVENUES	
EXPENDITURES	
Instruction	850,163
Supporting Services	963,150
Capital Outlay	182,174
	<u>1,995,487</u>
TOTAL EXPENDITURES	
NET CHANGE IN FUND BALANCE	169,470
FUND BALANCE, Beginning	<u>2,171,150</u>
FUND BALANCE, Ending	<u>\$ 2,340,620</u>

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

CRESTONE CHARTER SCHOOL

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
Year Ended June 30, 2023

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

Net Changes in Fund Balances - Total Governmental Funds	\$ 169,470
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount depreciation expense (\$148,982), exceeded capital outlay \$144,723 in the current year.	(4,259)
Deferred Charges related to pensions are not recognized in the governmental funds. However, in the government-wide statements these amounts are capitalized and amortized.	<u>(30,524)</u>
Change in Net Position of Governmental Activities	<u><u>\$ 134,687</u></u>

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

CRESTONE CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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

Crestone Charter School (the “School”) was organized in 1995 pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Moffat Consolidated School District Number 2 (the “District”) in the State of Colorado, serving grades K – 12.

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

**Reporting Entity**

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

The School is considered a component unit of Moffat Consolidated School District Number 2 (District), and is includable in the District’s basic financial statements. The School is deemed to be fiscally dependent upon the District because the District provides the majority of support to the School in the form of per pupil revenue.

**Government-Wide and Fund Financial Statements**

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

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

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

CRESTONE CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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

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

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current period or soon enough thereafter to pay liabilities of the current period, not to exceed 60 days. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

Internally dedicated resources are reported as general revenues rather than as program revenues.

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

The School reports the following major governmental fund:

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

**Deferred Outflows/Inflows of Resources**

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

CRESTONE CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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

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

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

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

*Investments* – Investments are recorded at fair value.

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

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

*Long-term Debt* – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Bond premiums and discounts, are deferred and amortized over the life of the bonds using the straight-line method. In the fund financial statements, governmental fund types recognize bond premiums and discounts, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as current expenditures.

CRESTONE CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

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

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

*Net Position*

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

- Investment in Capital Assets is intended to reflect the portion of net position which are associated with non-liquid, capital assets less outstanding capital asset related debt. The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost.
- Restricted Net Position are liquid assets, which have third party limitations on their use.
- Unrestricted Net Position represent assets that do not have any third party limitation on their use. While School management may have categorized and segmented portions for various purposes, the Board of Directors has the unrestricted authority to revisit or alter these managerial decisions.

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

- Nonspendable – This classification includes amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. The School did not report any nonspendable resources as of June 30, 2023.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The School has classified Emergency Reserves and Debt Service Reserves as being restricted because their use is restricted by State Statute for declared emergencies and bond covenants.

CRESTONE CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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

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

- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The School did not have any committed resources as of June 30, 2023.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

The School would typically use restricted fund balances first, followed by committed resources, and then assigned resources, as appropriate opportunities arise, but reserves the right to selectively spend unassigned fund balance.

**Risk Management**

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School pays the District to participate in the District's risk management plan. The District is self-insured for certain liability, property and worker's compensation coverages. The District purchases excess insurance coverage to limit the District's self-insurance exposure. Settled claims have not exceeded this coverage in any of the past three years.

**NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

**Budgets and Budgetary Accounting**

A budget is adopted for the general fund on a basis consistent with generally accepted accounting principles. School management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1. The budget is adopted by the Board of Directors prior to June 30. Expenditures may not legally exceed appropriations at the fund level. Revisions must be approved by the Board of Directors. The budget includes proposed expenditures and the means of financing them. All appropriations lapse at fiscal year-end.

CRESTONE CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

**NOTE 3: CASH AND INVESTMENTS**

**Deposits**

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. At June 30, 2023, State regulatory commissioners have indicated that all financial institutions holding deposits for the School are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group.

The market value of the collateral must be at least equal to 102% of the uninsured deposits. The School has no policy regarding custodial credit risk for deposits.

At June 30, 2023, the School had deposits with financial institutions with a carrying amount of \$2,478,041. The bank balances with the financial institutions were \$2,509,814. Of these balances, \$250,000 was covered by federal depository insurance and \$2,259,814 was covered by collateral held by authorized escrow agents in the financial institution's name (PDPA).

**Investments**

Interest Rate Risk

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

Credit Risk

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

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

CRESTONE CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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

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

**Fair Value**

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

The School has no investments at June 30, 2023.

**NOTE 4: CAPITAL ASSETS**

Capital Assets activity for the year ended June 30, 2023, is summarized below.

	<u>Balance</u> <u>June 30, 2022</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2023</u>
<b>Governmental Activities</b>				
Capital assets, not being depreciated				
Land	\$ 448,458	\$ -	\$ -	\$ 448,458
Capital assets, being depreciated				
Buildings	5,816,390	35,349	-	5,851,739
Equipment & Vehicles	<u>169,631</u>	<u>143,756</u>	-	<u>313,387</u>
Total Capital assets being depreciated	<u>5,986,021</u>	<u>179,105</u>	-	<u>6,165,126</u>
Accumulated Depreciation				
Buildings	1,447,157	150,040	-	1,597,197
Equipment & Vehicles	<u>110,740</u>	<u>33,324</u>	-	<u>144,064</u>
Total Accumulated Depreciation	<u>1,557,897</u>	<u>183,364</u>	-	<u>1,741,261</u>
Net Capital Assets, Depreciated	<u>4,428,124</u>	<u>(4,259)</u>	-	<u>4,423,865</u>
Net Capital Assets	<u>\$ 4,876,582</u>	<u>\$ (4,259)</u>	<u>\$ -</u>	<u>\$ 4,872,323</u>

Depreciation expense was charged to the supporting service function.

CRESTONE CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

**NOTE 5: DEFINED BENEFIT PENSION PLAN**

**Summary of Significant Accounting Policies**

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

**General Information about the Pension Plan**

Plan description. Eligible employees of the School are provided with pensions through the SCHDTF—a cost-sharing multiple-employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S.), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly.

PERA issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

Benefits provided as of December 31, 2022. 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.

CRESTONE CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

**NOTE 5: DEFINED BENEFIT PENSION PLAN** (Continued)

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

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

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

In all cases the service retirement benefit is limited to 100% of highest average salary and 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.

CRESTONE CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

**NOTE 5: DEFINED BENEFIT PENSION PLAN** (Continued)

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

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

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

*Contributions provisions as of June 30, 2023:* 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 11.00% of their PERA-includable salary during the period of July 1, 2022 through June 30, 2023.

Employer contribution requirements are summarized in the table below:

	July 1, 2022 Through June 30, 2023
Employer contribution rate	11.40%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02%)
Amount apportioned to the SCHDTF	10.38%
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%
<b>Total employer contribution rate to the SCHDTF</b>	<b>20.38%</b>

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the School were \$158,934 for the year ended June 30, 2023.

CRESTONE CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

**NOTE 5:** **DEFINED BENEFIT PENSION PLAN** (Continued)

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

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 a \$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. House Bill (HB) 22-1029, instructed the State treasurer to issue an additional direct distribution to PERA in the amount of \$380 million (actual dollars), upon enactment. The July 1, 2023, payment is reduced by \$190 million (actual dollars) to \$35 million (actual dollars). The July 1, 2024, payment will not be reduced due to PERA's negative investment return in 2022. Senate Bill (SB) 23-056, enacted June 2, 2023, requires an additional direct distribution of approximately \$14.5 million (actual dollars), for a total of approximately \$49.5 million (actual dollars) to be contributed July 1, 2023.

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

The net pension liability for the SCHDTF was measured as of December 31, 2022, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. Standard update procedures were used to roll-forward the TPL to December 31, 2022. The School's proportion of the net pension liability was based on the School's contributions to the SCHDTF for the calendar year 2022 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2023, the School reported a liability of \$1,724,027 for its proportionate share of the net pension liability that reflected an increase for support from the State as a nonemployer contributing entity.

CRESTONE CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

**NOTE 5: DEFINED BENEFIT PENSION PLAN** (Continued)

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

The amount recognized by the School as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the School were as follows:

The School's proportionate share of the net pension liability	\$1,724,027
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the School.	389,031
Total	\$2,113,058

At December 31, 2022, the School's proportion was .00947%, which was a decrease of .00013% from its proportion measured as of December 31, 2021.

For the year ended June 30, 2023, the School recognized pension expense of \$81,290 and revenue of \$45,748 for support from the State as a nonemployer contributing entity. At June 30, 2023, 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>
Difference between expected and actual experience	\$16,316	N/A
Changes of assumptions or other inputs	30,538	N/A
Net difference between projected and actual earnings on pension plan investments	231,600	N/A
Changes in proportion and differences between contributions recognized and proportionate share of contributions	N/A	\$21,771
Contributions subsequent to the measurement date	81,199	N/A
Total	\$359,653	\$21,771

\$81,199 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2024.

CRESTONE CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

**NOTE 5: DEFINED BENEFIT PENSION PLAN** (Continued)

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

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Year ended June 30:</b>	
2024	\$13,730
2025	\$29,041
2026	\$79,203
2027	\$134,709

*Actuarial assumptions.* The TPL in the December 31, 2021, actuarial valuation was determined using the following actuarial cost method, actuarial assumptions, and other inputs:

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

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

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

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

CRESTONE CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

**NOTE 5:** **DEFINED BENEFIT PENSION PLAN** (Continued)

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

Post-retirement 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 actuarial assumptions used in the December 31, 2021, 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 at least every five years for PERA. 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.

CRESTONE CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

**NOTE 5: DEFINED BENEFIT PENSION PLAN** (Continued)

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

The PERA Board first adopted the 7.25% long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020.

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

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

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

*Discount rate.* The discount rate used to measure the TPL was 7.25%. The projection of cash flows used to determine the discount rate applied the actuarial cost method and assumptions shown above. In addition, the following methods and assumptions were used in the projection of cash flows:

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200 and required adjustments resulting from the 2018 and 2020 AAP assessments. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

CRESTONE CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

**NOTE 5: DEFINED BENEFIT PENSION PLAN**(Continued)

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

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200 and required adjustments resulting from the 2018 and 2020 AAP assessments. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- HB 22-1029, effective upon enactment in 2022, required the State treasurer to issue, in addition to the regularly scheduled \$225 million (actual dollars) direct distribution, a warrant to PERA in the amount of \$380 million (actual dollars). The July 1, 2023, direct distribution is reduced by \$190 million (actual dollars) to \$35 million (actual dollars). The July 1, 2024, direct distribution will not be reduced from \$225 million (actual dollars) due to PERA's negative investment return in 2022.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP and the subsequent AIR benefit payments were estimated and included in the projections.

CRESTONE CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

**NOTE 5: DEFINED BENEFIT PENSION PLAN** (Continued)

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension	\$2,256,159	\$1,724,027	\$1,279,643

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

**NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**

**Summary of Significant Accounting Policies**

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

CRESTONE CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

**NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**  
(Continued)

**General Information about the OPEB Plan**

Investments are reported at fair value.

*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](http://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.

CRESTONE CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

**NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**  
(Continued)

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

*PERA Benefit Structure*

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

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

*DPS Benefit Structure*

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

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

CRESTONE CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

**NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**  
(Continued)

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the School were \$7,237 for the year ended June 30, 2023.

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

At June 30, 2023, the School reported a liability of \$52,804 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2022, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021. Standard update procedures were used to roll-forward the TOL to December 31, 2022. The School's proportion of the net OPEB liability was based on the School's contributions to the HCTF for the calendar year 2022 relative to the total contributions of participating employers to the HCTF.

At December 31, 2022, the School's proportion was 0.00647%, which was an increase of 0.0019% from its proportion measured as of December 31, 2021.

CRESTONE CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

**NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**  
(Continued)

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

For the year ended June 30, 2023, the School recognized OPEB expense of \$2,129. At June 30, 2023, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$7	\$12,770
Changes of assumptions or other inputs	849	5,828
Net difference between projected and actual earnings on OPEB plan investments	3,225	N/A
Changes in proportion and differences between contributions recognized and proportionate share of contributions	4,643	N/A
Contributions subsequent to the measurement date	3,697	N/A
Total	\$12,421	\$18,598

\$3,697 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year ended:</b>	
2024	(\$3,488)
2025	(\$3,586)
2026	(\$1,360)
2027	(\$809)
2028	(\$488)
Thereafter	(\$142)

CRESTONE CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

**NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**  
(Continued)

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

*Actuarial assumptions.* The TOL in the December 31, 2021 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

	State Division	School Division	Local Government Division	Judicial Division
Actuarial cost method	Entry age			
Price inflation	2.30%			
Real wage growth	0.70%			
Wage inflation	3.00%			
Salary increases, including wage inflation				
Members other than State Troopers	3.30%-10.90%	3.40%-11.00%	3.20%-11.30%	2.80%-5.30%
State Troopers	3.20%-12.40%	N/A	3.20%-12.40%	N/A
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25%			
Discount rate	7.25%			
Health care cost trend rates				
PERA benefit structure:				
Service-based premium subsidy	0.00%			
PERACare Medicare plans	6.50% in 2022, gradually decreasing to 4.50% in 2030			
Medicare Part A premiums	3.75% in 2022, gradually increasing to 4.50% in 2029			
DPS benefit structure:				
Service-based premium subsidy	0.00%			
PERACare Medicare plans	N/A			
Medicare Part A premiums	N/A			

CRESTONE CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

**NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**  
(Continued)

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

The TOL for the HCTF, as of the December 31, 2022, measurement date, was adjusted to reflect the disaffiliation, allowable under C.R.S. § 24-51-313, of Tri-County Health Department (TriCounty Health), effective December 31, 2022. As of the close of the 2022 fiscal year, no disaffiliation payment associated with Tri-County Health was received, and therefore no disaffiliation dollars were reflected in the FNP as of the December 31, 2022, measurement date.

Beginning January 1, 2022, the per capita health care costs are developed by plan option; based on 2022

premium rates for the UnitedHealthcare Medicare Advantage Prescription Drug (MAPD) PPO plan #1, the

UnitedHealthcare MAPD PPO plan #2, and the Kaiser Permanente MAPD HMO plan. Actuarial morbidity factors are then applied to estimate individual retiree and spouse costs by age, gender, and health care cost trend. This approach applies for all members and is adjusted accordingly for those not eligible for premium-free Medicare Part A for the PERA benefit structure.

**Age-Related Morbidity Assumptions**

<u>Participant Age</u>	<u>Annual Increase (Male)</u>	<u>Annual Increase (Female)</u>
65-69	3.0%	1.5%
70	2.9%	1.6%
71	1.6%	1.4%
72	1.4%	1.5%
73	1.5%	1.6%
74	1.5%	1.5%
75	1.5%	1.4%
76	1.5%	1.5%
77	1.5%	1.5%
78	1.5%	1.6%
79	1.5%	1.5%
80	1.4%	1.5%
81 and older	0.0%	0.0%

CRESTONE CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

**NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**  
(Continued)

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

Sample Age	MAPD PPO #1 with Medicare Part A		MAPD PPO #2 with Medicare Part A		MAPD HMO (Kaiser) with Medicare Part A	
	Retiree/Spouse		Retiree/Spouse		Retiree/Spouse	
	Male	Female	Male	Female	Male	Female
65	\$1,704	\$1,450	\$583	\$496	\$1,923	\$1,634
70	\$1,976	\$1,561	\$676	\$534	\$2,229	\$1,761
75	\$2,128	\$1,681	\$728	\$575	\$2,401	\$1,896

Sample Age	MAPD PPO #1 without Medicare Part A		MAPD PPO #2 without Medicare Part A		MAPD HMO (Kaiser) without Medicare Part A	
	Retiree/Spouse		Retiree/Spouse		Retiree/Spouse	
	Male	Female	Male	Female	Male	Female
65	\$6,514	\$5,542	\$4,227	\$3,596	\$6,752	\$5,739
70	\$7,553	\$5,966	\$4,901	\$3,872	\$7,826	\$6,185
75	\$8,134	\$6,425	\$5,278	\$4,169	\$8,433	\$6,657

The 2022 Medicare Part A premium is \$499 (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.

CRESTONE CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

**NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**  
(Continued)

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and 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, 2021, 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 used to measure the TOL are summarized in the table below:

<b>Year</b>	<b>PERACare Medicare Plans</b>	<b>Medicare Part A Premiums</b>
2022	6.50%	3.75%
2023	6.25%	4.00%
2024	6.00%	4.00%
2025	5.75%	4.00%
2026	5.50%	4.25%
2027	5.25%	4.25%
2028	5.00%	4.25%
2029	4.75%	4.50%
2030+	4.50%	4.50%

Mortality assumptions used in the December 31, 2021, 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 on a headcount-weighted basis. Affiliated employers of the State, School, Local Government and Judicial Divisions participate in the HCTF.

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

CRESTONE CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

**NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**  
(Continued)

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

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

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

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

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

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

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

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

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

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

CRESTONE CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

**NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**  
(Continued)

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

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.

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

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

- Per capita health care costs in effect as of the December 31, 2021, valuation date for those PERACare enrollees under the PERA benefit structure who are expected to be age 65 and older and are not eligible for premium-free Medicare Part A benefits have been updated to reflect costs for the 2022 plan year.
- The December 31, 2021, valuation utilizes premium information as of January 1, 2022, as the initial per capita health care cost. As of that date, PERACare health benefits administration is performed by UnitedHealthcare. In that transition, the costs for the Medicare Advantage Option #2 decreased to a level that is lower than the maximum possible service-related subsidy as described in the plan provisions.
- The health care cost trend rates applicable to health care premiums were revised to reflect the then current expectation of future increases in those premiums. Medicare Part A premiums continued with the prior valuation trend pattern.

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.

CRESTONE CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

**NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**  
(Continued)

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

Effective for the December 31, 2022, measurement date, the timing of the retirement decrement was adjusted to middle-of-year within the valuation programming used to determine the TOL, reflecting a recommendation from the 2022 actuarial audit report, dated October 14, 2022, summarizing the results of the actuarial audit performed on the December 31, 2021, actuarial valuation.

The actuarial assumptions used in the December 31, 2021, 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 at least every five years for PERA. 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:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>30 Year Expected Geometric Real Rate of Return</b>
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%
<b>Total</b>	<b>100.00 %</b>	

CRESTONE CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

**NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**  
(Continued)

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

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

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate <sup>1</sup>	5.25%	6.25%	7.25%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	3.00%	4.00%	5.00%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$51,309	\$52,804	\$54,430

<sup>1</sup>For the January 1, 2023, plan year.

*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, 2022, 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.

CRESTONE CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

**NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**  
(Continued)

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

- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- 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 the School’s proportionate share of the net OPEB liability to changes in the discount rate.* The following presents the proportionate share of the net OPEB liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is one-percentage-point lower (6.25%) or one-percentage-point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$61,215	\$52,804	\$45,609

*OPEB 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](http://www.copera.org/investments/pera-financial-reports).

CRESTONE CHARTER SCHOOL

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

**NOTE 7: COMMITMENTS AND CONTINGENCIES**

**Claims and Judgments**

The School participates in state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the School may be required to reimburse the grantor government. As of June 30, 2023, significant amounts of grant expenditures have not been audited, but the School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

**Tabor Amendment**

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The School believes it has complied with the Amendment. As required by the Amendment, the School has established a reserve for emergencies. At June 30, 2023, the reserve of \$45,400 was recorded as a restriction of fund balance in the General Fund.

**NOTE 8: SUBSEQUENT EVENTS**

Potential subsequent events were considered through February 29, 2024. It was determined that no events were required to be disclosed through this date.

**REQUIRED SUPPLEMENTARY INFORMATION**

CRESTONE CHARTER SCHOOL

GENERAL FUND  
BUDGETARY COMPARISON STATEMENT  
Year Ended June 30, 2023

	2023			VARIANCE Positive (Negative)
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	
<b>REVENUES</b>				
Local Sources				
Per Pupil Operating Revenue	\$ 1,291,212	\$ 1,357,428	\$ 1,478,915	\$ 121,487
Grants and Donations	34,000	60,643	40,778	(19,865)
Investment Earnings	2,465	945	1,137	192
Other	110,000	100,000	32,398	(67,602)
State and Federal Sources				
Grants and Donations	689,611	703,014	611,729	(91,285)
<b>TOTAL REVENUES</b>	<b>2,127,288</b>	<b>2,222,030</b>	<b>2,164,957</b>	<b>(57,073)</b>
<b>EXPENDITURES</b>				
Salaries	795,372	804,588	804,094	494
Employee Benefits	344,860	346,005	344,568	1,437
Purchased Services	255,300	316,165	540,462	(224,297)
Supplies and Materials	269,821	299,390	123,814	175,576
Property and Equipment	301,936	181,000	182,174	(1,174)
Other	500	500	375	125
Contingency	1,804,484	1,786,033	-	1,786,033
<b>TOTAL EXPENDITURES</b>	<b>3,772,273</b>	<b>3,733,681</b>	<b>1,995,487</b>	<b>1,738,194</b>
<b>NET CHANGE IN FUND BALANCE</b>	<b>(1,644,985)</b>	<b>(1,511,651)</b>	<b>169,470</b>	<b>1,681,121</b>
FUND BALANCE, Beginning	1,903,411	1,720,097	2,171,150	451,053
FUND BALANCE, Ending	<u>\$ 258,426</u>	<u>\$ 208,446</u>	<u>\$ 2,340,620</u>	<u>\$ 2,132,174</u>

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

CRESTONE CHARTER SCHOOL  
 SCHEDULE OF THE SCHOOLS PROPORTIONATE SHARE  
 SCHOOL DIVISION TRUST FUND

Years Ended December 31,

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
School's proportionate share of the Net Pension Liability	0.016%	0.015%	0.018%	0.011%	0.011%	0.009%	0.009%	0.011%	0.010%	0.009%
School's Net Pension Liability	\$ 1,989,776	\$ 2,033,004	\$ 2,691,116	\$ 3,312,760	\$ 3,567,282	\$ 1,585,639	\$ 1,290,137	\$ 1,649,857	\$ 1,118,728	\$ 1,724,027
State of Colorado's Proportionate Share of the Net Pension Liability associated with the School	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 212,205	\$ 163,637	\$ -	\$ 128,248	\$ 389,031
Total portion of the Net Pension Liability associated with the School	\$ 1,989,776	\$ 2,033,004	\$ 2,691,116	\$ 3,312,760	\$ 3,567,282	\$ 1,797,844	\$ 1,453,774	\$ 1,649,857	\$ 1,246,976	\$ 2,113,058
School's covered payroll	\$ 614,218	\$ 625,001	\$ 766,210	\$ 521,133	\$ 516,806	\$ 523,356	\$ 524,816	\$ 594,349	\$ 590,963	\$ 656,316
School's proportionate share of the Net Pension Liability as a percentage of its covered payroll	324.0%	325.3%	351.2%	635.7%	690.3%	343.5%	277.0%	277.6%	211.0%	322.0%
Plan fiduciary net position as a percentage of the total pension liability	64.1%	62.8%	59.2%	43.10%	43.96%	57.01%	64.52%	66.99%	74.86%	61.79%

Notes:

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

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

See the accompanying independent auditors' report.

CRESTONE CHARTER SCHOOL

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS  
SCHOOL DIVISION TRUST FUND

Years Ended June 30,

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Statutorily required contributions	\$ 98,152	\$ 105,758	\$ 135,749	\$ 97,175	\$ 97,621	\$ 100,120	\$ 101,709	\$ 118,157	\$ 125,962	\$ 158,934
Contributions in relation to the Statutorily required contributions	98,182	105,758	135,749	97,175	97,621	100,120	101,709	118,157	125,962	158,934
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School's covered payroll	\$ 614,218	\$ 625,001	\$ 766,210	\$ 521,133	\$ 516,806	\$ 523,356	\$ 524,813	\$ 594,349	\$ 633,611	\$ 709,526
Contributions as a percentage of covered payroll	15.98%	16.92%	17.72%	18.65%	18.89%	19.13%	19.38%	19.88%	19.88%	22.40%

Notes:

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

See the accompanying independent auditors' report.

CRESTONE CHARTER SCHOOL

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

Years Ended December 31,

	2016	2017	2018	2019	2020	2021	2022
School's proportionate share of the Net OPEB Liability	0.005%	0.006%	0.006%	0.006%	0.006%	0.006%	0.060%
School's proportionate share of the Net OPEB Liability	\$ 81,803	\$ 81,462	\$ 77,509	\$ 63,446	\$ 60,010	\$ 54,124	\$ 52,804
School's covered payroll	\$ 521,133	\$ 516,806	\$ 523,356	\$ 590,696	\$ 586,740	\$ 590,963	\$ 656,316
School's proportionate share of the Net OPEB Liability as a percentage of its covered payroll	15.7%	15.8%	14.8%	10.7%	10.2%	9.2%	8.0%
Plan fiduciary net position as a percentage of the total OPEB liability	20.00%	17.53%	17.03%	24.49%	32.78%	39.40%	38.75%

Notes:

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

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

See the accompanying independent auditors' report.

CRESTONE CHARTER SCHOOL

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS  
HEALTH CARE TRUST FUND

Years Ended June 30,

	2017	2018	2019	2020	2021	2022	2023
Statutorily required contributions	\$ 5,315	\$ 5,271	\$ 5,338	\$ 5,353	\$ 6,062	\$ 6,463	\$ 7,237
Contributions in relation to the Statutorily required contributions	22,131	5,271	5,338	5,353	6,062	6,463	7,237
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
School's covered payroll	\$ 521,133	\$ 516,806	\$ 523,356	\$ 524,813	\$ 594,349	\$ 633,611	\$ 709,526
Contributions as a percentage of covered payroll	4.25%	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%

Notes:

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

See the accompanying independent auditors' report.

## **STATE COMPLIANCE**



**Colorado Department of Education**  
 Charter School Auditor's Integrity Report  
 Colorado School District/BOCES  
 District: 2800 - Moffat 2  
 Fiscal Year 2022-23

Revenues, Expenditures, & Fund Balance by Location and Fund

Location (900- 969): 950

Fund Type & Number	Beg Fund Balance & Prior Per Adj (6880*)	+	1000 - 5999 Total Revenues & Other Sources	-	0001 - 0999 Total Expenditures & Other Uses	=	6700 - 6799 & Prior Per Adj (6880*) Ending Fund Balance
<b>Governmental</b>							
10 General Fund	0	0	0	0	0	0	0
18 Risk Mgmt Sub-Fund of General Fund	0	0	0	0	0	0	0
19 Colorado Preschool Program Fund	0	0	0	0	0	0	0
<b>Sub- Total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
11 Charter School Fund	1,720,097		2,102,414		1,957,087		1,865,425
20.26-29 Special Revenue Fund	0	0	0	0	0	0	0
06 Supplemental Cap Const. Tech. Main. Fund	0	0	0	0	0	0	0
21 Food Service Spec Revenue Fund	0	0	0	0	0	0	0
22 Govt Designated-Purpose Grants Fund	0	0	0	0	0	0	0
23 Pupil Activity Special Revenue Fund	65,891		12,354		0		78,245
24 Full Day Kindergarten Mill Levy Override	0	0	0	0	0	0	0
25 Transportation Fund	0	0	0	0	0	0	0
31 Bond Redemption Fund	0	0	0	0	0	0	0
41 Building Fund	0	0	0	0	0	0	0
42 Special Building Fund	0	0	0	0	0	0	0
43 Capital Reserve Capital Projects Fund	385,162		50,189		38,400		396,951
46 Supplemental Cap Const. Tech. Main Fund	0	0	0	0	0	0	0
39 Certificate of Participation (COP) Debt Service Fund	0	0	0	0	0	0	0
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Proprietary</b>							
50 Other Enterprise Funds	0	0	0	0	0	0	0
64 (63) Risk-Related Activity Fund	0	0	0	0	0	0	0
60.65-69 Other Internal Service Funds	0	0	0	0	0	0	0
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Fiduciary</b>							
70 Other Trust and Agency Funds	0	0	0	0	0	0	0
72 Private Purpose Trust Fund	0	0	0	0	0	0	0
73 Agency Fund	0	0	0	0	0	0	0
74 Pupil Activity Agency Fund	0	0	0	0	0	0	0
79 GASB 34:Permanent Fund	0	0	0	0	0	0	0
85 Foundations	0	0	0	0	0	0	0
<b>Totals</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

\*If you have a prior period adjustment in any fund (Balance Sheet 6880), the amount of your priorperiod adjustment is added into both your ending and beginning fund balances on this report.