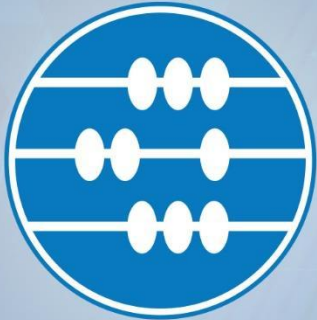


CARBON VALLEY ACADEMY  
BASIC FINANCIAL STATEMENTS

JUNE 30, 2023



*Richard C. Brozewicz*

Certified Public Accountant

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*Richard C. Brozewicz*  
Certified Public Accountant

Board of Directors  
Carbon Valley Academy  
Frederick, Colorado

## INDEPENDENT AUDITORS' REPORT

### Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Carbon Valley Academy, component unit of the ST Vrain Valley School District, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Carbon Valley Academy, as of June 30, 2023, and the respective changes in financial position, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. 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 Carbon Valley Academy, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### Responsibilities of Management for the Financial Statements

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

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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 Carbon Valley Academy 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 Responsibility**

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 generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Carbon Valley Academy's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Carbon Valley Academy ability to continue as a going concern for a reasonable period of time.

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

### **Other Matters**

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedules of the School's proportionate share, and the schedules of the School's contributions on pages 42-46 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for



*Richard C. Brozewicz*  
Certified Public Accountant

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.

Richard Brozewicz, CPA

Fate, Texas

November 10, 2023

## **Carbon Valley Academy Management's Discussion and Analysis**

As management of Carbon Valley Academy, we offer readers of the School's financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2023.

### **Financial Highlights**

At the close of its 19<sup>th</sup> year of operation, the liabilities of the School exceeded its assets by \$2,038,712 (net position). The deficit net position is largely due to the School reporting its net pension and OPEB liabilities as required by GASB 68/75.

At the close of the fiscal year Carbon Valley Academy governmental funds reported a combined ending fund balance of \$1,081,843, a decrease of \$76,025.

### **Overview of Financial Statements**

This discussion and analysis are intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements.

### **Government-wide Financial Statements**

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

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

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

The government-wide financial statement of activities distinguishes functions/programs of the School supported primarily by per pupil revenue (PPR) and other grant revenues passed through from the District (St.Vrain Valley School District) received from the County and State. The governmental activities of the School include instruction and supporting expenses.

The government-wide financial statements can be found on pages 1-2 of this report.

## **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other governmental units or charter schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School are governmental funds.

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

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

Prior to FY23, the School maintained two individual governmental funds, the general fund and the building corporation. In FY23, the building corporation was closed due to the sale of the building/property in June 2022. The School signed a lease with the new property owners which commenced July 2022, for a term of 25 years.

The School adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with the budget.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This information is provided in pages 8-40.

## **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the School, total deficit net position was \$2,038,712 for all government funds as the close of the most recent fiscal year.

## School's Net Position as of June 30, 2023 and 2022

	Governmental Activities	
	<u>6/30/23</u>	<u>6/30/22</u>
Cash and Investments	\$ 1,248,705	\$ 1,450,674
Restricted Cash and Investments	-	-
Other Assets	74,637	142,549
Capital Assets, Net	131,119	136,942
Lease/Right of Use Asset, Net of Accum. Amortization	8,374,928	131,837
Total Assets	<u>9,829,389</u>	<u>1,862,002</u>
Deferred Outflow of Resources	<u>697,666</u>	<u>401,122</u>
Current Liabilities	241,499	435,355
Accrued Interest	-	-
Noncurrent Liabilities	12,061,716	2,488,107
Total Liabilities	<u>12,303,215</u>	<u>2,923,462</u>
Deferred Inflow of Resources	<u>262,552</u>	<u>1,579,619</u>
Net Position		
Net Investment in Capital Assets	(181,260)	9,790
Restricted	105,536	88,401
Unrestricted	(1,962,988)	(2,338,148)
Total Net Position	<u>\$ (2,038,712)</u>	<u>\$ (2,239,957)</u>

**School's Change in Net Position For the Years Ended June 30, 2023  
and June 30, 2022**

	<u>Governmental Activities</u>	
	<u>6/30/23</u>	<u>6/30/22</u>
<b>Program Revenue:</b>		
Charges for Services	\$ -	\$ 41,640
Operating Grants and Contributions	212,389	297,873
Capital Grants and Contributions	<u>207,737</u>	<u>56,866</u>
Total Program Revenue	<u>420,126</u>	<u>396,379</u>
<b>General Revenue:</b>		
Per Pupil Operating Revenue	2,490,963	1,848,613
Mill Levy Override	543,076	358,664
Investment Earnings	-	-
Unrestricted State Aid	-	(61,714)
Other	215,557	13,922
Special Item - Gain on Sale of Assets	<u>                    </u>	<u>1,147,548</u>
Total General Revenue	<u>3,249,596</u>	<u>3,307,033</u>
 Total Revenue	 <u>3,669,722</u>	 <u>3,703,412</u>
<b>Expenses:</b>		
Instruction	1,554,548	1,264,126
Supporting Services	1,913,929	1,224,173
Interest and Fiscal Charges	<u>                    </u>	<u>28,728</u>
Total Expenses	<u>3,468,477</u>	<u>2,517,027</u>
 Increase (Decrease) in Net Position	 201,245	 1,186,385
 Beginning Net Position	 <u>(2,239,957)</u>	 <u>(3,426,342)</u>
 Ending Net Position	 <u>\$ (2,038,712)</u>	 <u>\$ (2,239,957)</u>

**Financial Analysis of the Government's Funds**

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

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

As of the end of the current fiscal year, June 30, 2023, the School’s governmental funds reported a combined ending fund balance of \$1,081,843, a decrease of \$76,025.

### **General Fund Budgetary Highlights**

The School approves a budget in June based on enrollment projections for the following school year. In October after enrollment stabilizes, adjustments are made to the budget. Enrollment for FY23, per certified count, was 265.0 funded pupil count.

### **Long-Term Lease Agreement**

School originally entered into a lease agreement with the School Building Corporation in 2009 for use of the new facility. The bonds under which the lease was based were issued in 2017. The building/property was sold on June 29, 2022, and thus a new lease agreement was in effect for the FY23 fiscal year. In FY23, the monthly rent under this lease agreement was \$27,708 (annual rent of \$332,500.)

### **Economic Factors and Next Year’s Budget**

Primary factors for next year’s budget are student enrollment and PPR. Enrollment for FY23 was 265. This information was analyzed for the proposed FY24 budget and FY24 budget was subsequently based on enrollment of 285 and PPR of \$10,227.47.

### **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’s finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to:

Carbon Valley Academy  
Attn: Michele Saller  
4040 Coriolis Way  
Frederick, CO 80504

## **BASIC FINANCIAL STATEMENTS**

CARBON VALLEY ACADEMY  
STATEMENT OF NET POSITION  
As of June 30, 2023

	GOVERNMENTAL ACTIVITIES
<b>ASSETS</b>	
Cash and Investments	\$ 1,248,705
Accounts Receivable	12,124
Due from District	23,877
Prepaid Expenses	38,636
Capital Assets, Depreciated, Net of Accumulated Depreciation	131,119
Right of Use Asset - Equipment Net of Accumulated Amortization	8,374,928
<b>TOTAL ASSETS</b>	<b>9,829,389</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Related to Pensions	691,848
Related to OPEB	5,818
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>697,666</b>
<b>LIABILITIES</b>	
Accounts Payable	37,797
Due to District	27,083
Accrued Salaries and Benefits	121,628
Accrued Liabilities	54,991
Noncurrent Liabilities	
Due in One Year	136,530
Due in More than One Year	8,550,777
Net Pension Liability	3,263,274
Net OPEB Liability	111,135
<b>TOTAL LIABILITIES</b>	<b>12,303,215</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Related to Pensions	237,710
Related to OPEB	24,842
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>262,552</b>
<b>NET POSITION</b>	
Net Investment in Capital Assets	(181,260)
Restricted for Emergencies	105,536
Unrestricted	(1,962,988)
<b>TOTAL NET POSITION</b>	<b>\$ (2,038,712)</b>

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

CARBON VALLEY ACADEMY  
STATEMENT OF ACTIVITIES  
Year Ended June 30, 2023

FUNCTIONS/PROGRAMS PRIMARY GOVERNMENT	PROGRAM REVENUES				NET (EXPENSE) REVENUE AND CHANGES IN NET POSITION
	EXPENSES	CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES
<b>Governmental Activities</b>					
Instructional	\$ 1,554,548	\$ -	\$ 100,563	\$ -	\$ (1,453,985)
Supporting Services	<u>1,913,929</u>	<u>-</u>	<u>111,826</u>	<u>207,737</u>	<u>(1,594,366)</u>
Total Governmental Activities	<u>\$ 3,468,477</u>	<u>\$ -</u>	<u>\$ 212,389</u>	<u>\$ 207,737</u>	<u>(3,048,351)</u>
			GENERAL REVENUES		
					2,490,963
					543,076
					-
					<u>215,557</u>
			TOTAL GENERAL REVENUES		<u>3,249,596</u>
			CHANGE IN NET POSITION		201,245
			NET POSITION, Beginning		<u>(2,239,957)</u>
			NET POSITION, Ending		<u>\$ (2,038,712)</u>

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

CARBON VALLEY ACADEMY  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2023

	GENERAL FUND	BUILDING CORPORATION	Total
<b>ASSETS</b>			
Cash and Investments	\$ 1,248,705	\$ -	\$1,248,705
Accounts Receivable	12,124	-	12,124
Due from District	23,877	-	23,877
Prepaid Asset	38,636	-	38,636
<b>TOTAL ASSETS</b>	<b>\$ 1,323,342</b>	<b>\$ -</b>	<b>\$1,323,342</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>LIABILITIES</b>			
Accounts Payable	\$ 37,797	\$ -	\$ 37,797
Due to District	27,083	-	27,083
Accrued Salaries and Benefits	121,628	-	121,628
Accrued Liabilities	54,991	-	54,991
<b>TOTAL LIABILITIES</b>	<b>241,499</b>	<b>-</b>	<b>241,499</b>
<b>FUND BALANCES</b>			
Nonspendable	\$ 38,636	\$ -	\$ 38,636
Restricted for Emergencies	105,536	-	105,536
Unassigned	937,671	-	937,671
<b>TOTAL FUND BALANCES</b>	<b>1,081,843</b>	<b>-</b>	<b>1,081,843</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 1,323,342</b>	<b>\$ -</b>	

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

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

	GENERAL FUND	BUILDING CORPORATION	Total
REVENUES			
Local Sources	\$ 3,249,596	\$ -	\$ 3,249,596
State Sources	207,737	-	207,737
Federal Sources	100,563	-	100,563
			-
TOTAL REVENUES	<u>3,557,896</u>	<u>-</u>	<u>3,557,896</u>
EXPENDITURES			
Current			
Instruction	1,919,268	-	1,919,268
Supporting Services	1,714,653	-	1,714,653
Capital Outlay	8,627,967	-	8,627,967
			-
TOTAL EXPENDITURES	<u>12,261,888</u>	<u>-</u>	<u>12,261,888</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(8,703,992)</u>	<u>-</u>	<u>(8,703,992)</u>
OTHER FINANCING SOURCES (USES)			
Proceeds from Lease	8,627,967	-	8,627,967
Transfers In	1,029,754	-	1,029,754
Transfers Out	-	(1,029,754)	(1,029,754)
	<u>9,657,721</u>	<u>(1,029,754)</u>	<u>8,627,967</u>
NET CHANGE IN FUND BALANCES	953,729	(1,029,754)	(76,025)
FUND BALANCES, Beginning	<u>128,114</u>	<u>1,029,754</u>	<u>1,157,868</u>
FUND BALANCES, Ending	<u>\$ 1,081,843</u>	<u>\$ -</u>	<u>\$ 1,081,843</u>

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

CARBON VALLEY ACADEMY  
RECONCILIATION OF THE GOVERNMENTAL FUNDS  
BALANCE SHEET TO THE STATEMENT OF NET POSITION  
Year Ended June 30, 2023

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

Total fund balances of governmental funds		\$ 1,081,843
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Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.

Capital Assets, not depreciated	-		
Capital Assets, depreciated	262,337		
Accumulated Depreciation	(131,218)		
Right to Use Asset	8,781,766		
Accumulated Amortization	<u>(406,838)</u>		8,506,047

Long-term liabilities and related assets are not due and payable in the current period and, therefore, are not reported in the funds.

Lease Payable	(8,687,307)		
Net Pension Liability	(3,263,274)		
Net OPEB Liability	<u>(111,135)</u>		(12,061,716)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

Deferred outflows of resources - Related to Pensions	691,848		
Deferred outflows of resources - Related to OPEB	5,818		
Deferred inflows of resources - Related to Pensions	(237,710)		
Deferred inflows of resources- Related to OPEB	<u>(24,842)</u>		<u>435,114</u>

Net position of governmental activities		<u>\$ (2,038,712)</u>
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The accompanying notes are an integral part of the financial statements.

CARBON VALLEY ACADEMY  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES OF 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 change in fund balances - total governmental funds		\$ (76,025)
--	--	-------------

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities.

Capital Outlay	8,627,967		
Amortization	(317,064)		
Depreciation	<u>(5,823)</u>		8,305,080

Debt proceeds are reported as financial resources in the governmental funds and increase fund balance. In the government-wide financial statements, however, issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities.

Lease proceeds	(8,627,967)		(8,627,967)
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Deferred Charges related to pensions and OPEB are not recognized in the governmental fund. However, for the government-wide funds those amounts are capitalized and amortized.

Deferred charges related to Pension Plan	580,200		
Deferred charges related to OPEB	<u>19,957</u>		<u>600,157</u>

Change in net position of governmental activities		<u>\$ 201,245</u>
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The accompanying notes are an integral part of the financial statements.

CARBON VALLEY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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

Carbon Valley Academy (the “Academy”) was formed in March of 2005, pursuant to the Colorado Charter Schools Act to form and operate a charter school. The focus of which is to provide a Core Knowledge based curriculum to students from preschool to 8<sup>th</sup> grade.

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

**Reporting Entity**

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

Based upon the application of these criteria, the following organization is included in the Academy’s reporting entity.

Carbon Valley Building Corporation

The Carbon Valley Building Corporation (the “Building Corporation”) is considered to be financially accountable to the Academy. The Building Corporation was formed to support and assist the Academy to perform its function and to carry out its purpose, specifically to assist in the financing and construction of the Academy’s facilities. The Building Corporation is blended into the Academy’s financial statements as a special revenue fund. Separate financial statements are not available for the Building Corporation.

The Academy is a component unit of the St. Vrain Valley School District (the “District”).

**Government-Wide and Fund Financial Statements**

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

CARBON VALLEY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

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

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

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to students or others who purchase, use, or directly benefit from goods, services, 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.

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

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

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

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

CARBON VALLEY ACADEMY

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**  
(Continued)

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with the fund's principal ongoing operations.

Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

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

The Academy reports the following major funds:

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

The *Building Corporation Fund* is used to account for activity of Building Corporation.

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

*Investments* – Investments are recorded at fair value.

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

Donated capital assets are recorded at estimated fair market value at the date of donation.

CARBON VALLEY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

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

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

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, 40 years, leasehold improvements, 7 years; equipment, 3-7 years.

*Long-term Debt* – In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. 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.

*Unearned Revenues* – Unearned revenues include tuition revenues that have been collected but the corresponding expenditure that have not been incurred.

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

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

- Nonspendable – This classification includes amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. The Academy did not have any Nonspendable resources as of June 30, 2022.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or

CARBON VALLEY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

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

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

(b) imposed by law through constitutional provisions or enabling legislation. The Academy has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies.

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

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

**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.

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.

CARBON VALLEY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

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

**Budgets and Budgetary Accounting**

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

**Legal Compliance**

The actual expenditures of the General Fund exceeded the budgeted amount by \$9,560,113. This may be a violation of State statute.

**NOTE 3: CASH AND INVESTMENTS**

Cash and Investments at June 30, 2023 consisted of the following:

Cash on Hand	\$ 6,000
Deposits	<u>1,242,705</u>
Total	<u><b>\$ 1,248,705</b></u>

**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 Academy 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 Academy has no policy regarding custodial credit risk for deposits.

CARBON VALLEY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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

**Deposits (Continued)**

At June 30, 2022, the Academy had deposits with financial institutions with a carrying amount of \$1,444,574. The bank balances with the financial institutions were \$1,344,875. Of this amount, \$250,000 was covered federal depository insurance and \$1,094,875 was covered by collateral held by authorized escrow agents in the financial institutions name (PDPA).

**Investments**

Interest Rate Risk

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

Credit Risk

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

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

The Academy has no investments at June 30, 2023.

CARBON VALLEY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

**NOTE 4: CAPITAL ASSETS**

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

	6/30/2022 Balance	Additions	Deletions	6/30/2023 Balance
<b>Governmental Activities</b>				
<b>Capital Asset, Being</b>				
Depreciated				
Leasehold Improvements	\$ -	\$ -	\$ -	\$ -
Equipment	262,337	-	-	262,337
Total Capital Assets				
Being Depreciated	262,337	-	-	262,337
Accumulated Depreciation				
Leasehold Improvements	-	-	-	-
Equipment	125,395	5,823	-	131,218
Total Depreciation	125,395	5,823	-	131,218
Total Capital Assets, Being Depreciated, Net	136,942	(5,823)	-	131,119
Leased assets being amortized				
Right to Use Asset	153,799	8,627,967	-	8,781,766
Total Capital Assets	153,799	8,627,967	-	8,781,766
Accumulated Amortization				
Right to Use Asset	21,962	384,876	-	406,838
Total Amortization	21,962	384,876	-	406,838
Total Assets, being Amortized	131,837	(384,876)	-	8,374,928
Net Capital Assets	\$ 268,779	\$ 8,237,268	\$ -	\$ 8,506,047

Depreciation has been charged to the Supporting Services program of the Academy.

**NOTE 5: ACCRUED SALARIES AND BENEFITS**

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from August to July but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, as of June 30, 2023, were \$121,628. Accordingly, the accrued compensation is reflected as a liability in the 14accompanying financial statements of the General Fund.

CARBON VALLEY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

**NOTE 6: LONG-TERM DEBT**

Following is a summary of the Academy's long-term debt transactions for the year ended June 30, 2023:

Asset	Balance			Balance	
	<u>6/30/2022</u>	<u>Additions</u>	<u>Payments</u>	<u>6/30/2023</u>	<u>Due Within one Year</u>
Building Lease	\$ -	\$ 8,552,183	\$ 24,169	\$ 8,528,014	\$ 92,617
Buses	127,152	-	29,487	97,665	\$30,533
Copier	-	75,784	14,156	61,628	13,380
<b>Total</b>	<b>\$127,152</b>	<b>\$8,627,967</b>	<b>\$67,812</b>	<b>\$ 8,687,307</b>	<b>\$136,530</b>

**Leases**

On August 1, 2021, the Academy entered into a lease agreement for two buses. The agreement requires monthly payments ranging from \$2,457 to \$2,960, beginning on August 1, 2021, through July 1, 2026.

On June 17, 2022, the Academy entered into a lease agreement for the school building. The agreement requires monthly payments ranging from \$24,168.91 to \$62,018.57 beginning on July 1, 2022, through June 30, 2047. The agreement has a built in escalation rate of 3.55%, which we used as the basis to calculate the imputed interest. The school has an option to purchase the building for the following amounts at these specified dates:

Option Period 1, 2, 3 ending July 31, 2023, 2024, 2025- \$6,000,000.

Option Period 4 ending July 31, 2026- \$6,180,000

Option Period 5 ending July 31, 2027- \$6,365,400

Option period 6 August 1, 2027 through end of lease: Negotiable in good faith.

On August 25, 2022, the Academy entered into a lease agreement for two copiers. The agreement requires monthly payments ranging from \$1,340 beginning on August 25, 2022, through September 30, 2027. The agreement did not have a stated interest rate and as a result we used the 5-year treasury rate of 4.86 % to calculate the imputed interest.

For the year ended June 30, 2023, the School implemented Governmental Accounting Standards Board (GASB) Statement No. 96, Subscription-Based Information Technology Arrangements (SBITA). GASB 96 provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs). For the year ended June 30, 2023, the school has evaluated its existing agreements and has determined that no changes to the School's financial statements are deemed necessary

CARBON VALLEY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

**NOTE 6: LONG-TERM DEBT(Continued)**

The future minimum payments under the lease agreement as of June 30, 2023 are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 136,530	\$ 306,868	\$ 443,398
2025	154,133	301,576	455,709
2026	175,161	295,649	470,810
2027	169,899	289,279	459,178
2028	175,244	282,953	458,197
2029-2033	1,141,270	1,305,721	2,446,991
2034-2038	1,713,257	1,055,287	2,768,544
2039-2043	2,442,241	690,111	3,132,352
2044-2047	2,579,572	220,174	2,799,746
Total	<u>\$ 8,687,307</u>	<u>\$ 4,747,618</u>	<u>\$ 13,434,925</u>

**NOTE 7: DEFINED BENEFIT PENSION PLAN**

**Summary of Significant Accounting Policies**

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

**General Information about the Pension Plan**

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

CARBON VALLEY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

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

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

*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.

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 the highest average salary and cannot exceed the maximum benefit allowed by the 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

CARBON VALLEY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

**NOTE 7: DEFINED BENEFIT PENSION PLAN**

General Information about the Pension Plan (Continued)

the lesser of an annual increase of the 1.00% AI cap or the average increase of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed a determined increase that would

exhaust 10% of PERA’s Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned AI cap by up to 0.25% based on the parameters specified in C.R.S. § 24-51-413.

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

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

*Contributions provisions as of June 30, 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).

CARBON VALLEY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

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

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

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 \$316,687 for the year ended June 30, 2023.

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 \$3,263,274 for its proportionate share of the net pension liability that reflected an increase for support from the State as a nonemployer contributing entity. The amount recognized by the School as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the School were as follows:

CARBON VALLEY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

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

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

School's proportionate share of the net pension liability	\$3,263,274
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the School	950,951
Total	\$4,214,225

At December 31, 2022, the School's proportion was 0.0179208%, which was a decrease of 0.0014307% from its proportion measured as of December 31, 2021.

For the year ended June 30, 2023, the School recognized pension expense of (\$70,597) and revenue of \$81,092 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	\$ 30,883	\$-
Changes of assumptions or other inputs	57,803	-
Net difference between projected and actual earnings on pension plan investments	438,378	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	(1,820)	237,710
Contributions subsequent to the measurement date	166,604	N/A
Total	\$691,848	\$237,710

\$166,604 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. 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	(\$91,785)
2025	(14,424)
2026	138,759
2027	254,984

CARBON VALLEY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

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

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

**Actuarial assumptions. The TPL in the December 31, 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.

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.

CARBON VALLEY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

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

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

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.

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:

CARBON VALLEY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

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

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

<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>	

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.
- 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

CARBON VALLEY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

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

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

- the 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.
- 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.

CARBON VALLEY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

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

*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	\$4,270,503	\$3,263,274	\$2,422,135

*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 8: 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. Investments are reported at fair value.

CARBON VALLEY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

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

**General Information about the OPEB Plan**

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

CARBON VALLEY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

**NOTE 8: 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.

*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 \$15,850 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 \$111,135 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

CARBON VALLEY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

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

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

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 0.01361%, which was an increase of 0.00098% from its proportion measured as of December 31, 2021.

For the year ended June 30, 2023, the School recognized OPEB expense of \$4,108. 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	\$14	\$26,876
Changes of assumptions or other inputs	1,786	12,266
Net difference between projected and actual earnings on OPEB plan investments	6,788	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	(11,108)	(14,300)
Contributions subsequent to the measurement date	8,338	N/A
<b>Total</b>	<b>\$5,818</b>	<b>\$24,842</b>

\$8,338 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:

CARBON VALLEY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

**NOTE 8: 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)

<b>Year ended June 30,</b>	
2024	(\$12,794)
2025	(10,858)
2026	(4,988)
2027	2,320
2028	(816)
Thereafter	(226)

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CARBON VALLEY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

**NOTE 8: 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	

CARBON VALLEY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

**NOTE 8: 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**

<b>Participant Age</b>	<b>Annual Increase (Male)</b>	<b>Annual Increase (Female)</b>
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	0.0%	0.0%

CARBON VALLEY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

**NOTE 8: 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.

CARBON VALLEY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

**NOTE 8: 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.

CARBON VALLEY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

**NOTE 8: 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.

CARBON VALLEY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

**NOTE 8: 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.

CARBON VALLEY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

**NOTE 8: 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</b>
Global	54.00	%	5.60%
Fixed	23.00	%	1.30%
Private	8.50	%	7.10%
Real Estate	8.50	%	4.40%
Alternatives	6.00	%	4.70%
	<b>100.00</b>	<b>%</b>	

CARBON VALLEY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

**NOTE 8: 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	Current Trend	1% Increase
Initial PERACare	5.25%	6.25%	7.25%
Ultimate PERACare	3.50%	4.50%	5.50%
Initial Medicare Part	3.00%	4.00%	5.00%
Ultimate Medicare	3.50%	4.50%	5.50%
Net OPEB Liability	\$107,989	\$111,135	\$114,557

<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.

CARBON VALLEY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

**NOTE 8: 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	1% Increase (8.25%)
Proportionate share of the net OPEB	\$128,838	\$111,135	\$95,992

*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).

CARBON VALLEY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

**NOTE 9: RISK MANAGEMENT**

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The Academy participates in the Colorado School District Self-Insurance Pool. The Pool insures property and liability exposures through contributions made by member districts. The Academy does not maintain an equity interest in the self-insurance pool. The Academy funds its pool contributions, outside insurance purchases, deductibles, and uninsured losses through the General Fund. The Academy is fully self-insured for unemployment compensation and has a \$500 deductible for property insurance.

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

**NOTE 10: COMMITMENTS AND CONTINGENCIES**

**Claims and Judgments**

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

**Tabor Amendment**

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The Academy believes it has complied with the Amendment. As required by the Amendment, the Academy has established a reserve for emergencies. At June 30, 2023, the reserve of \$105,536 was recorded as a restriction of fund balance in the General Fund.

**NOTE 11: DEFICIT NET POSITION**

The Net Position of the government type activities is in a deficit position of \$1,651,447 due to the Academy including the Net Pension, OPEB Liabilities, and lease liabilities per the requirements of GASB Statements No. 68 , 75, and 87.

CARBON VALLEY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2022

**NOTE 12: SUBSEQUENT EVENTS**

Potential subsequent events were considered through November 2, 2023. It was determined that no events were required to be disclosed through this date.

**REQUIRED SUPPLEMENTARY INFORMATION**

CARBON VALLEY ACADEMY  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
Year Ended June 30, 2023

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE Positive (Negative)	2022 ACTUAL
<b>REVENUES</b>					
Local Sources					
Per Pupil Revenue	\$ 2,814,900	\$ 2,814,900	\$ 2,490,963	\$ (323,937)	\$ 1,848,613
Mill Levy Override	460,000	460,000	543,076	83,076	358,664
Other	25,177	25,177	215,557	190,380	70,369
State Sources					
Capital Construction, Grants & Donations	-	-	207,737	207,737	143,979
Federal Sources					
Grants and Donations	79,173	79,173	100,563	21,390	190,561
<b>TOTAL REVENUES</b>	<u>3,379,250</u>	<u>3,379,250</u>	<u>3,557,896</u>	<u>178,646</u>	<u>2,612,186</u>
<b>EXPENDITURES</b>					
Salaries	1,297,087	1,297,087	1,592,240	(295,153)	1,332,474
Employee Benefits	547,346	547,346	612,799	(65,453)	486,326
Purchased Services	540,976	540,976	819,692	(278,716)	926,408
Supplies and Materials	44,000	44,000	219,592	(175,592)	211,476
Property	85,894	85,894	44,405	41,489	38,913
Other	186,472	186,472	4,525	181,947	1,536
Capital Outlay	-	-	8,627,967	(8,627,967)	
Debt Service					
Principal	-	-	67,812	(67,812)	-
Interest	-	-	272,856	(272,856)	-
Total Expenditures	<u>2,701,775</u>	<u>2,701,775</u>	<u>12,261,888</u>	<u>(9,560,113)</u>	<u>2,997,133</u>
<b>TOTAL EXPENDITURES</b>	<u>2,701,775</u>	<u>2,701,775</u>	<u>12,261,888</u>	<u>(9,560,113)</u>	<u>2,997,133</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>677,475</u>	<u>677,475</u>	<u>(8,703,992)</u>	<u>(9,381,467)</u>	<u>(384,947)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Proceeds from Lease	-	-	8,627,967	8,627,967	-
Transfers in	-	-	1,029,754	1,029,754	-
Transfers out	-	-	-	-	-
<b>TOTAL OTHER FINANCING SOURCES (USES)</b>	<u>-</u>	<u>-</u>	<u>9,657,721</u>	<u>9,657,721</u>	<u>-</u>
<b>NET CHANGE IN FUND BALANCES</b>	677,475	677,475	953,729	276,254	(384,947)
FUND BALANCE, Beginning	<u>128,114</u>	<u>128,114</u>	<u>128,114</u>	<u>-</u>	<u>892,294</u>
FUND BALANCE, Ending	<u>\$ 805,589</u>	<u>\$ 805,589</u>	<u>\$ 1,081,843</u>	<u>\$ 276,254</u>	<u>\$ 507,347</u>

See the accompanying independent auditors' report.

CARBON VALLEY ACADEMY

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

Years Ended December 31,

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Proportion of the Net Pension Liability (Asset)	0.0179%	0.0194%	0.0206%	0.0206%	0.0209%	0.0250%	0.0253%	0.0264%	0.0280%	0.0241%
Proportionate Share of the Net Pension Liability (Asset)	\$ 3,263,274	\$ 2,252,002	\$ 3,109,322	\$ 3,080,326	\$ 3,703,879	\$ 8,069,029	\$ 7,541,937	\$ 4,038,955	\$ 3,790,127	\$ 3,071,977
State of Colorado Proportionate Share of the Net Pension Liability (Asset)	950,951	258,163	-	390,700	506,453	-	-	-	-	-

Total Proportionate Share of the Net Pension Liability (Asset)	1,116,017	2,510,165	3,109,322	3,471,026	4,210,332	8,069,029	7,541,937	4,038,955	3,790,127	3,071,977
Covered payroll	\$ 1,381,241	\$ 1,309,100	\$ 1,100,317	\$ 1,180,655	\$ 1,157,106	\$ 1,151,069	\$ 1,136,888	\$ 1,152,865	\$ 1,172,333	\$ 959,993
Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	80.8%	191.7%	282.6%	294.0%	363.9%	701.0%	663.4%	350.3%	323.3%	320.0%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.9%	74.9%	66.99%	64.52%	57.01%	43.96%	43.10%	59.20%	62.80%	64.10%

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.

CARBON VALLEY ACADEMY

See the accompanying independent auditors' report.  
 SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS  
 SCHOOL DIVISION TRUST FUND

Years Ended June 30,

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required Contributions	\$ 316,687	\$ 260,248	\$ 214,909	\$ 228,809	\$ 221,414	\$ 221,284	\$ 220,438	\$ 215,954	\$ 210,779	\$ 179,844
Contributions in Relation to the Contractually Required Contributions	316,687	260,248	214,909	228,809	221,414	221,284	220,438	215,954	210,779	179,844
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,553,896	\$ 1,309,100	\$ 1,081,037	\$ 1,180,655	\$ 1,157,417	\$ 1,171,816	\$ 1,136,119	\$ 1,151,793	\$ 1,178,192	\$ 1,055,661
Contributions as a Percentage of Covered Payroll	20.38%	19.88%	19.88%	19.38%	19.13%	18.88%	19.40%	18.75%	17.89%	17.04%

See the accompanying independent auditors' report.

CARBON VALLEY ACADEMY

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

Years Ended December 31,

	2022	2021	2020	2019	2018	2017	2016
Proportion of the Net OPEB Liability (Asset)	0.014%	0.013%	0.012%	0.013%	0.014%	0.014%	0.014%
Proportionate Share of the Net OPEB Liability (Asset)	\$ 111,135	\$ 108,953	\$ 113,061	\$ 151,447	\$ 184,986	\$ 184,264	\$ 186,674
Covered payroll	\$ 1,381,241	\$ 1,309,100	\$ 1,100,317	\$ 1,180,655	\$ 1,157,106	\$ 1,151,069	\$ 1,136,888
Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	8.05%	8.32%	10.28%	12.83%	15.99%	16.01%	16.42%
Plan Fiduciary Net position as a Percentage of the Total OPEB Liability	38.57%	39.4%	32.8%	24.5%	17.0%	17.5%	16.7%

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.

CARBON VALLEY ACADEMY

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS  
HEALTH CARE TRUST FUND

Years Ended June 30,

	2023	2022	2021	2020	2019	2018	2017
Contractually Required Contributions	\$ 15,850	\$ 13,353	\$ 11,027	\$ 12,004	\$ 11,806	\$ 11,953	\$ 11,596
Contributions in Relation to the Contractually Required Contributions	15,850	13,353	11,027	12,004	11,806	11,953	11,596
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Covered payroll	\$ 1,553,896	\$ 1,309,100	\$ 1,081,037	\$ 1,180,655	\$ 1,157,417	\$ 1,171,816	\$ 1,136,119
Contributions as a Percentage of Covered Payroll	1.02%	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.