

**CIVICA COLORADO**  
**BASIC FINANCIAL STATEMENTS**  
**June 30, 2023**

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# JOHN CUTLER & ASSOCIATES

Board of Directors  
CIVICA Colorado  
Milliken, Colorado

## INDEPENDENT AUDITORS' REPORT

### Report on the Financial Statements

#### *Opinions*

We have audited the financial statements of the governmental activities, business-type activities, and each major fund, of CIVICA Colorado (the "School"), a component unit of Weld County School District RE-5J, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

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

#### *Basis for Opinions*

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

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

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

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

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

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

In performing an audit in accordance with GAAS, we:

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

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

***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required budgetary and pension information on pages 44-48 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

*John Luthr & Associates, LLC*

December 5, 2023

## **Management’s Discussion and Analysis**

This section of the annual financial report for CIVICA Academy of Colorado (the School) and the CIVICA Building Corporation (the Corporation) provides an overview of the School and Corporation’s activities as of and for the fiscal year ended June 30, 2023. It should be read in conjunction with the financial statements, which immediately follow this section.

### **Financial Highlights**

The year ending June 30, 2023 is the fourth year of operations for the School. The School shows assets exceed its liabilities by \$1,573,439 while the Corporation shows liabilities exceed assets by \$933,134 (see Note 12). The School’s operations are funded primarily by tax revenue received under the State School Finance Act, while the Corporation’s is funded through rent received from the School and the bond proceeds from the debt issuance.

### **Overview of the Financial Statements**

This discussion and analysis are intended to serve as an introduction to the School’s annual report. This report has three components: 1) management’s discussion and analysis (this section) and 2) the basic financial statements. The basic financial statements include two types of statements presenting different views of the School:

#### **School-Wide Financial Statements**

The School-Wide financial statements are designed to provide readers with a broad overview of the School’s finance, in a manner similar to a private-sector business.

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

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

The school-wide financial statements include not only the School, but also the Corporation. The Corporation, a legally separate entity, is for all practical purposes a part of the School and its activity is reported as a business-type activities withing the financial statements.

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

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

## **Fund Financial Statements**

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

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

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

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

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

## **Notes to Financial Statements**

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided.

## School-Wide Financial Analysis

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

	2023			2022		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
Current assets	\$ 534,337	\$ 680,121	\$ 1,214,458	\$ 404,746	\$ 2,738,866	\$ 3,143,612
Long-term assets	1,869,600	6,440,333	8,309,933	1,869,600	4,626,635	6,496,235
<b>Total Assets</b>	<b>2,403,937</b>	<b>7,120,454</b>	<b>9,524,391</b>	<b>2,274,346</b>	<b>7,365,501</b>	<b>9,639,847</b>
<b>Deferred Outflows of Resources</b>	<b>1,067,130</b>	<b>-</b>	<b>1,067,130</b>	<b>1,037,673</b>	<b>-</b>	<b>1,037,673</b>
<b>Liabilities:</b>						
Liabilities - current	321,645	63,588	385,233	62,636	75,510	138,146
Liabilities - long term	1,540,266	7,990,000	9,530,266	797,604	7,999,000	8,796,604
<b>Total Liabilities</b>	<b>1,861,911</b>	<b>8,053,588</b>	<b>9,915,499</b>	<b>860,240</b>	<b>8,074,510</b>	<b>8,934,750</b>
<b>Deferred Inflows of Resources</b>	<b>35,717</b>	<b>-</b>	<b>35,717</b>	<b>296,317</b>	<b>-</b>	<b>296,317</b>
<b>Net Position</b>						
Net Investment in Capital Assets	1,869,600	(1,549,667)	319,933	1,869,600	(127,450)	1,742,150
Restricted	77,126	-	77,126	54,838	414,545	469,383
Unrestricted	(373,287)	616,533	243,246	231,024	(987,104)	(756,080)
<b>Total Net Position</b>	<b>\$ 1,573,439</b>	<b>\$ (933,134)</b>	<b>\$ 640,305</b>	<b>\$ 2,155,462</b>	<b>\$ (700,009)</b>	<b>\$ 1,455,453</b>

The unrestricted net position of governmental activities represents the accumulated results of life-to-date operation. These assets can be used to finance day-to-day operations without constraints, such as legislative or legal requirements. The results of the current year-operations for the School as a whole are reported in the Statement of Activities, which shows changes the net position.

The results of operations for the operations for the School and Corporation as a whole are reported in the summarized Statement of Activities (below) which show the changes in net position for fiscal year ended June 30:

	2023			2022		
	Governmental Activities	Business-type Activities	Total	Governmental Activities	Business-type Activities	Total
<b>Revenues:</b>						
Per Pupil Revenue	\$ 1,352,059	\$ -	\$ 1,352,059	\$ 1,117,479	\$ -	\$ 1,117,479
Mill Levy Override	230,809	-	230,809	153,684	-	153,684
Other	39,526	-	39,526	671,254	(347,847)	323,407
<b>Total Revenues</b>	<b>1,622,394</b>	<b>-</b>	<b>1,622,394</b>	<b>1,942,417</b>	<b>(347,847)</b>	<b>1,594,570</b>
<b>Governmental Expenses:</b>						
Instruction	730,581	-	730,581	694,705	-	694,705
Support services	1,341,451	-	1,341,451	(1,017,988)	-	(1,017,988)
<b>Business-Type Expenses:</b>						
Building Corporation	-	233,125	233,125	-	352,162	352,162
<b>Total Expenses</b>	<b>2,072,032</b>	<b>233,125</b>	<b>2,305,157</b>	<b>(323,283)</b>	<b>352,162</b>	<b>28,879</b>
<b>Changes in Net Position</b>	<b>\$ (449,638)</b>	<b>\$ (233,125)</b>	<b>\$ (682,763)</b>	<b>\$ 2,265,700</b>	<b>\$ (700,009)</b>	<b>\$ 1,565,691</b>

A reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of Governmental Funds to the Statement of Activities.

**Governmental Fund Budget Analysis and Highlights**

The Board of Directors of CIVICA Academy of Colorado adopted an annual budget for the School. A budgetary comparison statement has been provided for the governmental funds to demonstrate compliance with the School’s budget.

	Final Budget	Actual
<b>Revenues</b>		
Per Pupil	\$ 1,352,051	\$ 1,352,059
Mill Levy Override	168,045	230,809
Other	451,105	39,526
<hr/>		
Total revenues	1,971,201	1,622,394
<hr/>		
<b>Expenditures</b>		
Instruction	891,504	730,581
Support services	963,362	1,108,326
Interest and fiscal charges	236,632	233,125
<hr/>		
Total expenditures	2,091,498	2,072,032
<hr/>		
<b>Excess of revenues over expenditures</b>	<b>\$ (120,297)</b>	<b>\$ (449,638)</b>

**Request for Information**

The financial report is intended to provide a general overview of the finances of the School. Request for additional information to the Business Manager of CIVICA Academy of Colorado, 301 Centennial Dr., Milliken, Colorado 80543.

## **BASIC FINANCIAL STATEMENTS**

CIVICA COLORADO

STATEMENT OF NET POSITION

June 30, 2023

	GOVERNMENTAL ACTIVITIES	BUSINESS- TYPE ACTIVITIES	TOTAL
<b>ASSETS</b>			
Cash and Investments	\$ 303,277	\$ 680,121	\$ 983,398
Restricted Cash and Investments	29,126	-	29,126
Accounts Receivable	4,239	-	4,239
Grants Receivable	197,695	-	197,695
Capital Assets, Not Depreciated	1,869,600	635,054	2,504,654
Capital Assets, Depreciated			
Net of Accumulated Depreciation	-	5,805,279	5,805,279
<b>TOTAL ASSETS</b>	<u>2,403,937</u>	<u>7,120,454</u>	<u>9,524,391</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Related to Pensions	1,002,655	-	1,002,655
Related to OPEB	64,475	-	64,475
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<u>1,067,130</u>	<u>-</u>	<u>1,067,130</u>
<b>LIABILITIES</b>			
Accounts Payable	239,863	-	239,863
Accrued Salaries and Benefits	58,337	-	58,337
Compensated Absences	23,445	-	23,445
Accrued Interest	-	63,588	63,588
Noncurrent Liabilities			
Net Pension Liability	1,489,560	-	1,489,560
Net OPEB Liability	50,706	-	50,706
Due Within One Year	-	-	-
Due in More Than One Year	-	7,990,000	7,990,000
<b>TOTAL LIABILITIES</b>	<u>1,861,911</u>	<u>8,053,588</u>	<u>9,915,499</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Related to Pensions	-	-	-
Related to OPEB	35,717	-	35,717
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<u>35,717</u>	<u>-</u>	<u>35,717</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	1,869,600	(1,549,667)	319,933
Restricted for National School Lunch	19,694	-	19,694
Restricted for Emergencies	48,000	-	48,000
Assigned for Student Activities	9,432	-	9,432
Unrestricted	(373,287)	616,533	243,246
<b>TOTAL NET POSITION</b>	<u>\$ 1,573,439</u>	<u>\$ (933,134)</u>	<u>\$ 640,305</u>

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

CIVICA COLORADO

STATEMENT OF ACTIVITIES  
Year Ended June 30, 2023

FUNCTIONS/PROGRAMS	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION		
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	TOTAL
<b>Governmental Activities</b>						
Instruction	\$ 1,344,322	\$ 613,741	-	\$ (730,581)	\$ -	\$ (730,581)
Supporting Services	1,427,958	-	46,982	(1,341,451)	-	(1,341,451)
Total Governmental Activities	2,772,280	613,741	46,982	(2,072,032)	-	(2,072,032)
<b>Business-Type Activities</b>						
Building Corporation	656,379	-	-	-	(233,125)	(233,125)
Total Primary Government	\$ 3,428,659	\$ 613,741	\$ 46,982	(2,072,032)	(233,125)	(2,305,157)
<b>GENERAL REVENUES</b>						
Per Pupil Revenue				1,352,059	-	1,352,059
Mill Levy Override				230,809	-	230,809
Unrestricted State Aid				39,526	-	39,526
TOTAL GENERAL REVENUES				1,622,394	-	1,622,394
CHANGE IN NET POSITION				(449,638)	(233,125)	(682,763)
NET POSITION, Beginning				2,023,077	(700,009)	1,323,068
NET POSITION, Ending				\$ 1,573,439	\$ (933,134)	\$ 640,305

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

CIVICA COLORADO

BALANCE SHEET  
GOVERNMENTAL FUNDS

June 30, 2023

	<u>GENERAL FUND</u>
<b>ASSETS</b>	
Cash and Investments	\$ 303,277
Restricted Cash and Cash Equivalents	29,126
Accounts Receivable	4,239
Grants Receivable	197,695
TOTAL ASSETS	<u>\$ 534,337</u>
<b>LIABILITIES AND FUND BALANCES</b>	
<b>LIABILITIES</b>	
Accounts Payable	\$ 239,863
Accrued Salaries and Benefits	58,337
Unearned Revenue	<u>176,521</u>
TOTAL LIABILITIES	<u>474,721</u>
<b>FUND BALANCES</b>	
Restricted for National School Lunch	19,694
Restricted for Emergencies	48,000
Assigned for Student Activities	9,432
Unassigned	<u>(17,510)</u>
TOTAL FUND BALANCES	59,616
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets are used in governmental activities are not financial resources and, therefore, are not reported in the funds.	1,869,600
Certain grant revenues are deferred in the governmental funds. However, for the government-wide funds they are recognized as revenue.	176,521
Long-term liabilities and related assets are not due and payable in the current period and, therefore, are not reported in the funds. This liability includes net pension liability of (\$1,489,560), net OPEB liability of (\$50,706), deferred outflows related to pensions and OPEB of \$1,067,130, deferred inflows related to pensions and OPEB of (\$35,717), and Compensated Absences of (\$23,445).	<u>(532,298)</u>
Net position of governmental activities	<u>\$ 1,573,439</u>

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

CIVICA COLORADO

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

	<u>GENERAL FUND</u>
REVENUES	
Local Sources	\$ 1,847,488
State Sources	60,518
Federal Sources	<u>198,589</u>
TOTAL REVENUES	<u>2,106,595</u>
EXPENDITURES	
Current	
Instruction	974,773
Supporting Services	<u>1,281,931</u>
TOTAL EXPENDITURES	<u>2,256,704</u>
NET CHANGE IN FUND BALANCE	(150,109)
FUND BALANCES, Beginning	<u>209,725</u>
FUND BALANCES, Ending	<u><u>\$ 59,616</u></u>

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

CIVICA COLORADO

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	\$ (150,109)
Repayment of long-term debt is reported as an expenditure in the governmental funds, but the prepayment reduces or increases long-term liabilities in the statement of net position. This is the increase in accrued compensated absences.	(16,186)
Certain grant revenues are deferred in the governmental funds. However, for the government-wide funds they are recognized as revenue.	176,521
Deferred Charges related to pensions are not recognized in the governmental funds. However, for the government-wide funds those amounts are capitalized and amortized.	<u>(459,864)</u>
Change in net position of governmental activities	<u><u>\$ (449,638)</u></u>

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

CIVICA COLORADO

STATEMENT OF NET POSITION  
 PROPRIETARY FUND TYPE  
 June 30, 2023

	<u>BUILDING CORPORATION</u>
ASSETS	
Current Assets	
Cash	\$ 680,121
Total Current Assets	<u>680,121</u>
Long-term Assets	
Capital Assets, Not Depreciated	635,054
Capital Assets, Net of Accumulated Depreciation	<u>5,805,279</u>
Total Long-term Assets	<u>6,440,333</u>
TOTAL ASSETS	<u>7,120,454</u>
LIABILITIES	
Current Liabilities	
Interest Payable	63,588
Bonds Payable - Current Portion	<u>-</u>
Total Current Liabilities	<u>63,588</u>
Long-Term Liabilities	
Bonds Payable	<u>7,990,000</u>
TOTAL LIABILITIES	<u>8,053,588</u>
NET POSITION	
Net Investment in Capital Assets	(1,549,667)
Unrestricted	<u>616,533</u>
TOTAL NET POSITION	<u>\$ (933,134)</u>

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

CIVICA COLORADO

STATEMENT OF REVENUES, EXPENSES  
AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUND TYPE  
Year Ended June 30, 2023

	<u>BUILDING CORPORATION</u>
OPERATING REVENUES	
Rental Income	\$ 423,254
TOTAL OPERATING REVENUES	<u>423,254</u>
OPERATING EXPENSES	
Purchased Services	28,506
Depreciation	<u>177,292</u>
TOTAL OPERATING EXPENSES	<u>205,798</u>
OPERATING INCOME (LOSS)	<u>217,456</u>
NON-OPERATING REVENUES (EXPENSES)	
Interest Income	36,261
Interest Expense	<u>(486,842)</u>
TOTAL NON-OPERATING REVENUES (EXPENSES)	<u>(450,581)</u>
NET INCOME	(233,125)
NET POSITION, Beginning	<u>(700,009)</u>
NET POSITION, Ending	<u>\$ (933,134)</u>

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

CIVICA COLORADO

STATEMENT OF CASH FLOWS  
 PROPRIETARY FUND TYPE  
 Year Ended June 30, 2023  
 Increase (Decrease) in Cash

BUILDING  
 CORPORATION

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Operations	\$ 498,764
Cash Paid to Suppliers	(40,428)
Net Cash Provided by Operating Activities	<u>458,336</u>
CASH FLOWS FROM CAPITAL AND FINANCING ACTIVITIES	
Purchase of Capital Assets	(1,990,990)
Interest Expense	(486,842)
Net Cash (Used) by Financing Activities	<u>(2,477,832)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest Income	<u>36,261</u>
NET INCREASE (DECREASE) IN CASH	(1,983,235)
CASH, Beginning	<u>2,663,356</u>
CASH, Ending	<u>\$ 680,121</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH USED BY OPERATING ACTIVITIES	
Operating Income (Loss)	<u>\$ 217,456</u>
Adjustments to Reconcile Operating Loss to Net Cash Used by Operating Activities	
Depreciation Expense	177,292
Changes in Assets and Liabilities	
Accounts Payable	(11,922)
Due from Other Funds	75,510
Total Adjustments	<u>240,880</u>
Net Cash Provided (Used) by Operating Activities	<u>\$ 458,336</u>

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

# CIVICA COLORADO

## NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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

CIVICA Colorado (the “School”) was established in 2021 pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Weld County School District RE-5J (the District). The School’s major operation is to offer an educational environment with the vision to develop willing students into character-driven, academically-trained, college or career-ready young adults, through strong and consistent character development, core academics delivered by skilled instructors, and industry-specific courses taught by industry professionals.

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

#### **Reporting Entity**

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

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

#### **Government-Wide and Fund Financial Statements**

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

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

CIVICA COLORADO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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

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

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

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

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

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

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

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

The School reports the following major governmental fund:

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

The School reports the following major proprietary fund:

*Building Corporation Fund* – This fund accounts for the activity of the Salida Montessori Building Corporation.

CIVICA COLORADO

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)

**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 or resources. This separate financial statement element, deferred outflow of resources, represents a consumption of net position and fund balance that applies to a future period(s) and so will not be recognized as an outflow of resources expense/expenditure) until then.

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

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

*Investments* – Investments are recorded at fair value.

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

*Prepaid Expenses* – Certain payments to vendors reflect costs applicable to future years and are reported as prepaid expenses.

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

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported 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 and improvement 20-40 years and equipment 5-10 years.

*Unearned Revenue* – Unearned revenues include grants and donations received before the eligibility requirements by the grantor have been met.

CIVICA COLORADO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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

*Long Term Obligations* - In the government-wide financial statements, and proprietary fund type in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method.

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

*Compensated Absences* – Employees of the School are allowed to earn up to 16 days of unused sick leave. However, employees are not paid for the accrued compensated absences upon termination of employment. Therefore, no liability has been reported in the financial statements.

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

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

CIVICA COLORADO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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

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

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

- Nonspendable – This classification includes amounts that cannot be spent because they are either not in a spendable form (such as inventories and prepaid amounts) or are legally or contractually required to be maintained intact. The School has no nonspendable resources as of June 30, 2023.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The School has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The School did not have any committed resources as of June 30, 2023.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

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

CIVICA COLORADO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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

**Risk Management**

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School carries commercial insurance for these risks of loss. Settled claims have not exceeded any coverages in the last three years.

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

**Budgets and Budgetary Accounting**

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

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 \$318,569. This may be a violation of State statute.

**NOTE 3: CASH AND INVESTMENTS**

A summary of deposits and investments as of June 30, 2023 follows:

Cash Deposits	\$ 332,403
Investments	<u>680,121</u>
Total	<u><b>\$ 1,012,524</b></u>

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

Governmental Activities – Unrestricted	\$ 303,277
Governmental Activities – Restricted	29,126
Business-type Activities – Restricted	<u>680,121</u>
Total	<u><b>\$ 1,012,524</b></u>

## CIVICA COLORADO

### NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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

##### **Deposits**

##### Custodial Credit Risk – Deposits

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

PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. The School has no policy regarding custodial credit risk for deposits.

At June 30, 2023, the School had deposits with financial institutions with a carrying amount of \$332,403. The bank balances with the financial institutions were \$375,517. Of these balances \$280,413 were covered by federal depository insurance and \$95,104 were covered by collateral held by authorized escrow agents in the financial institutions name (PDPA).

##### **Investments**

##### Credit Risk

Colorado statutes specify in which instruments the units of local government may invest which includes:

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

The above investments are authorized for all funds and fund types used by Colorado local governments.

CIVICA COLORADO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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

Interest Rate and Credit Risk Policies

The School does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates, or a formal policy to limit credit risk. However, they follow state statutes regarding investments.

Local Government Investment Pool

The School had invested \$680,121 in the Colorado Government Liquid Asset Trust (ColoTrust) which has a credit rating of AAAM by Standard and Poor's. ColoTrust is an investment vehicle established for local government entities in Colorado to pool surplus funds and is regulated by the State Securities Commissioner. It operates similarly to a money market fund and each share is equal in value to \$1.00. Investments consist of U.S. Treasury and U.S. Agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities.

ColoTrust is not a 2a7-like external investment pool. The unit of account is each share held, and the value of the position would be the fair value of the pool's share price multiplied by the number of shares held. The government-investor does not "look through" the pool to report a pro rata share of the pool's investments, receivables, and payables.

**Restricted Cash**

Cash in the amount of \$29,126 has been restricted in the General Fund for debt service.

CIVICA COLORADO

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.

	Balance <u>June 30, 2022</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2023</u>
<b>Governmental Activities</b>				
Capital Assets, Not Depreciated				
Land	\$ 1,869,600	\$ -	\$ -	\$ 1,869,600
<b>Business-Type Activities</b>				
Capital Assets, Not Depreciated				
Land	\$ 635,054	\$ -	\$ -	\$ 635,054
Capital Assets, Depreciated				
Buildings and Improvements	4,016,685	1,990,990	-	6,007,675
Accumulated Depreciation	<u>(25,104)</u>	<u>(177,292)</u>	<u>-</u>	<u>(202,396)</u>
Total Capital Assets, Depreciated	<u>3,991,581</u>	<u>1,813,698</u>	<u>-</u>	<u>5,805,279</u>
Net Capital Assets, Business- Type Activities	<u>\$ 4,626,635</u>	<u>\$ 1,813,698</u>	<u>\$ -</u>	<u>\$ 6,440,333</u>

Depreciation expense of \$177,292 was charged to the Building Corporation.

**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 nine months. The salaries and benefits earned, but unpaid, as of June 30, 2023, were \$58,337 in the General Fund.

**NOTE 6:**     **LONG-TERM DEBT**

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

	Balance <u>June 30, 2022</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>June 30, 2023</u>	Due In <u>One Year</u>
<b>Governmental Activities</b>					
Compensated Absences	\$ 7,259	\$ 17,448	\$ 1,262	\$ 23,445	\$ -

CIVICA COLORADO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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

	Balance <u>June 30, 2022</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>June 30, 2023</u>	Due In <u>One Year</u>
<b>Business-Type Activities</b>					
Bond Series 2022 A/B	<u>\$ 7,990,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,990,000</u>	<u>\$ -</u>

**2022 Improvement Bonds**

In March 2022, the Colorado Educational and Facilities Authority (CECFA) issued \$7,790,000 Charter School Revenue Bonds, Series 2022A and \$200,000 of Series 2022B. These bonds were issued to acquire facilities and constructing facility improvements. The School is obligated under a lease agreement to make monthly lease payments to the Building Corporation for use of the facilities. The Building Corporation is obligated under the loan agreement to make similar payments to the trustee, for payment of the bonds. For the Series 2022A and 2022B bonds, interest accrues at a rate of 5.75 or 4.75% with the bonds maturing on June 30, 2030.

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ -	\$ 381,525	\$ 381,525
2025	18,333	381,525	399,858
2026	79,583	380,471	460,054
2027	103,333	375,895	479,228
2028	118,750	370,045	488,795
2029 - 2030	<u>7,670,000</u>	<u>394,646</u>	<u>8,064,646</u>
Total	<u>\$ 7,990,000</u>	<u>\$ 2,284,106</u>	<u>\$ 10,274,106</u>

CIVICA COLORADO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

**NOTE 7: DEFINED BENEFIT PENSION PLAN**

**Summary of Significant Accounting Policies**

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

**General Information about the Pension Plan**

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

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

Benefits provided as of December 31, 2022. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

The lifetime retirement benefit for all eligible retiring employees under the Denver Public

CIVICA COLORADO

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

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

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

Schools (DPS) benefit structure is the greater of the:

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

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

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

Upon meeting certain criteria, benefit recipients who elect to receive a lifetime retirement benefit generally receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Subject to the automatic adjustment provision (AAP) under C.R.S. § 24-51-413, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, and all eligible benefit recipients of the DPS benefit structure will receive the maximum annual increase (AI) or AI cap of 1.00% unless adjusted by the AAP. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the lesser of an annual increase of the 1.00% AI cap or the average increase of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed a determined increase that would exhaust 10% of PERA's Annual Increase Reserve (AIR) for the SCHDTF.

The AAP may raise or lower the aforementioned AI cap by up to 0.25% based on the parameters specified in C.R.S. § 24-51-413.

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.

CIVICA COLORADO

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

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

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

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

*Contributions provisions as of June 30, 2023:* Eligible employees of, the School and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 11.00% of their PERA-includable salary during the period of July 1, 2022 through June 30, 2023.

Employer contribution requirements are summarized in the table below:

	July 1, 2022 Through June 30, 2023
Employer contribution rate	11.40%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02%)
Amount apportioned to the SCHDTF	10.38%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.50%
<b>Total employer contribution rate to the SCHDTF</b>	<b>20.38%</b>

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the School were \$138,266 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.

CIVICA COLORADO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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

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

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 Academy's proportion of the net pension liability was based on the Academy'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 Academy reported a liability of \$1,409,560 for its proportionate share of the net pension liability that reflected an increase for support from the State as a nonemployer contributing entity.

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

The School's proportionate share of the net pension liability	\$1,489,560
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the School.	336,123
Total	\$1,825,683

CIVICA COLORADO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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

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

At December 31, 2022, the School's proportion was .00818%, which was an increase of .00170% from its proportion measured as of December 31, 2021.

For the year ended June 30, 2023, the School recognized pension expense of \$617,148 and revenue of \$89,559 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	\$14,097	N/A
Changes of assumptions or other inputs	26,385	N/A
Net difference between projected and actual earnings on pension plan investments	200,103	N/A
Changes in proportion and differences between contributions recognized and proportionate share of contributions	687,110	N/A
Contributions subsequent to the measurement date	74,960	N/A
Total	\$1,002,655	N/A

\$74,960 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	\$428,154
2025	269,904
2026	113,247
2027	116,390

CIVICA COLORADO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

**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.

CIVICA COLORADO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

**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.

CIVICA COLORADO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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

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

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

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

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.

CIVICA COLORADO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

**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)

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

Based on the above assumptions and methods, the SCHDTF’s FNP was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%. There was no change in the discount rate from the prior measurement date.

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension	\$1,949,322	\$1,489,560	\$1,105,612

*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.

CIVICA COLORADO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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

**General Information about the OPEB Plan**

Investments are reported at fair value.

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

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

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

Enrollment in the PERACare health benefits program is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

CIVICA COLORADO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

**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.

*DPS Benefit Structure*

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

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

CIVICA COLORADO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from School were \$6,918 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 \$50,706 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2022, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021. Standard update procedures were used to roll-forward the TOL to December 31, 2022. The School's proportion of the net OPEB liability was based on the School's contributions to the HCTF for the calendar year 2022 relative to the total contributions of participating employers to the HCTF.

At December 31, 2022, the School's proportion was 0.0062103%, which was an increase of 0.00183% from its proportion measured as of December 31, 2021.

CIVICA COLORADO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

**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)

For the year ended June 30, 2023, the School recognized OPEB expense of \$27,426. At June 30, 2023, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$7	\$12,262
Changes of assumptions or other inputs	815	5,596
Net difference between projected and actual earnings on OPEB plan investments	3,097	17,859
Changes in proportion and differences between contributions recognized and proportionate share of contributions	56,806	N/A
Contributions subsequent to the measurement date	3,750	N/A
Total	\$64,475	\$35,717

\$3,750 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Year ended:</b>	
2024	\$2,834
2025	\$2,739
2026	\$3,803
2027	\$4,941
2028	\$10,012
Thereafter	\$679

CIVICA COLORADO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

**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	

CIVICA COLORADO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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

CIVICA COLORADO

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

**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.

CIVICA COLORADO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

**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.

CIVICA COLORADO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

**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.

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

**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.

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NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

**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 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>	

CIVICA COLORADO

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

**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 in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate <sup>1</sup>	5.25%	6.25%	7.25%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	3.00%	4.00%	5.00%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$49,271	\$50,706	\$52,268

<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.

CIVICA COLORADO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

**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 (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$58,783	\$50,706	\$43,797

*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).

CIVICA COLORADO

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

**NOTE 9: RISK MANAGEMENT**

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School carries commercial insurance for these risks of loss. Settled claims have not exceeded any coverages in the last three years.

**NOTE 10: COMMITMENTS AND CONTINGENCIES**

**Claims and Judgments**

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

**Tabor Amendment**

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The School believes it has complied with the Amendment. As required by the Amendment, the School has established a reserve for emergencies. At June 30, 2023, the reserve of \$48,000 was recorded as a restriction of fund balance in the General Fund.

**NOTE 11: PRIOR PERIOD ADJUSTMENT**

The beginning net position of the government wide activities was decreased by \$132,385 to correctly state deferred revenues.

**NOTE 12: DEFICIT NET POSITION**

As of June 30, 2023, the School had a deficit net position in the Building Corporation Fund of \$933,134. The deficit was created when the School used bond proceeds to construct its facilities. The deficit will be eliminated as the School pays down its debt.

CIVICA COLORADO

NOTES TO THE FINANCIAL STATEMENTS  
June 30, 2023

**NOTE 13: SUBSEQUENT EVENTS**

Potential subsequent events were considered through December 5, 2023. It was determined that no events were required to be disclosed through this date.

**REQUIRED SUPPLEMENTARY INFORMATION**

CIVICA COLORADO

GENERAL FUND  
 BUDGETARY COMPARISON SCHEDULE  
 Year Ended June 30, 2023

	2023			VARIANCE
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Positive (Negative)
REVENUES				
Local Sources	\$ 2,219,669	\$ 1,533,596	\$ 1,847,488	\$ 313,892
State Sources	145,608	62,605	60,518	(2,087)
Federal Sources	328,062	375,000	198,589	(176,411)
TOTAL REVENUES	<u>2,693,339</u>	<u>1,971,201</u>	<u>2,106,595</u>	<u>135,394</u>
EXPENDITURES				
Instruction				
Salaries	714,468	564,360	561,010	3,350
Employee Benefits	270,708	208,411	200,079	8,332
Purchased Services	157,213	15,538	-	15,538
Supplies and Materials	142,769	103,195	213,684	(110,489)
Property	210,633	236,632	-	236,632
Other	-	-	-	-
Total Instruction	<u>1,495,791</u>	<u>1,128,136</u>	<u>974,773</u>	<u>153,363</u>
Supporting Services				
Salaries	258,376	224,894	197,861	27,033
Employee Benefits	71,546	70,106	85,900	(15,794)
Purchased Services	563,498	575,046	349,250	225,796
Supplies and Materials	71,740	60,968	225,666	(164,698)
Property	-	-	423,254	(423,254)
Other	140,844	32,348	-	32,348
Total Supporting Services	<u>1,106,004</u>	<u>963,362</u>	<u>1,281,931</u>	<u>(318,569)</u>
TOTAL EXPENDITURES	<u>2,601,795</u>	<u>2,091,498</u>	<u>2,256,704</u>	<u>(165,206)</u>
NET CHANGE IN FUND BALANCE	91,544	(120,297)	(150,109)	(29,812)
FUND BALANCE, Beginning	-	209,725	209,725	-
FUND BALANCE, Ending	<u>\$ 91,544</u>	<u>\$ 89,428</u>	<u>\$ 59,616</u>	<u>\$ (29,812)</u>

See the accompanying independent auditors' report.

CIVICA COLORADO

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

Years Ended December 31,

	<u>2021</u>	<u>2022</u>
School's proportion of the Net Pension Liability	0.0065%	0.0082%
School's proportionate share of the Net Pension Liability	\$ 753,872	\$ 1,489,560
State of Colorado Proportionate Share of the Net Pension Liability associated with the School	<u>86,422</u>	<u>336,123</u>
Total portion of the Net Pension Liability associated with the School	840,294	1,825,683
School's covered payroll	\$ 269,904	\$ 596,503
School's proportionate share of the Net Pension Liability as a percentage of its covered payroll	279.3%	249.7%
Plan fiduciary net position as a percentage percentage of the total pension liability	74.9%	61.8%

Notes:

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

See the accompanying independent auditors' report.

CIVICA COLORADO

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS  
SCHOOL DIVISION TRUST FUND

Years Ended June 30,

	<u>2022</u>	<u>2023</u>
Statutorily required contributions	\$ 106,906	\$ 138,266
Contributions in relation to the Statutorily required contributions	<u>106,906</u>	<u>138,266</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
School's covered payroll	\$ 537,757	\$ 678,276
Contributions as a percentage of covered payroll	19.88%	20.38%

Notes:

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

See the accompanying independent auditors' report.

CIVICA COLORADO

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

Years Ended December 31,

	<u>2021</u>	<u>2022</u>
School's proportion of the Net Pension Liability	0.0042%	0.0062%
School's proportionate share of the Net Pension Liability	\$ 36,473	\$ 50,706
School's covered payroll	\$ 269,904	\$ 596,503
School's proportionate share of the Net Pension Liability as a percentage of its covered payroll	13.5%	8.5%
Plan fiduciary net position as a percentage of the total pension liability	39.40%	38.57%

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.

CIVICA COLORADO

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS  
HEALTH CARE TRUST FUND

Years Ended June 30,

	<u>2022</u>	<u>2023</u>
Statutorily required contributions	\$ 5,485	\$ 6,918
Contributions in relation to the Statutorily required contributions	<u>5,485</u>	<u>6,918</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
School's covered payroll	\$ 537,757	\$ 678,276
Contributions as a percentage of covered payroll	1.02%	1.02%

Notes:

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

See the accompanying independent auditors' report.