MESA VALLEY COMMUNITY SCHOOL

FINANCIAL STATEMENTS AND REPORT OF
INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

June 30, 2022

C O N T E N T S

INDEPENDENT AUDITOR'S REPORT

Board of Directors
Mesa Valley Community School
Grand Junction, Colorado

Opinions

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

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

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

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

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

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

Required Supplementary Information

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

Chadwick, Steinkirchner, Davis & Co., P.C.

Chadwick, Steinkirchner, Davis & Co., P.C.
November 7, 2022

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Management's Discussion and Analysis

Mesa Valley Community School

June 30, 2022

As management of the Mesa Valley Community School (MVCS), we offer readers of MVCS's financial statements this narrative overview and analysis of the financial activities of MVCS for the fiscal year ended June 30, 2022.

Financial Highlights

The liabilities and deferred inflows of MVCS exceeded its assets and deferred outflows at the close of the most recent fiscal year by $(1,884,852). In addition to this amount, $100,439 of net position is restricted for emergencies (TABOR).

At the end of the current fiscal year, fund balance for the governmental fund was $ 639,428.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to MVCS's basic financial statements. MVCS's basic financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

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

The *statement of net position* presents information on all of MVCS's assets and deferred outflows, and liabilities and deferred inflows, with the difference between these items reported as net position.

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

Both of the government-wide financial statements focus on the governmental activities of MVCS. The governmental activities include instructional services, student services, general administration services, school administration services, and maintenance. The government-wide financial statements can be found on pages 8 and 9 of this report.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. MVCS, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of MVCS are governmental funds.

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

MVCS maintained one governmental fund.

MVCS adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with this budget on page 43.

The basic general fund financial statements can be found on pages 10 through 13 of this report.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on page 14 through 42 of this report.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of MVCS, the liabilities and deferred inflows of MVCS exceeded its assets and deferred outflows at the close of the most recent fiscal year by $ (1,884,852).

MVCS's Net Position

	Governmental Activities	
	2020-2021	2021-2022
Current assets	$ 1,296,892	$882,042
Noncurrent assets	3,470,765	4,092,544
Total assets	4,767,657	4,974,586
Deferred Outflows of Resources		
Deferred outflows related to pension	1,846,385	585,470
Deferred outflows related to OPEB	50,202	47,105
Total assets and deferred outflows of resources	6,664,244	5,607,161

Current liabilities	325,004	297,598
Long-term liabilities	6,895,325	5,655,960
Total liabilities	7,220,329	5,953,558
Deferred Inflows of Resources		
Deferred inflows related to pension	1,657,940	1,486,329
Deferred inflows related to OPEB	49,178	52,126
	1,707,118	1,538,455
Total liabilities and deferred inflows of resources	8,927,447	7,492,013
Net position:		
Net Investment in Capital Asset	907,998	1,625,957
Restricted	108,346	100,439
Unrestricted	(3,279,547)	(3,611,248)
Total net position	(2,263,203)	(1,884,852)
Total liabilities, deferred inflows of resources and net position	$6,664,244	$5,607,161

Governmental activities. Governmental activities decreased MVCS's net position by $378,351. Key elements of this change are as follows:

MVCS's Change in Net Position

	Governmental Activities	
	2020-2021	2021-2022
Revenues:		
Charges for services	$ 86,491	$152,674
Operating grants	342,398	632,999
Capital grants	119,512	108,395
State equalization, general	3,063,413	3,171,233
Property tax revenue	279,479	267,186
Interest income	723	1268
Total revenues	3,343,615	4,333,755
Expenses:		
Instructional services	1,604,981	1,984,100
Student support	1,248,267	1,602,748
School administration	103,199	84,519
Business support	81,261	128,584
Operations/maintenance	98,513	45,521
Interest on Long Term Debt	112,140	109,932
Total expenses	3,248,361	3,955,404

Change in net position	643,655	378,351
Net position – beginning	(2,906,858)	(2,263,203)
Net position – ending	$(2,263,203)	$(1,884,852)

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

At the end of the current fiscal year, MVCS's governmental fund reported an ending fund balance of $ 693,428.

Unassigned fund balance is $ 558,822 Restricted fund balances of $100,439 must be set aside for emergencies (TABOR). Nonspendable fund balance of $ 34,167 is a prepaid repair and replacement fund held by MVCSD 51.

General Fund Budgetary Highlights

Amendments were made to the General Fund budget as shown on the Budget and Actual Statement on page 43. Actual revenues were slightly lower than budgeted because student count was slightly lower than planned. Total expenditures were under budget by $135,301.

Long-term debt. MVCS has a Certificate of Participation with MVCSD 51, beginning in 2018, for a term of 20 years. COP funds were used to purchase the property and building at which the school is located.

Economic Factors and Next Year's Budget

This was the eighth year in operation as a District Charter School and operations were at 96.5% estimated enrollment capacity. Next year, for the 2022-2023-year budget, it is anticipated to operate at about 87.5% of enrollment capacity due to a significant change in the school's program.

Requests for Information

This financial report is designed to provide a general overview of MVCS's finances for all those with an interest in MVCS's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Mesa Valley Community School Director by telephone at (970) 254-7202.

Mesa Valley Community School

STATEMENT OF NET POSITION

June 30, 2022

		Governmental Activities
ASSETS		
Cash and investments		$ 812,513
Accounts receivable		35,362
Prepaid expenses and deposits		34,167
	Total current assets	882,042
Noncurrent assets		
Nondepreciable capital assets		492,117
Depreciable capital assets, net		3,600,427
	Total assets	4,974,586
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension		585,470
Deferred outflows related to OPEB		47,105
	Total deferred outflows of resources	632,575
	Total assets and deferred outflows of resources	$ 5,607,161
LIABILITIES		
Accounts payable		$ 2,698
Due to Mesa County Valley School District		8,598
Accrued payroll liabilities		177,318
Accrued interest		8,984
Lease payable, current portion		100,000
	Total current liabilities	297,598
Long-term liabilities due more than one year:		
Lease payable, less current portion		2,366,587
Compensated absences payable		91,819
Net pension liability		3,049,994
Net OPEB liability		147,560
	Total liabilities	5,953,558
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pension		1,486,329
Deferred inflows related to OPEB		52,126
	Total deferred inflows of resources	1,538,455
NET POSITION		
Net investment in capital assets		1,625,957
Restricted for emergencies		100,439
Unrestricted		(3,611,248)
	Total net position	(1,884,852)
	Total liabilities, deferred inflows of resources, and net position	$ 5,607,161

The accompanying notes are an integral part of the statements.

Mesa Valley Community School

STATEMENT OF ACTIVITIES

Year ended June 30, 2022

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position: Governmental Activities	Net (Expense) Revenue and Changes in Net Position: Total
Governmental activities:						
Instructional services	$ 1,984,100	152,674	632,999	$ -	$ (1,198,427)	$ (1,198,427)
Support services:						
Student support	1,602,748	-	-	-	(1,602,748)	(1,602,748)
School administration	84,519	-	-	-	(84,519)	(84,519)
Business support	128,584	-	-	-	(128,584)	(128,584)
Operations and maintenance	45,521	-	-	108,395	62,874	62,874
Interest on long-term debt	109,932	-	-	-	(109,932)	(109,932)
Total governmental activities	$ 3,955,404	$ 152,674	$ 632,999	$ 108,395	(3,061,336)	(3,061,336)
General revenues:						
Per pupil revenue					3,171,233	3,171,233
Property tax revenue					267,186	267,186
Interest income					1,268	1,268
Total general revenues					3,439,687	3,439,687
Change in net position					378,351	378,351
Net position at beginning of year					(2,263,203)	(2,263,203)
Net position - ending					$ (1,884,852)	$ (1,884,852)

The accompanying notes are an integral part of the statements.

Mesa Valley Community School

BALANCE SHEET - GOVERNMENTAL FUND

June 30, 2022

		General Fund
ASSETS		
Cash and investments	$	812,513
Accounts receivable		35,362
Prepaid expenses and deposits		34,167
Total assets	$	882,042
LIABILITIES AND FUND BALANCES		
Liabilities		
Accounts payable	$	2,698
Due to Mesa County Valley School District		8,598
Accrued payroll liabilities		177,318
Total liabilities		188,614
Fund balances		
Nonspendable		34,167
Restricted - TABOR reserve		100,439
Unassigned		558,822
Total fund balances		693,428
Total liabilities and fund balances	$	882,042

The accompanying notes are an integral part of the statements.

Mesa Valley Community School

RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE SHEET
TO THE STATEMENT OF NET POSITION

Year ended June 30, 2022

Amounts reported for governmental activities in the statement of activities are different because:	
Total governmental fund balance	$ 693,428
Capital assets used in governmental activities are not financial resources and are not reported in the funds.	4,092,544
Long-term liabilities, such as leases payable, are not due and payable in the current period and, therefore, are not reported in the funds.	(2,466,587)
Accured interest is not due and payable in the current period and, therefore, is not reported in the funds.	(8,984)
Compensated absences reported as liabilities in governmental activities are not reported in the governmental fund.	(91,819)
The amount by which deferred outflows of resources are more (less) than deferred inflows of resources, both of which are not recorded in the fund.	(905,879)
Net pension and OPEB liabilities are not due and payable in the current period and, therefore, are not reported in the fund.	(3,197,554)
Net position	$ (1,884,851)

The accompanying notes are an integral part of the statements.

Mesa Valley Community School

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - GOVERNMENTAL FUND

Year ended June 30, 2022

		General Fund
Revenues		
Local sources		$ 421,130
State sources		3,419,440
Federal sources		407,271
	Total revenues	4,247,841
Expenditures		
Current		
Instructional services		2,137,052
Student support		1,602,748
School administration		84,519
Business support		128,584
Operation and maintenance		45,521
Capital outlay		420,748
Debt service		
Principal		90,000
Interest		116,842
	Total expenditures	4,626,014
	Excess of revenues over (under) expenditures	(378,173)
Fund balance beginning of year		1,071,601
Fund balance end of year		$ 693,428

The accompanying notes are an integral part of the statements.

Mesa Valley Community School

RECONCILIATION OF THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

Year ended June 30, 2022

Amounts reported for governmental activities in the statement of activities are different because:		
Net change in fund balance - total governmental fund	$	(378,173)
In the statement of activities the cost of capital assets is allocated over their estimated useful lives and reported as depreciation expense. In the governmental funds, capital outlays are an expenditure in the current period. This is the amount by which depreciation was less than capital expenditures ($190,925 -$812,703).		621,779
In the governmental funds, expenditures related to pension and OPEB obligations are measured by the amount of financial resources used (essentially, the amounts actually paid to the plan), whereas in the statement of activities, they are measured on full accrual basis. This is the amount by which pension and OPEB expense in the statement of activities was less than pension and OPEB expenditures in the governmental funds.		(22,765)
The contribution of funds to the pension plan by a third-party are recognized as revenue in the funds for the amount of the contribution, but in the government-wide statements the revenue recognized is the amount the contribution affected the net pension liability		85,915
Governmental funds report the proceeds from and repayment of principal on long-term debt as other financing sources and expenditures. However, these proceeds and repayments are not reported as revenue and expenses in the statement of activities, but rather an increase or reduction of debt in the statement of net position. This amount is the effect of the difference in the treatment of these increases and repayments.		90,000
Governmental funds do not report the amount of interest related to long-term debt that has either accrued or been subject to premium amortization. However, these liabilities are reported in the statement of net position and the related expense/amortization is reported in the statement of activities. This is the amount by which accrued interest and the debt premium changed from the prior year.		6,910
Governmental funds do not report accrued compensated absences as part of expenditures. However, they are reported as expenses in the statement of activities. This is the amount that accrued compensated absences changed in the Statement of Net Position from the prior year.		(25,316)
Change in net position of governmental activities	$	378,350

The accompanying notes are an integral part of the statements.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Mesa Valley Community School (the School) have been prepared in accordance with generally accepted accounting principles (GAAP) applicable to local government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body establishing governmental accounting and financial reporting principles.

The following is a summary of the School's significant accounting policies:

1. The Reporting Entity

Mesa Valley Community School consists of a school established under the Charter Schools Act serving K-12 grade students. It is governed by an independently elected Board of Directors. The School is considered a component unit of Mesa County Valley School District, and is reported discretely in a separate column on their financial statements to emphasize that it is legally separate from the District.

2. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the activities of the School. Governmental activities, which normally are supported by intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. Mesa Valley Community School presently has no business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment.

Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Unrestricted intergovernmental revenue and other items not properly included among program revenues are reported instead as general revenues.

3. 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.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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 collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Intergovernmental revenue, 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. 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:

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

4. Assets, Liabilities, Deferred Inflows, and Deferred Outflows

Cash and Investments

The School's cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments for the School are reported at fair value.

Receivables

The School considers all receivables to be fully realizable and does not maintain an allowance for doubtful accounts.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the government-wide financial statements as applicable. Capital assets are defined by the School as assets with an initial, individual cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. The School has no reportable infrastructure.

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

Property, plant, and equipment of the School is depreciated using the straight-line method over the following estimated useful lives:

Assets	Years
Buildings and building improvements	20

Deferred outflows/inflows of resources - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government only has one item that qualifies for reporting in this category. It is shown as pension and OPEB related amounts and includes items related to the District's portion of the Colorado Public Employees' Retirement Association (PERA) benefit plan and the associated Health Care Trust Fund administered by PERA.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The District has deferred inflows related to pension and OPEB liabilities reported on the government-wide statement of net position. These deferred inflows result from a number of changes in the net pension and OPEB liabilities.

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

5. Stewardship, compliance and accountability

Budgetary Information

Prior to May 15, management submits to the Board of Directors a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes expenditures and the means of financing them. Public board meetings are conducted to obtain comments. Prior to June 30, the budget is adopted by the Board.

During the budget year, the Board of Directors has the option of changing and finalizing the budget for the fiscal year. One supplemental budget amendment was adopted during the fiscal year ended June 30, 2022.

Budgeted level of expenditures

Expenditures may not legally exceed appropriations at the fund level. Administrative control is maintained through the use of detailed line-item budgets. Budgets must be amended at the fund level by the Board of Directors. At year-end, all appropriations lapse in accordance with Colorado statutes.

Budgetary basis of accounting

Appropriated budgets are adopted by the Board of Directors for the General Fund on a basis consistent with generally accepted accounting principles (GAAP).

6. Income Taxes

The School is exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code. The School files its informational return, Internal Revenue Service form 990, for the federal jurisdiction on an annual basis.

7. Pensions

The School participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the SCHDTF have been determined using the economic resources measurement focus and the accrual basis of

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – CONTINUED

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.

8. Other Post-Employment Benefit Plan (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 the OPEB, OPEB expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE B – CASH AND INVESTMENTS

The carrying value of cash deposits in banking institutions as of June 30, 2022 is as follows:

Demand accounts	$ 310,587

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government including component units deposit cash in eligible public depositories; eligibility is determined by state regulators. Amounts on deposit in excess of federal insurance levels must be collateralized. The eligible collateral is determined by the PDPA. PDPA allows the institution to create a single collateral pool for all public funds. 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 102% of the aggregate uninsured deposits. As of June 30, 2021, the School had deposits of $328,599, of which $250,000 was covered by federal depository insurance and $78,599 was collateralized.

State statutes authorize the School to invest in obligations of the U.S. Treasury, obligations unconditionally guaranteed by U.S. agencies, certain international agency securities, certain types of bonds of U.S. local government entities, bankers' acceptances of certain banks, commercial paper, written repurchase agreements collateralized by certain authorized securities, certain money market funds, guaranteed investment contracts, and local government investment pools.

At June 30, 2021, the School had $501,926 invested in the Colorado Surplus Asset Fund Trust (CSAFE) investment vehicle established for local governmental entities in Colorado to pool surplus

NOTE B – CASH AND INVESTMENTS - CONTINUED

funds for investment purposes. At June 30, 2022, the approximate market value of the School's investments is $501,926. CSAFE is rated AAAm by Standard & Poor's Corporation.

The School categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles and GASB Statement No. 72. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

CSAFE operates like a 2a-7 external investment pool and investments in the pool are valued at $1 net asset value (NAV) per share. The underlying investments held by CSAFE, and the School's investment in CSAFE, are valued at amortized cost which approximates fair value; there are no limitations on withdrawals.

Interest rate risk – The School does not have a formal policy limiting investment maturities, other than that established by state statute of five years that would help manage its exposure to fair value losses from increasing interest rates.

NOTE C – CAPITAL ASSETS

The following is a summary of activity in the capital assets for the year ended June 30, 2022:

Governmental activities:

	Beginning Balance	Increases	Decreases	Ending Balance
Capital assets, not depreciated				
Land	$ 492,117	$ –	$ –	$ 492,117
Construction in progress	20,032	–	(20,032)	–
Total capital assets, not depreciated	512,149	–	(20,032)	492,117
Capital assets, depreciated				
Building	1,968,467	–	–	1,968,467
Building improvements	1,364,262	832,736	–	2,196,998
Total capital assets, depreciated	3,332,729	832,736	–	4,165,465
Less accumulated depreciation	(374,113)	(190,925)	–	(565,038)
Total capital assets depreciated, net	2,958,616	641,811	–	3,600,427
Total capital assets, net	$ 3,470,765	$ 641,811	$ (20,032)	$ 4,092,544

Depreciation expense was charged for functions/programs of the School as follows:

Governmental activities:

Instructional services	$190,925

NOTE D – FUND BALANCES

GASB Statement No. 54, "Fund Balance Reporting and Governmental Fund Type Definitions" provides more clearly defined fund balance categories to make the nature and extent of the constraints placed on a School's fund balances more transparent. In the fund financial statements the following classifications describe the relative strength of the spending constraints.

- *Non-spendable fund balance* - The portion of fund balance that cannot be spent because it is either not in spendable form (such as prepaid expenses) or is legally or contractually required to be maintained intact.
- *Restricted fund balance* - The portion of fund balance constrained to being used for a specific purpose by external parties (such as grantors or bondholders), constitutional provisions or enabling legislation.
- *Committed fund balance* - The portion of fund balance constrained for specific purposes according to limitations imposed by the School's highest level of decision making authority, the Board of Directors, prior to the end of the current fiscal year. The constraint may be removed or changed only through formal action of the Board.
- *Assigned fund balance* - The portion of fund balance set aside for planned or intended purposes. The intended use may be expressed by the Board or other individuals authorized to assign funds to be used for a specific purpose. Assigned fund balances in special revenue funds will also include any remaining fund balance that is not restricted or committed. This classification is necessary to indicate that those funds are, at a minimum, intended to be used for the purpose of that particular fund.
- *Unassigned fund balance* - The residual portion of fund balance that does not meet any of the above criteria. The School will only report a positive unassigned fund balance in the General Fund.

If both restricted and unrestricted amounts of fund balance are available for use when an expenditure is incurred, it is School policy to use restricted amounts first. Unrestricted fund balance will be used in the following order: committed, assigned, and unassigned.

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net investment in capital assets, if any, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition or construction of improvements on those assets, excluding unspent bond proceeds. Net position is reported as restricted when there are limitations imposed on its use, either through the enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors, laws or regulations of other governments.

NOTE E – LONG-TERM LIABILITIES

The School's long-term liabilities consists of the following:

	Balance June 30, 2021	Additions	Reductions	Balance June 30, 2022
Lease payable	$ 2,454,100	$ –	$ 90,000	$ 2,364,100
Lease premium	108,667	–	6,180	102,487
Total lease debt	2,562,767	–	91,180	2,466,587
Future compensated absences	66,503	25,316	–	91,819
Net pension liability	4,203,340	–	1,153,344	3,049,994
Net OPEB liability	152,714	–	5,514	147,560
	$ 6,985,324	$ 25,316	$ 2,250,038	$ 5,755,950

In February 2019, the School entered into a long-term lease with Mesa County Valley School District No. 51 (District) for the lease/purchase of land and a building. The District issued Certificates of Participation in the amount of $2,680,000 for the purchase of the land and building, which is then leased to the School. The lease term is for 20 years with interest from 4% to 5%, after which the property will belong to the School. The lease payable also resulted in a premium of $123,604 that is being amortized over the life of the lease.

Debt service requirements for the lease payable are as follows:

Maturity June 30	Principal	Interest	Total
2023	95,000	109,675	204,675
2024	100,000	104,800	204,800
2025	105,000	99,675	204,675
2026	110,000	94,300	204,300
2027	115,000	88,675	203,675
2028-2032	665,000	349,125	1,014,125
2033-2037	845,000	168,675	1,013,675
2038-2039	329,100	15,800	344,900
Total	$ 2,364,100	$ 1,030,725	$ 3,394,825

NOTE F – DEFINED BENEFIT PENSION PLAN

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 comprehensive annual financial report (CAFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

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

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

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

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

- Highest average salary multiplied by 2.5 percent 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 percent of highest average salary and also cannot exceed the maximum benefit allowed by federal Internal Revenue Code.

NOTE F – DEFINED BENEFIT PENSION PLAN - CONTINUED

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 percent or 100 percent on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

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

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

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

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

NOTE F – DEFINED BENEFIT PENSION PLAN - CONTINUED

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

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the School were $352,265 for the year ended June 30, 2022.

For purposes of GASB 68 paragraph 15, a circumstance exists in which a nonemployer contributing entity is legally responsible for making contributions to the SCHDTF and is considered to meet the definition of a special funding situation. As specified in C.R.S. § 24-51-414, the State is required to contribute $225 million (actual dollars) direct distribution each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. In addition to the $225 million (actual dollars) direct distribution due July 1, 2022, House Bill (HB) 22-1029, instructs the State treasurer to issue a warrant to PERA in the amount of $380 million (actual dollars), upon enactment, with reductions to future direct distributions scheduled to occur July 1, 2023, and July 1, 2024.

NOTE F – DEFINED BENEFIT PENSION PLAN - CONTINUED

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

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

At June 30, 2022, the School reported a liability of $3,049,994 for its proportionate share of the net pension liability. The amount recognized by the School as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the School were as follows:

School proportionate share of the net pension liability	$3,049,994
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the School	$ 321,516
Total	$3,371,509

At December 31, 2021, the School proportion was 0.02620 percent, which was an increase of 0.00159 from its proportion measured as of December 31, 2020.

For the year ended June 30, 2021, the School recognized pension expense of $374,138 At June 30, 2022, and revenue of $123,244 for support from the State as a nonemployer contributing entity. At June 30, 2022, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

NOTE F – DEFINED BENEFIT PENSION PLAN - CONTINUED

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 116,766	$ –
Changes of assumptions or other inputs	232,844	–
Net difference between projected and actual earnings on pension plan investments	–	1,146,707
Changes in proportion and differences between contributions recognized and proportionate share of contributions	71,405	339,622
Contributions subsequent to the measurement date	164,456	N/A
Total	$ 585,471	$ 1,486,329

$164,456 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, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30, 2022	
2023	$ (169,551)
2024	(453,841)
2025	(302,736)
2026	(139,186)
2027	–
Thereafter	–

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

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

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

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

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

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

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

Post-retirement non-disabled mortality assumptions were based upon the PubT-2010 Health 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.

NOTE F – DEFINED BENEFIT PENSION PLAN – 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, 2020, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020, meeting.

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

Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and then adding expected inflation.

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

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	54.00%	5.60%
Fixed Income	23.00%	1.30%
Private Equity	8.50%	7.10%
Real Estate	8.50%	4.40%
Alternatives[1]	6.00%	4.70%
Total	100.00%	

1 The Opportunity Fund's name changed to Alternatives effective January 1, 2020.

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 rate of return assumption of 7.25 percent.

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.

- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in Senate Bill (SB) 18-200, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point the AED and SAED will

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.

- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of $225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.

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

- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP position and the subsequent AIR benefit payments were estimated and included in the projections.

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

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

Based on the above assumptions and methods, the SCHDTF's FNP was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond rate, and therefore, the discount rate is 7.25 percent. 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 percent, as well as what the proportionate share of the net pension liability

NOTE F – DEFINED BENEFIT PENSION PLAN – CONTINUED

would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	$4,489,341	$3,049,994	$ 1,848,912

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

NOTE G – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

General Information about the OPEB Plan

Plan description. Eligible employees of the School are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, 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 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.

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

NOTE G – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED

balance from each division as it relates to the total member contribution account balance from which the retirement benefit is paid.

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

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

PERA Benefit Structure
The maximum service-based premium subsidy is $230 per month for 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 percent 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 retirees 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 retirees without Medicare Part A that are greater than premiums charged to retirees 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 retirees 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

NOTE G – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED

Medicare. The maximum subsidy, in each case, is for retirees with retirement benefits based on 20 or more years of service credit. There is a 5 percent 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.

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the School were $15,845 for the year ended June 30, 2022.

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

At June 30, 2022, the School reported a liability of $147,560 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2021. The School’s proportion of the net OPEB liability was based on School contributions to the HCTF for the calendar year 2021 relative to the total contributions of participating employers to the HCTF.

At December 31, 2021, the School’s proportion was .017112 percent, which was an increase of .001040 from its proportion measured as of December 31, 2020.

NOTE G – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED

For the year ended June 30, 2022, the School recognized OPEB expense of $18,082. At June 30, 2022, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	$ 225	$ 34,988
Changes of assumptions or other inputs	3,055	9,134
Net difference between projected and actual earnings on OPEB plan investments	–	8,004
Changes in proportion and differences between contributions recognized and proportionate share of contributions	35,387	–
Contributions subsequent to the measurement date	8,438	N/A
Total	$ 47,105	$ 52,126

$8,438 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, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended June 30, 2022:	
2023	$ (976)
2024	(4,013)
2025	(6,086)
2026	(2,291)
2027	14
Thereafter	(107)

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

NOTE G – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED

Actuarial cost method	Entry age
Price inflation	2.30 percent
Real wage growth	0.70 percent
Wage inflation	3.00 percent
Salary increases, including wage inflation	
Members other than State Trooper	3.40% - 11.00% (School Division)
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 percent
PERACare Medicare plans	4.50 percent in 2021, 6.00% in 2022 gradually decreasing to 4.50% in 2029
Medicare Part A premiums	3.75 percent in 2021, gradually increasing to 4.50 percent in 2029

Calculations are based on the benefits provided under the terms of the substantive plan in effect at the time of each actuarial valuation and on the pattern of sharing of costs between employers of each fund to that point.

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

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

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

NOTE G – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED

All costs are subject to the health care cost trend rates, as discussed below.

Health care cost trend rates reflect the change in per capita health costs over time due to factors such as medical inflation, utilization, plan design, and technology improvements. For the PERA benefit structure, health care cost trend rates are needed to project the future costs associated with providing benefits to those PERACare enrollees not eligible for premium-free Medicare Part A.

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2020, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

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

Mortality assumptions used in the December 2020 valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

NOTE G – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED

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

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

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

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

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 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.

NOTE G – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED

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

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

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

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

The following health care costs assumptions were updated and used in the measurement of the obligations for the HCTF:

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2021 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

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

NOTE G – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED

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

Several factors are considered in evaluating the long-term rate of return assumption, including long-term historical data, estimates inherent in current market data, and a log-normal distribution analysis in which best-estimate ranges of expected future real rates of return (expected return, net of investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	54.00%	5.60%
Fixed Income	23.00%	1.30%
Private Equity	8.50%	7.10%
Real Estate	8.50%	4.40%
Alternatives[1]	6.00%	4.70%
Total	100.00%	

1 The Opportunity Fund's name changed to Alternatives, effective January 1, 2020

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 rate of return assumption of 7.25 percent.

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:

NOTE G – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	3.50%	4.50%	5.50%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.75%	3.75%	4.75%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	$ 143,322	$ 147,560	$ 152,469

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2021, measurement date.

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.

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

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

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

NOTE G – DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN – CONTINUED

Based on the above assumptions and methods, the HCTF's FNP was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent. 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 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	171,375	147,560	127,217

OPEB plan fiduciary net position. Detailed information about the HCTF's fiduciary net position is available in PERA's CAFR which can be obtained at www.copera.org/investments/pera-financial-reports.

NOTE H – RISK MANAGEMENT

The School insures against loss or damage to property; pays premiums on loss insurances; and pays judgments, administrative and legal claims. This activity occurs in the General Fund. The School is exposed to various risks of loss related to torts; errors and omissions; violation of civil rights; theft of, damage to, and destruction of assets; and natural disasters. The School uses workers compensation and other liability insurance to help mitigate these risks. During the year ended June 30, 2022, the School paid $28,077 in related insurance premiums to insurers.

NOTE I – TAX, SPENDING AND DEBT LIMITATIONS

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations including revenue raising, spending abilities and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation. The

NOTE I – TAX, SPENDING AND DEBT LIMITATIONS - CONTINUED

School believes it is in compliance with the requirements of the Amendment. However, the School has made certain interpretations of the Amendment's language in order to determine its compliance.

Mesa Valley Community School

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GENERAL FUND - BUDGET AND ACTUAL

Year ended June 30, 2022

	Budgeted Amounts			Variance with Final Budget Favorable
	Original	Final	Actual	(Unfavorable)
Revenues				
Local sources	$ 435,833	$ 414,948	$ 421,130	$ 6,182
State sources	3,519,296	3,465,434	3,419,440	(45,994)
Federal sources	-	407,271	407,271	-
Total revenues	3,955,129	4,287,653	4,247,841	(39,812)
Expenditures				
Current				
Instructional services	2,338,609	2,388,360	2,137,052	251,308
Student support	1,058,872	1,488,559	1,602,748	(114,189)
School administration	109,268	229,246	84,519	144,727
Business support	188,071	17,700	128,584	(110,884)
Operation and maintenance	-	401,645	45,521	356,124
Capital outlay	7,000	14,500	420,748	(406,248)
Debt service				
Principal	90,000	90,000	90,000	-
Interest	131,305	131,305	116,842	14,463
Total expenditures	3,923,125	4,761,315	4,626,014	135,301
Revenues in excess (deficiency) of expenditures	32,004	(473,662)	(378,173)	95,489
Fund balance beginning of year	777,569	913,881	1,071,601	157,720
Fund balance end of year	$ 809,573	$ 440,219	$ 693,428	$ 253,209

Mesa Valley Community School

SCHEDULE OF ACTIVITY - NET PENSION LIABILITY

June 30, 2022

	Employer proportion of NPL	Employer proportionate share of NPL	Nonemployer contributing entity proportionate share of NPL associated with employer	Total of employer and nonemployer proportionate share of NPL	Covered payroll	Employer proportionate share of NPL as a percentage of covered payroll	Pension plan's fiduciary net position as a percentage of total pension liability
Measurement date:							
December 31, 2014	0.01755%	$ 2,379,186	$ -	$ 2,379,186	$ 361,480	658%	63%
December 31, 2015	0.01747%	2,671,203	-	2,671,203	750,060	356%	59%
December 31, 2016	0.01939%	5,771,674	-	5,771,674	870,034	663%	43%
December 31, 2017	0.02105%	6,805,300	-	6,805,300	970,795	701%	44%
December 31, 2018	0.02041%	3,614,542	434,787	4,049,329	1,121,823	322%	57%
December 31, 2019	0.02258%	3,373,960	379,774	3,753,734	1,326,681	254%	65%
December 31, 2020	0.02780%	4,203,340	-	4,203,340	1,466,577	287%	67%
December 31, 2021	0.02621%	3,049,994	321,516	3,371,510	1,637,956	186%	75%

Mesa Valley Community School

SCHEDULE OF ACTIVITY - EMPLOYER PENSION CONTRIBUTIONS

June 30, 2022

	Required employer contribution	Employer contributions recognized by the plan	Difference	Covered payroll	Contributions as a percentage of covered payroll
June 30, 2015	$ 123,772	$ 123,772	$ -	$ 720,285	17%
June 30, 2016	141,956	141,956	-	800,685	18%
June 30, 2017	172,908	172,908	-	940,615	18%
June 30, 2018	187,315	187,315	-	992,131	19%
June 30, 2019	239,544	239,544	-	1,252,193	19%
June 30, 2020	273,778	273,778	-	1,412,682	19%
June 30, 2021	308,818	308,818	-	1,553,406	20%
June 30, 2022	335,073	335,073	-	1,685,475	20%

Mesa Valley Community School

SCHEDULE OF ACTIVITY - NET OPEB LIABILITY

June 30, 2022

	Employer proportion of NOPEBL	Employer proportionate share of NOPEBL	Covered payroll	Employer proportionate share of NOPEBL as a percentage of covered payroll	OPEB plan's fiduciary net position as a percentage of total OPEB liability
Measurement date:					
December 31, 2017	0.01196%	$ 155,404	$ 970,795	16%	18%
December 31, 2018	0.01327%	180,524	1,121,823	16%	17%
December 31, 2019	0.01475%	165,842	1,326,681	13%	24%
December 31, 2020	0.01607%	152,714	1,466,577	10%	33%
December 31, 2021	0.01711%	147,560	1,637,956	9%	39%

Mesa Valley Community School

SCHEDULE OF ACTIVITY - EMPLOYER OPEB CONTRIBUTIONS

June 30, 2022

	Required employer contribution	Employer contributions recognized by the plan	Difference	Covered payroll	Contributions as a percentage of covered payroll
June 30, 2018	$ 10,120	$ 10,120	$ -	$ 992,131	1.02%
June 30, 2019	12,772	12,772	-	1,252,193	1.02%
June 30, 2020	14,409	14,409	-	1,412,682	1.02%
June 30, 2021	15,845	15,845	-	1,553,406	1.02%
June 30, 2022	17,192	17,192	-	1,685,475	1.02%