Chavez/Huerta K-12 Preparatory Academy

(A Component Unit of Pueblo School District No. 60)

Financial Statements

June 30, 2021

HINKLE & COMPANY PC

Strategic Business Advisors

Chavez/Huerta K-12 Preparatory Academy

(A Component Unit of Pueblo School District No. 60)

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June 30, 2021

HINKLE & COMPANY PC
Strategic Business Advisors

Independent Auditors' Report

Board of Directors
Chavez/Huerta K-12 Preparatory Academy
Pueblo, Colorado

We have audited the accompanying financial statements of the governmental activities, and each major fund of the Chavez/Huerta K-12 Preparatory Academy, component unit of Pueblo School District No. 60, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Chavez/Huerta K-12 Preparatory Academy, as listed in the table of contents.

Management's Responsibility for the Financial Statements
Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility
Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the preparation and fair presentation of the financial statements 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 internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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Opinion

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 Chavez/Huerta K-12 Preparatory Academy as of June 30, 2021, 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.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the 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.

Hinkle & Company, PC

Greenwood Village, Colorado
January 17, 2022

Chavez/Huerta K-12 Preparatory Academy
Management Discussion and Analysis
June 30, 2021

As management of the Chavez/Huerta K-12 Preparatory Academy (CHPA), we offer readers of the Chavez/Huerta K-12 Preparatory Academy financial statements this narrative overview and analysis of the financial activities of the organization for the fiscal year ended June 30, 2021.

FINANCIAL HIGHLIGHTS

In response to the COVID-19 pandemic, Congress passed three stimulus bills that include funding for education: the Coronavirus Aid, Relief, and Economic Security (CARES) Act (March 2020); the Coronavirus Response and Relief Supplemental Appropriations (CRRSA) Act (December 2020); and the American Rescue Plan (ARP) Act (March 2021). Each stimulus bill provided funding for the Elementary and Secondary School Emergency Relief (ESSER) fund and the Governor's Emergency Education Relief (GEER) fund.

The ESSER fund directs 90% of the total state allocation to local education agencies (LEAs) based on the Title I formula and the remaining 10% for a state reserve fund.

As the result of the COVID 19 virus pandemic, CHPA has continued to receive federal funding from the Coronavirus Aid, Relief, and Economic Security (CARES) Act, the Elementary and Secondary School Emergency Relief Fund ESSER and the ARPA. This was enacted on March 27, 2020 by the federal government to mitigate the significant economic impacts for the working forced displaced by the COVID confinement. This act was a $2 trillion package of assistance measures that include direct payment to families, loans for small businesses, supports for businesses and funding for education.

The CARES Act included $3 billion for a Governor's Emergency Education Relief (GEER) Fund. Colorado was allocated a little over $44 million from the GEER fund. GEER funds are flexible and are able to be used at the discretion of governors. GEER fundscan be used to provide emergency support through the Colorado Department of Education (CDE). CHPA received an allocation of $735,694 from the GEER Fund in June 2020.

The CARES Act also established the Education Stabilization Fund, which is allocated 43.9% to the Elementary and Secondary School Emergency Relief Fund ($13.23 billion) and 9.8% to the Governor's Emergency Education Relief Fund ($2.95 billion).

Elementary and Secondary School Emergency Relief (ESSER) Fund dollars were appropriated to state education agencies based (SEA) on the 2019-20 Title I shares, with 90% allocated to local education agencies (LEAs) that received a Title I allocation in the most recent fiscal year and the remaining 10% for an SEA reserve fund. LEA allocations were calculated using the Title I formula; however, relief funds will not be subject to Title I requirements.

Colorado was allocated $120,993,782 from the U.S. Department of Education from the ESSER Fund. Of the total allocation to Colorado, CDE must allocate a minimum of $108,894,404 (90%) to local education agencies (LEAs) and may reserve no more than $12,099,378 (10%). CHPA has been allocated $309,472 from the $4,697,577 allocated toPueblo District 60 – CHPA's authorizer. CHPA anticipated receiving these funds in the fall of 2020.

In total, CHPA was scheduled to receive $1,214,690 in CARES funds in 2020-2021. Consisting of $ $735,634 from Governor's Emergency Education Relief Fund, Per Pupil Revenue funding from the Colorado Department of Education in the amount of $137,500 and $341,814 of ESSER I funds. CHPA received $873,134 from CARES funding distributed in advance CHPA through our authorizer Pueblo District 60. In ESSER I funds, CHPA has submitted a request for reimbursement for its COVID related expenses of $332,305. The CDE process of reporting-reimbursement process through our Authorizer District 60 has been quite extensive. As a result, the approximately $470,000 of COVID expenses were not reimbursed at 6/30/2021. Due of the lengthy process, the Finance officeis implementing a monthly reimbursement process to improve its monthly cash flow.

In March 2021, CHPA requested $436,649 as reimbursement for capital improvements made at its Cesar Chavez Academy campus. As of 6/30/2021, $392,984 in capital expenditures reimbursements were received and $43,664 remains as retainage until lien releases are obtained from the vendors utilized for the improvements.

Another major event for CHPA occurred on October 19, 2020, when its CCA Building Corporation refinanced its 2007 bonds. The 2020 A-B bond program paid off the 2007 A-B outstanding bond series in the amount of $11,285,000 and provided $25,849,460 in capital improvement funds to be used to construct a transitional school and build a solar grid to provide electricity for the new school and construct a transportation-facility.

The transitional school will allow the Ersilia Cruz Middle school to move out of its current modular campus into the brick-mortar building in anticipation of a B.E.S.T COP or Cash Grant. CHPA submitted its second B.E.S.T. (Building Excellent School Today) program grant in February 2021 and was awarded a 2022 BEST grant as a backup project pending the November 2021 election results.

The objective of this Statement is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units.

The Academy was required to implement GASB 75 which requires reporting of the Academy's share of Postemployment Healthcare Benefits administered by the Public Employees' Retirement Association of Colorado (PERA). Under GASB 75, the Academy's proportionate share of the net OPEB liability of the Health Care Trust Fund (HTCF) is recorded as a liability of the Academy. At implementation, beginning equity was restated and deferred inflows, outflows and the net OPEB liability are reported. At June 30, 2021, the net OPEB liability is $461,532 compared to $498,174 for fiscal year 2019- 2020.

Under GASB 68, which was implemented in 2015, the Academy's proportionate share of the net pension liability of the Colorado state retirement system, the Public Employees Retirement Association (PERA), is recorded as a liability of the Academy. At June 30, 2021, the net pension liability was $12,704,594 compared to $10,135,731 on June 30, 2020.

Deferred outflows from pensions increased to $5,081,763 compared to $1,220,946 the prior year while deferred inflows decreased to $5,915,916 compared to $7,125,071 the prior year.

The CCA Building Corporation (also referred to as the "Corporation") was formed for the specific purpose of holding title to real and/or personal property for the Academy and to make the same available for use by the Academy. The Academy pays rent to the Corporation for use of the facilities, which in turn is used to pay the related debt.

For the year ended June 30, 2021, the Academy implemented GASB Statement No. 80 – *Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*. In previous years, the Building Corporation was a Proprietary Fund. The adoption of this statement changed the Building Corporation from a ProprietaryFund to a Special Revenue fund. Therefore, the Building Corporation is now considered a Special Revenue fund of CHPA, presented as a governmental fund in the fund financial statements, and included in governmental activities on the government-wide statements. The fund balance of the Corporation increased from $1,893,365 to $24,415,857 in fiscal year ending June 30, 2021.

OVERVIEW OF FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to Chavez/Huerta K-12 Preparatory Academy's basic financial statements. The basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements.

Government-wide Financial Statements:

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

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

Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Academy is improving or deteriorating.

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

The government-wide statement of activities distinguishes functions/programs of the Academy supported primarily by per pupil revenue (PPR) passed through from the District. The governmental activities of the Academy include instruction and supporting services expense. The government-wide financial statements can be found on pages 3-4 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. Chavez/Huerta K-12 Preparatory Academy, like other governmental units or charter schools, uses fund accounting to ensureand demonstrate compliance with finance-related legal requirements. All of the funds of the Academy are governmental funds.

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

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

Chavez/Huerta K-12 Preparatory Academy maintains one governmental fund and adopts an annual appropriated budget. Budgetary comparison statements have been provided to demonstrate compliance with the budget.

Notes to the Financial Statements: The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This information is provided on pages 8 through 36.

GOVERNMENT-WIDE FINANCIAL STATEMENT ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Academy, liabilities exceeded assets by $13,075,020 as of the close of the 2020-21 fiscal year compared to $13,402,709 the prior year. The negative balance is due primarily to the adoption of GASB Statement No. 68 in 2015 and GASB Statement No. 75 in 2020 whereby the Academy reports its proportionate share of the state retirement system plan and post-employment healthcare benefits as liabilities on its financial statement. The net pension liability at the end of the current fiscal year increased to $12,704,594 compared to $10,135,731 for 2020. The net OPEB liability at the end of the current fiscal year is $461,352.

Chavez/Huerta K-12 Preparatory Academy
Management Discussion and Analysis
June 30, 2021

Statement of Net PositionGovernmental Activities

	30-Jun-21	30-Jun-20	Net Change
Cash	$ 2,484,064	$ 3,755,113	$ (1,271,049)
Restricted Cash	$ 24,108,194	$ 1,893,365	$ 22,414,829
Accounts Receivable	$ 1,197,763	$ 205,078	$ 992,685
Capital Assets, not being depreciated	$ 3,004,891	$ 1,178,524	$ 2,335,580
Capital Assets, net of accumulated depreciation	$ 9,335,934	$ 9,166,865	$ 169,219
TOTAL ASSETS	**$ 40,130,846**	**$ 16,198,945**	**$ 23,931,901**
Deferred Outflows of Resources			
OPEB, net of accumulated amortization	$ 78,681	$ 30,378	$ 48,303
Pensions, net of accumulated amortization	$ 5,081,763	$ 1,220,946	$ 3,860,817
DEFERRED OUTFLOWS OF RESOURCES	**$ 5,160,444**	**$ 1,251,324**	**$ 3,909,120**
Current Liabilities			
Accounts Payable	$ 756,919	$ 223,944	$ 532,925
Accrued Liabilities	$ 256,305	$ 186,138	$ 70,167
Accrued Interest	$ 1,917,517	$ 223,281	$ 1,694,236
Deferred Revenue	$ 19,536	$ 784,478	$ (764,945)
Noncurrent Liabilities			
Due in less than one year	$ -	$ 440,000	$ (440,000)
Long Term Liabilities	$ 36,179,127	$ 11,135,853	$ 25,043,274
OPEB Liability	$ 461,532	$ 498,174	$ (36,642)
Net Pension Liability	$ 12,704,594	$ 10,135,731	$ 2,568,863
TOTAL LIABILITIES	**$ 52,295,530**	**$ 23,627,599**	**$ 28,667,931**
Deferred Inflows of Resources			
OPEB, net of accumulated amortization	$ 154,864	$ 100,308	$ 54,556
Pensions, net of accumulated amortization	$ 5,915,916	$ 7,125,071	$ (1,209,155)
TOTAL DEFERRED INFLOWS OF RESOURCES	**$ 6,070,780**	**$ 7,225,379**	**$ (1,154,599)**
Net Position			
Net Investment in Capital Assets	$ (23,838,302)	$ (1,230,464)	$ (22,607,838)
Restricted for Debt Service	$ 24,415,857	$ 1,407,589	$ 23,008268
Restricted for Repairs & Replacement	$ -	$ 262,495	$ (262,495)
Restricted for Emergencies	$ 380,000	$ 380,000	$ -
Unrestricted	$ (14,032,575)	$ (14,222,329)	$ 974,232
TOTAL NET POSITION	**$ (13,075,020)**	**$ (13,402,709)**	**$ 327,689**

Cash and investments make up 66.3% of total assets compared to 34.9% the prior year. 89% of cash and investments are restricted in the Corporation for Maintenance of capital assets and reserved to repay debt. Capital assets, which reflect the Academy's investment in real and personal property and equipment, currently make up 30.5% of total assets compared to 63.9% the previous year. The remaining assets, primarily grants receivable, make up 3.8% of total assets. Overall, total assets increased $23,931,901 primarily dueto the increase in cash.

Net deferred outflows related to pensions increased from $1,220,946 for 2020 to $5,081,763 for 2021. Deferred outflows related to postemployment benefits were $78,681 at year-end. Deferred inflows related to pensions decreased to $5,915,916 for 2021 compared to $7,125,071 for 2020.

Liabilities increased by $28,667,931 due to increases in the net pension liability, deferred revenue, and outstanding debt. Current liabilities increased by $1,532,433 mostly due to an increase in accrued interest.

Chavez/Huerta K-12 Preparatory Academy
Management Discussion and Analysis
June 30, 2021

Statement of Activities
For the Years Ended June 30, 2020 and June 30, 2020

		30-Jun-21		30-Jun-20		Net Change
Program Revenue:						
Charges for Services	$	1,060,029	$	95,430	$	930,410
Restricted Grants & Contributions	$	2,704,560	$	1,049,115	$	1,655,445
Total Program Revenue	**$**	**3,764,589**	**$**	**1,144,545**	**$**	**2,620,044**
General Revenue:						
Per Pupil Operating Revenue	$	8,647,708	$	8,789,308	$	(141,600)
Additional At-Risk Funding	$	34,758	$	30,924	$	3,834
Capital Construction Grant	$	304,983	$	285,264	$	19,339
Unrestricted Grants & Contributions	$	44,966	$	103,523	$	(58,176
Investment Income	$	8,154	$	97,658	$	(94,147)
Miscellaneous	$	436,354	$	93,961	$	299,172
Total General Revenue	**$**	**9,476,923**	**$**	**9,400,638**	**$**	**76,285**
Total Revenue	**$**	**13,241,512**	**$**	**10,545,183**	**$**	**2,696,329**
Expenses:						
Instruction	$	3,814,947	$	3,422,919	$	392,028
Supporting Services	$	6,436,011	$	3,876,774	$	2,559,237
Debt Service - Interest	$	2,622,865	$	793,734	$	1,829,131
Total Expenses	**$**	**12,913,823**	**$**	**8,093,427**	**$**	**4,820,396**
CHANGE IN NET POSITION	**$**	**327,689**	**$**	**2,451,756**	**$**	**(661,977)**
NET POSTION, Beginning	**$**	**(13,402,709)**	**$**	**(15,854,465)**	**$**	**2,451,756**
NET POSTION, Ending	**$**	**(13,075,020)**	**$**	**(13,402,709)**	**$**	**327,669**

Total revenue increased $2,696,329 primarily from the CARES-ARPA federal funding. Per Pupil Revenue from the Colorado Department of Revenue CDE decreased $141,600 due to the COVID pandemic. CHPA has $4,923,748 of federal COVID ESSER I, II, & III funds that remain unrecorded in the financial statements herein due to the timing difference in funding that will be reported when the expenditures are reimbursed from district authorizer from the COVID ESSER funds. CHPA's overall expenditures increased due to increased spending during 2020-2021 as a result of CHPA's investment in CARES, ESSER and ARPA funds from CDE. CHPA invested in excess of $600,000 to provide one-to-one educational devices for each student as a result of the online education mandated by the COVID pandemic.

The timing difference between CHPA's COVID investment and the D60 reimbursement equates to the significant expenses not reimbursed at 6/30/2021. Investment income decreased $94,147 due to the inefficient ESSER - APRA funds reimbursement process.

ANALYSIS OF THE FUND FINANCIAL STATEMENTS

As noted earlier, Chavez/Huerta K-12 Preparatory Academy uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

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

This is the 21st full year of operations for the Academy, but the ninth year since the two schools were merged. Total revenue for FY 2020-2021 was $13,241,512 compared to $10,545,183 the prior year. Per pupil operating revenue, makes up 67.3% of Governmental Funds revenue for FY 2020-2021 compared to 83.3% the prior year. Funded pupil count for 2020-2021 was 1,026 compared to 916 the prior year, an increase of 110 full-time equivalent students. Per pupil funding decreased to $8,138 in FY 2020-21 from $8,355 in FY 2019-20, an increase of $217 per student due to the COVID Pandemic. Funds received from the Federal Government offset the Colorado Department of Education (CDE) per pupil revenue funding State reduction with a $1,773,569 increase in Federal funds from the Coronavirus Aid, Relief, and Economic Security Act, also known as the CARES Act, is a $2.2 trillion economic stimulus bill passed by the 116th U.S. Congress and signed into law by President Donald Trump on March 27, 2020, in response to the economic fallout of the COVID-19 pandemic in the United States

As of the end of the current fiscal year, the Academy reported ending fund balance of $2,341,404 in its General Fund compared to $2,765,631 the prior year, a decrease of $424,227. Reserves are adequate to meet the restricted emergency reserve requirement under TABOR in the amount of $380,000 and to comply with the unrestricted $725,000 working capital requirement set forth in a separate agreement with the lender.

The fund balance of the Building Corporation as of June 30, 2021 is $24,415,857 compared to $1,893,365 the prior year, an increase of $22,522,492 as a result of restricted fund balance for the increase of outstanding debt.

BUDGETARY HIGHLIGHTS

The Academy approves a budget in June based on enrollment projections for the following school year. The budget may be amended in December, after enrollment is finalized and per pupil funding can be more accurately projected.

The majority of Academy spending in the General Fund is for salaries and benefits, which make up 55.9% of total expenditures for FY 2020-2021 compared to 54.9% the prior year. Purchased services made up 30.8% of total expenditures compared to 29.9% the prior year.

Primarily spending for purchased services are rents paid to the Building Corporation, overhead costs charged by the District, insurance, legal, audit and financial services.

Expenditures did not exceed the amount appropriated for fiscal year 2020-2021 and is therefore in compliance with State statute.

CAPITAL ASSET AND LONG-TERM DEBT

Capital assets: The Academy owns land with a carrying value of $1,178,524 and buildings and improvements capitalized at $8,664,049 at June 30, 2021. Capitalized equipment, including buses, totals $671,885. The net carrying value of capital assets after subtracting accumulated depreciation is $9,335,934. Current year depreciation expense was $261,949. There were no additions or disposals of capital assets in the Building Corporation during 2020-2021. Additional information on this investment is provided in Note 4 to the financial statements.

Long-term debt: In October 2020, The CCA Building Corporation elected to refinance its 2007 with a 2020 series of bonds issued by Colorado Educational and Cultural Facilities Authority (CECFA). The Colorado Education & Cultural Facilities Authority provided CHPA with its 2020 A-B program $36,360,000 Charter School Refunding & Improvement Revenue Bond program.

The 2020 A-B Bond package put forth a seven-year amortization program with a balloon payment due at the end of the seventh year. This program will provide CHPA an opportunity to refinance after completing three years versus ten in a normal thirty-year amortization and a ramped-up payment program that will allow CHPA to completethe school with lower interest/principal payments in the first three years and the full payment made in the fourth year (2023-2024). Thereby allowing CHPA to ramp up to the increased costs. At the end of the seventh year we would need to refinance either with the proposed Colorado Bond Shares currently proposed or the desired Colorado Moral Obligation program with the current 3% rate and thereby lower the CHPA interest rate another 1.375%. CHPA can apply for the Colorado Moral Obligation after the third year of the Colorado Bond Share program.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The lease payments to the Corporation for principal and interest due on the 2007 bond issue have stabilized and will increase very little in future years. Funded pupil count must be sustained to meet the commitments under this agreement. Enrollment at the Academy continues to fluctuate, which presents a challenge in balancing the budget from year to year. The funded pupil count was 965 for 2014-15, increased to 989 for 2015-16, but decreased to 961 for 2016-17, 921 in 2017-18, 916 in 2018-19, and then increased to 917 for 2019-20 and 1,026 in 2020-21. Enrollment is budgeted to increase by 1% to 1032 students for 2021-22 with the PPR projected to increase to $8,738 per student. Though appropriate action has been taken to modify operations in light of the changes in the funded pupil count and per pupil funding, the Academy needs to continue to focus on stabilizing its enrollment.

In November of 2000 voters in Colorado approved a provision to the Colorado constitution providing that K-12 funding would increase at pupil growth, plus inflation, plus 1% for 10 years and thereafter, growth plus inflation. As a result of this provision the single most important factor in projecting revenues is estimated future inflation. There was a significant recession during 2008-09 that continued through the 2011-12 fiscal year resulting in deflation (negative growth). In an effort to balance its budget, the State rescinded funding approved for public schools. Per pupil funding declined each year for four years and then stabilized in 2012-13 with base per pupil funding remaining the same as the prior year. The Academy's per pupil funding increased 2.5% to $6,574 for 2013-14, 6.7% to $7,014 for 2014-15, 3.7% to $7,280 for 2015-16, 3.8% to $7,550 for 2016-17, 4.2% to $7,870 for 2017-18, 5% to $8,265 for 2018-19, 10.7% to $8,355 for 2019-20, and decreased 2.6% to $8,138 in 2020-2021. Per pupilfunding is expected to increase by 7.4% to $8,738 for 2021-22.

SUBSEQUENT EVENT

There were no significant subsequent events to report as of the date of the release of these financial statements.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Chavez/Huerta K-12 Preparatory Academy's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be submitted in writing and addressed to Dr. Richard E. Duran, Chief Executive Director, Cesar/ Huerta K-12 Preparatory Academy, 2727 W. 18th St., Pueblo, CO 81003.

Basic Financial Statements

Chavez/Huerta K-12 Preparatory Academy

(A Component Unit of Pueblo School District No. 60)

Statement of Net Position

June 30, 2021

	Governmental Activities
Assets	
Cash	$ 2,484,064
Restricted Cash	24,108,194
Accounts Receivable	1,197,763
Capital Assets*, not being depreciated*	3,004,891
Capital Assets*, net of accumulated depreciation*	9,335,934
Total Assets	40,130,846
Deferred Outflows of Resources	
OPEB, *net of accumulated amortization*	78,681
Pensions*, net of accumulated amortization*	5,081,763
Total Deferred Outflows of Resources	5,160,444
Liabilities	
Accounts Payable	756,919
Accrued Liabilities	8,077
Accrued Salaries	248,228
Accrued Interest	1,917,517
Deferred Revenue	19,536
Noncurrent Liabilities	
Due in More Than One Year	36,179,127
OPEB Liability	461,532
Net Pension Liability	12,704,594
Total Liabilities	52,295,530
Deferred Inflows of Resources	
OPEB, *net of accumulated amortization*	154,864
Pensions*, net of accumulated amortization*	5,915,916
Total Deferred Inflows of Resources	6,070,780
Net Position	
Net Investment in Capital Assets	(23,838,302)
Restricted for:	
Emergencies	380,000
Debt Service	24,415,857
Unrestricted	(14,032,575)
Total Net Position	$ (13,075,020)

Chavez/Huerta K-12 Preparatory Academy

(A Component Unit of Pueblo School District No. 60)

Statement of Activities

For the Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Net (Expense) Revenue and Change in Net Position
Primary Government				
Governmental Activities				
Instruction	$ 3,814,947	$ 34,189	$ 2,662,315	$ (1,118,443)
Supporting Services	6,436,011	1,025,840	42,245	(5,367,926)
Debt Service - Interest	2,662,865	-	-	(2,662,865)
Total Governmental Activities	$ 12,913,823	$ 1,060,029	$ 2,704,560	(9,149,234)
	General Revenues			
	Per Pupil Revenue			8,647,708
	Additional At-Risk Funding			34,758
	Capital Construction			304,983
	Grants and Contributions not Restricted to Specific Programs			44,966
	Investment Income			8,154
	Other			436,354
	Total General Revenues and Transfers			9,476,923
	Change in Net Position			327,689
	Net Position, *Beginning of year*			(13,402,709)
	Net Position, *End of year*			$ (13,075,020)

Chavez/Huerta K-12 Preparatory Academy
(A Component Unit of Pueblo School District No. 60)
Balance Sheet
Governmental Fund
June 30, 2021

	General	Building	Total
Assets			
Cash	$ 2,484,064	$ -	$ 2,484,064
Restricted Cash and Investments	-	24,108,194	24,108,194
Accounts Receivable	1,197,763	-	1,197,763
Interfund Receivable	-	307,663	307,663
Total Assets	$ 3,681,827	$ 24,415,857	$ 28,097,684
Liabilities and Fund Balance			
Liabilities			
Accounts Payable	$ 756,919	$ -	$ 756,919
Interfund Payable	307,663	-	307,663
Accrued Liabilities	8,077	-	8,077
Acrued Salaries	248,228	-	248,228
Deferred Revenue	19,536	-	19,536
Total Liabilities	1,340,423	-	1,340,423
Fund Balance			
Restricted for Emergencies			
Emergencies	380,000	-	380,000
Debt Service	-	24,415,857	24,415,857
Unrestricted, Unassigned	1,961,404	-	1,961,404
Total Fund Balance	2,341,404	24,415,857	26,757,261
Total Liabilities and Fund Balance	$ 3,681,827	$ 24,415,857	$ 28,097,684

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

Total Fund Balance of the Governmental Fund	$ 26,757,261
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	12,340,825
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds:	
Accrued interest payable	(1,917,517)
Long term debt	(36,179,127)
Net pension liability	(12,704,594)
Pension-related deferred outflows of resources	5,081,763
Pension-related deferred inflows of resources	(5,915,916)
Net OPEB liability	(461,532)
OPEB-related deferred outflows of resources	78,681
OPEB-related deferred inflows of resources	(154,864)
Total Net Position of Governmental Activities	$ (13,075,020)

Chavez/Huerta K-12 Preparatory Academy

(A Component Unit of Pueblo School District No. 60)

Statement of Revenues, Expenditures and Changes in Fund Balance

Governmental Fund

For the Year Ended June 30, 2021

	General	Building	Total
Revenues			
Local Sources	$ 9,208,374	$ 1,031,082	$ 10,239,456
State Sources	532,132	-	532,132
Federal Sources	2,469,924	-	2,469,924
Total Revenues	12,210,430	1,031,082	13,241,512
Expenditures			
Current			
Instruction	5,094,434	-	5,094,434
Supporting Services	6,952,587	2,730,871	9,683,458
Debt Service			
Principal	-	11,725,000	11,725,000
Interest and Fees	-	757,535	757,535
Total Expenditures	12,047,021	15,213,406	27,260,427
Excess Revenues Over (Under) Expenditures	163,409	(14,182,324)	(14,018,915)
Other Financing Sources (Uses)			
Proceeds from Bonds	-	36,117,180	36,117,180
Transfers In (Out)	(587,636)	587,636	-
Total Other Financing Sources (Uses)	(587,636)	36,704,816	36,117,180
Net Change in Fund Balance	(424,227)	22,522,492	22,098,265
Fund Balance, *Beginning of year*	2,765,631	1,893,365	4,658,996
Fund Balance, *End of year*	$ 2,341,404	$ 24,415,857	$ 26,757,261

See Notes to the Financial Statements.

Chavez/Huerta K-12 Preparatory Academy

(A Component Unit of Pueblo School District No. 60)

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of the Governmental Fund to the Statement of Activities

For the Year Ended June 30, 2021

Amounts Reported for Governmental Activities in the Statement of Activities are Different Because:	
Net Change in Fund Balance of the Governmental Fund	$ 22,098,265
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Capital outlay	2,413,853
Depreciation expense	(418,417)
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities. Repayments of debt principal are expenditures in governmental funds, but they reduce long-term liabilities in the statement of net position and do not affect the statement of activities.	
Proceeds from Bond issuance	(36,328,274)
Bond Principal Payments	11,725,000
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:	
Change in accrued interest	(1,694,236)
Net Pension Liability	(2,568,863)
Pension-related deferred outflows of resources	3,860,817
Pension-related deferred inflows of resources	1,209,155
Net OPEB Liability	36,642
OPEB-related deferred outflows of resources	48,303
OPEB-related deferred inflows of resources	(54,556)
Change in Net Position of Governmental Activities	$ 327,689

See Notes to the Financial Statements.

Note 1: Summary of Significant Accounting Policies

The Chavez/Huerta K-12 Preparatory Academy (the School) was formed by the merger of Cesar Chavez Academy and Dolores Huerta Preparatory High, effective July 1, 2012. The School operates a charter school within Pueblo School District No. 60 (the District). The School is a non-profit organization as defined in Section 501(c)(3) of the Internal Revenue Code.

The accounting policies of the School conform to generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the School's more significant policies.

Reporting Entity

The financial reporting entity consists of the School, organizations for which the School is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the School. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are part of the School. 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 has the potential to provide benefits to, or impose financial burdens on, the School.

The School includes the CCA Building Corporation (the Building Corporation) within its reporting entity. The Building Corporation was incorporated to acquire, exchange, lease, hold, use, operate or otherwise deal with property, borrow money, and secure the repayment of moneys borrowed for the Building Corporation or the School. The Building Corporation is blended into the School's financial statements as a Special Revenue Fund and does not issue separate financial statements.

The School is a component unit of the District. The School's charter was authorized by the District and the majority of the School's funding is provided by the District.

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the School. For the most part, the effect of interfund activity has been removed from these statements. Exceptions to this general rule are charges for interfund services that are reasonably equivalent to the services provided. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from the *business-type activities*, which rely to a significant extent on fees and charges for support.

Note 1: Summary of Significant Accounting Policies (Continued)

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

The statement of activities demonstrates the degree to which the direct expenses of the given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to students or others who purchase, use, or directly benefit from goods, services, 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 revenues not properly included among program revenues are reported instead as *general revenues*.

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current year or soon enough thereafter to pay liabilities of the current year, not to exceed 60 days. Intergovernmental revenues, grants, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenue is considered measurable and available only when cash is received by the School. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

When both restricted and unrestricted resources are available for a specific 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 funds:

> *General Fund* - This fund is the general operating fund of the School. It is currently used to account for all financial activities of the School.
>
> *Special Revenue Fund* - This fund is used to account for the financial transactions of the Building Corporation, primarily related to capital assets and the related debt service.

Note 1: Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Net Position/Fund Balance

Cash and Investments - For purposes of the statement of cash flows, cash equivalents include investments with original maturities of three months or less.

Receivables - All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

Capital Assets - Capital assets, which include property and equipment, are reported in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of $5,000 or more 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 in the statement of net position in the government-wide financial statements. Depreciation is calculated using the straight-line method over the following estimated useful lives.

Land Improvements	10 - 40 years
Buildings	10 - 40 years
Building Improvements	10 - 40 years
Equipment	3 - 10 years

Long-Term Debt - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. Debt premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. In the governmental fund financial statements, 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 are reported as other financing uses.

Issuance costs, whether or not withheld from the debt proceeds, are reported as current expenses or expenditures.

Pensions - The School participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position (FNP), and additions to and 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. Employer contributions are recognized when the compensation is payable to the employees. Investments are reported at fair value.

Note 1: Summary of Significant Accounting Policies (Continued)

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

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: Concerning Modifications to the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to certain benefit provisions. Some, but not all, of these changes were in effect as of June 30, 2021.

Postemployment Benefits Other Than Pensions (OPEB) - The School participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer postemployment healthcare plan 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 and deductions from the FNP of the HCTF's 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.

Net Position/Fund Balance - In the government-wide and fund financial statements, net position and fund balance are restricted when constraints placed on the use of resources are externally imposed. The Board of Directors is authorized to establish a fund balance commitment through passage of a resolution and may assign fund balances to a specific purpose through an informal action.

The School has not established a formal policy for its use of restricted and unrestricted fund balances. However, if both restricted and unrestricted fund balances are available for a specific purpose, the School uses restricted fund balance first, followed by committed, assigned, and unassigned balances.

Implementation of New Accounting Pronouncements

For the year ended June 30, 2021, the School Implemented GASB Statement No. 80 - *Blending Requirements for Certain Component Units - An Amendment of GASB Statement No. 14*. This statement changes Building Corporations of the School from a Proprietary to a Special Revenue fund and will be a blended component unit of the School.

The Building Corporation is part of the School for financial reporting purposes because its resources are entirely for the direct benefit of the School and is blended into the School's financial statements as a Special Revenue Fund. Separate financial statements are not available.

Note 1: Summary of Significant Accounting Policies (Continued)

Prior Period Adjustments

The financial impact for the changes in fund effects on the financial statement opening balances of the Special Revenue Fund are summarized as follows:

Building Corporation Fund	As Originally Stated Balance 06/30/20	Capital Assets Adjustments	Loan Payable Adjustments	Interest Payable Adjustments	As Restated Balance 06/30/20
Balance Sheet					
Assets					
Restricted Cash and Investments	$ 1,893,365	$ -	$ -	$ -	$ 1,893,365
Capital Assets	9,483,183	(9,483,183)	-	-	-
Liabilities					
Interest Payable	(223,281)	-	-	223,281	-
Loan Payable	(11,575,853)	-	11,575,853	-	-
Fund Balance	$ (422,586)	$ (9,483,183)	$ 11,575,853	$ 223,281	$ 1,893,365

Subsequent Events

The School has evaluated subsequent events through January 17, 2022, the date the financial statements were available to be issued.

Note 2: Cash and Investments

Cash and investments at June 30, 2021, consisted of the following:

Petty Cash	$ 90
Deposits	775,564
Investments	25,816,604
Total	$ 26,592,258

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

Cash and Investments	$ 2,484,064
Restricted Cash and Investments	24,108,194
Total	$ 26,592,258

Note 2: Cash and Investments (Continued)

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The 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 uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2021, the School had bank deposits of $463,301 collateralized with securities held by the financial institution's agent but not in the School's name.

Investments

The School is required to comply with State statutes which specify investment instruments meeting defined rating, maturity, and concentration risk criteria in which local governments may invest, which include the following. State statutes do not address custodial risk.

- Obligations of the United States and certain U.S. Agency securities
- Certain international agency securities
- General obligation and revenue 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
- Local government investment pools

Interest Rate Risk - State statutes generally limit investments to an original maturity of five years from the date of purchase unless the governing board authorizes the investment for a period in excess of five years.

Credit Risk - State statutes limit certain investments to those with specified ratings from nationally recognized statistical rating organizations, depending on the type of investment.

Concentration of Credit Risk - State statutes do not limit the amount the School may invest in a single issuer, except for corporate securities.

Note 2: Cash and Investments (Continued)

Investments *(Continued)*

Local Government Investment Pools - At June 30, 2021, the School had $25,816,604 invested in the Colorado Local Government Liquid Asset Trust (ColoTrust), an investment vehicle established for local government entities in Colorado to pool surplus funds. The Colorado Division of Securities administers and enforces the requirements of creating and operating the Pools. The Pools operate in conformity with the Securities and Exchange Commission's Rule 2a-7. The Pools are measured at the net asset value per share, with each share valued at $1. The Pools are rated AAA by Standard and Poor's. Investments of the Pools are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

Restricted Cash and Investments

At June 30, 2021, the Building Corporation held investments of $24,108,194 restricted by its loan agreement for future debt service and building repair and replacements.

Note 3: Capital Assets

Changes in capital assets for the year ended June 30, 2021, are summarized below.

Governmental Activities	**Balance 6/30/20**	**Additions**	**Deletions**	**Balance 6/30/21**
Capital Assets, *Not Being Depreciated*				
Land	$ 1,178,524	$ -	$ -	$ 1,178,524
Construction in Progress	-	1,826,367	-	1,826,367
Total Capital Assets, *Not Being Depreciated*	1,178,524	1,826,367	-	3,004,891
Capital Assets, B*eing Depreciated*				
Site Improvements	$ 294,583	$ -	$ -	$ 294,583
Buildings	12,495,948	381,514	-	12,877,462
Building Improvements	540,854	-	-	540,854
Equipment	1,581,256	205,972	-	1,787,228
Total Capital Assets, B*eing Depreciated*	14,912,641	587,486	-	15,500,127
Less Accumulated Depreciation				
Site Improvements	(135,220)	(16,926)	-	(152,146)
Buildings	(4,335,296)	(249,547)	-	(4,584,843)
Building Improvements	(249,631)	(62,230)	-	(311,861)
Equipment	(1,025,629)	(89,714)	-	(1,115,343)
Total Accumulated Depreciation	(5,745,776)	(418,417)	-	(6,164,193)
Total Capital Assets, net of accumulated depreciation	$ 9,166,865	$ 169,069	$ -	$ 9,335,934

Note 3: Capital Assets (Continued)

Depreciation expense of the governmental activities was charged to functions/programs as follows.

Instruction	$	264,728
Supporting Services		153,689
Total	$	418,417

Note 4: Long-Term Debt

Following is a summary of long-term debt transactions for the year ended June 30, 2021.

Governmental Activities	Balance 6/30/20	Additions	Transfer	Payments	Balance 6/30/21	Due Within One Year
Series 2007 Revenue Bonds	$ 11,725,000	$ -	$ (11,285,000)	$ (440,000)	$ -	$ -
Series 2007 Revenue Bonds Discount	(149,148)	-		149,148	-	-
Series 2020A Revenue Bonds	-	25,240,000	11,285,000	-	36,525,000	-
Series 2020A Revenue Bonds Discount	-	(453,647)	-	50,671	(402,976)	-
Series 2020B Revenue Bonds	-	105,000	-	-	105,000	-
Series 2020B Revenue Bonds Discount	-	(59,173)	-	11,276	(47,897)	-
Total	$ 11,575,852	$ 24,832,180	$ -	$ (228,905)	$ 36,179,127	$ -

In April 2007, the Colorado Educational and Cultural Facilities Authority (CECFA) issued $15,570,000 Charter School Revenue Bonds, Series 2007. Bond proceeds were loaned to the Building Corporation under a mortgage and loan agreement to refinance various existing debt, purchase land, and construct a new high school. The Building Corporation was required to make equal loan payments to the Trustee, for payment of the bonds. Interest accrued at rates ranging from 4% to 4.5%. Interest payments were due semi-annually on August 1 and February 1. Principal payments are due annually on August 1, through 2037.

During October 2020, the Colorado Educational and Cultural Facilities Authority (CECFA) issued $36,630,000 Charter School Refunding and Improvement Revenue Bonds, Series 2020. Bond proceeds were issued to the Building Corporation to refinance the Series 2007 Charter School Revenue Bonds, purchase land, and construct a new high school. The Building Corporation is required to make payments to the Bond Trustee for payment of the bonds. Interest accrues at rates ranging from 4.375% to 6.000%. Interest payments are due semi-annually on January 1 and July 1. Principal payments are due annually on July 1, through 20230 and 2037.

Note 4: Long-Term Debt (Continued)

Annual debt service requirements are as follows:

Year Ended June 30,	Principal	Interest	Total
2022	$ -	$ 1,917,517	$ 1,917,517
2023	110,000	1,602,169	1,712,169
2024	545,000	1,597,859	2,142,859
2025	570,000	1,585,828	2,155,828
2026	595,000	1,561,438	2,156,438
2027-2031	34,810,000	2,297,422	37,107,422
Total	$ 36,630,000	$ 10,562,233	$ 47,192,233

Note 5: 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 purchases commercial insurance for workers compensation risks. For its risk of property loss or damage and general liability, the School participates in the Colorado School Districts Self-Insurance Pool (CSDSIP).

The CSDSIP is sponsored by the Colorado Association of School Boards (CASB) and operates as a self-insurance pool comprised of various school districts and other related public educational entities within the State of Colorado. The School pays an annual premium to the CSDSIP for property and liability insurance coverage. The CSDSIP will be self-sustaining through member premiums and will reinsure through a duly authorized insurer. The reinsurance covers claims against the CSDSIP in excess of specific claim amounts and in the aggregate in an amount and at limits determined by the CSDSIP to be adequate to protect the solvency of the CSDSIP.

Note 6: Defined Benefit Pension Plan

General Information

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 (Annual Report) that can be obtained at www.copera.org/investments/pera-financial-reports.

Note 6: Defined Benefit Pension Plan (Continued)

<u>General Information</u> *(Continued)*

Benefits Provided - PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is 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:

a) Highest average salary multiplied by 2.5% and then multiplied by years of service credit.
b) 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 annualized into a monthly benefit based on life expectancy and other actuarial factors.

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

a) Highest average salary multiplied by 2.5% and then multiplied by years of service credit.
b) $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.

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.

Note 6: Defined Benefit Pension Plan (Continued)

General Information *(Continued)*

As of December 31, 2020, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S., once certain criteria are met. Pursuant to SB 18-200, eligible benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S. § 24-51-413. Eligible benefit recipients under the PERA benefit structure who began membership on or after January 1, 2007, will receive the lessor of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25 percent 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 a disability. The disability benefit amount is based on the lifetime retirement benefit formula shown above considering a minimum of twenty 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 in place under which service credit was obtained, and the qualified survivor who will receive the benefits.

Contributions Provisions as of June 30, 2021 - Eligible employees, 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 10.00% of their PERA-includable salary during the period of July 01, 2020 through June 30, 2021. The School's contribution rate was 20.90% of covered salaries for July 01, 2020 through June 30, 2021. However, a portion of the School's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 7). Contribution rates for the SCHDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-208(1)(f).

As specified in C.R.S. § 24-51-414, the State is required to contribute $225 million 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) 20-1379 suspended the $225 million (actual dollars) direct distribution payable on July 1, 2020 for the State's 2020-21 fiscal year.

Note 6: Defined Benefit Pension Plan (Continued)

General Information *(Continued)*

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the School were $994,458, for the year ended June 30, 2021.

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, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll-forward the total pension liability to December 31, 2020. The School proportion of the net pension liability was based on the School contributions to the SCHDTF for the calendar year 2020 relative to the total contributions of participating employers and State as a nonemployer contributing entity.

Due to the aforementioned suspension of the July 1, 2020, direct distribution payment, the nonemployer contributing entity's proportion is zero percent. Pursuant to C.R.S. § 24-51-414, the direct distribution payment from the State of Colorado is to recommence annually starting on July 1, 2021. For purposes of GASB 68 paragraph 15, a circumstance exists in which a nonemployer contributing entity is legally responsible for making contributions to the SCHDTF and is considered to meet the definition of a special funding situation

At June 30, 2021, the School reported a liability of $12,704,594 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 net pension liability	$ 12,704,594
The State's proportionate share of net pension liability as a nonemployer contributing entity associated with the School	-
Proportionate share of the net pension liability	$ 12,704,594

At December 31, 2020, the School's proportion was 0.0840363001%, which was an increase of 0.0158217071% from its proportion measured at December 31, 2019.

For the year ended June 30, 2021, the School recognized pension benefit of $1,907,387. There was no support from the State as a nonemployer contributing entity.

Note 6: Defined Benefit Pension Plan (Continued)

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

At June 30, 2021, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 698,055	$ -
Changes of assumptions and other inputs	1,222,143	2,135,532
Net difference between projected and actual earnings on plan investments	-	3,269,133
Changes in proportion	2,533,714	511,251
Contributions subsequent to the measurement date	627,851	-
Total	$ 5,081,763	$ 5,915,916

School contributions subsequent to the measurement date of $627,851 will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

Year Ended June 30,	
2022	$ (1,807,683)
2023	1,057,263
2024	(152,270)
2025	(559,314)
Total	$ (1,462,004)

Note 6: 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 total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions, and other inputs.

Actuarial cost method	Entry age
Price inflation	2.4%
Real wage growth	1.1%
Wage inflation	3.5%
Salary increases, including wage inflation	3.5% - 9.7%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate [1]	7.25%
Future post-employment benefit increases:	
Hired prior to 1/1/2007	1.25%
Hired after 12/31/2006 [1]	Financed by the Annual Increase Reserve (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.

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Post-retirement non-disabled mortality assumptions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- Males*:* Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females*:* Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

The mortality assumption for disabled retirees was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2019, valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA

Board during the November 18, 2016, Board meeting.

Note 6: Defined Benefit Pension Plan (Continued)

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

Based on the 2020 experience analysis, dated October 28, 2020, for the period January 1, 2016, through December 31, 2019, revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculation of the total pension liability from December 31, 2019, to December 31, 2020.

Actuarial cost method	Entry age
Price inflation	2.3%
Real wage growth	0.7%
Wage inflation	3.0%
Salary increases, including wage inflation	3.4% - 11.0%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate [1]	7.25%
Future post-employment benefit increases:	
Hired prior to 1/1/2007	1.25%
Hired after 12/31/2006 [1]	Financed by the Annual Increase Reserve (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.

Salary scale assumptions were revised to align with revised economic assumptions and to more closely reflect actual experience.

Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

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

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

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

Post-retirement non-disabled beneficiary mortality assumptions were based upon the Pub-2010

Note 6: Defined Benefit Pension Plan (Continued)

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

Contingent Survivor Table, adjusted as follows:

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

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

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. As a result of the November 20, 2020, PERA Board meeting, the following economic assumptions were changed, effective December 31, 2020:

- Price inflation assumption decreased from 2.40 percent per year to 2.30 percent per year.
- Real rate of investment return assumption increased from 4.85 percent per year, net of investment expenses to 4.95 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50 percent per year to 3.00 percent per year.

Several factors were considered in evaluating the long-term rate of return assumption for the SCHDTF, 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.

Note 6: Defined Benefit Pension Plan (Continued)

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

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

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

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%. 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. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

Note 6: 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. Employer contributions also include the 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 20-1379 suspended the $225 million (actual dollars) direct distribution payable on July 1, 2020, for the State's 2020-21 fiscal year.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the SCHDTF's FNP was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount 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.

Note 6: Defined Benefit Pension Plan (Continued)

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

Sensitivity of the School 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 would be if it were calculated using a discount rate that is one percentage point lower (6.25 percent) or one percentage point higher (8.25 percent) than the current rate as follows:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	$ 17,330,106	$ 12,704,594	$ 8,850,017

Pension Plan Fiduciary Net Position - Detailed information about the SCHDTF's FNP is available in PERA's separately issued financial report, which can be obtained at www.copera.org/investments/pera-financial-reports.

Note 7: Postemployment Healthcare Benefits

General Information

Plan Description - Eligible employees of the School are provided with postemployment benefits other than pensions (OPEB) through the HCTF, a cost-sharing multiple-employer defined benefit OPEB plan administered by the Public Employees' Retirement Association of Colorado (PERA). The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (CRS), 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. PERA issues a publicly available comprehensive annual financial report (Annual report) that can be obtained at www.copera.org/investments/pera-financial-reports.

Note 7: Postemployment Healthcare Benefits (Continued)

General Information *(Continued)*

Benefits Provided - The HCTF provides a healthcare 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 is voluntary and is available to benefit recipients and their eligible dependents, certain surviving spouses, and divorced spouses and guardians, among others. Eligible benefit recipients may enroll into the program upon retirement, upon the occurrence of certain life events, or on an annual basis during an open enrollment period.

PERA Benefit Structure - The maximum service-based premium subsidy is $230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is $115 per month for benefit recipients who are over 65 years of age 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 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.

Note 7: Postemployment Healthcare Benefits (Continued)

General Information *(Continued)*

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 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 CRS, as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the School Division are required to contribute at a rate of 1.02% of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the School was $26,987 for the year ended June 30, 2021.

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

At June 30, 2021, the School reported a liability of $461,532 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured at December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2020.

Note 7: Postemployment Healthcare Benefits (Continued)

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

The School's proportion of the net OPEB liability was based on the School's contributions to the HCTF for the calendar year ended December 31, 2020, relative to the contributions of all participating employers to the HCTF. At December 31, 2020, the School's proportion was 0.0485708329%, which was an increase of 0.0042492601% from its proportion measured at December 31, 2019.

For the year ended June 30, 2021, the School recognized OPEB expense of $18,875. At June 30, 2021, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	$ 1,224	$ 101,466
Changes of assumptions and other inputs	3,448	28,301
Net difference between projected and actual earnings on plan investments	-	18,859
Changes in proportion	41,795	6,238
Contributions subsequent to the measurement date	32,214	-
Total	$ 78,681	$ 154,864

School contributions subsequent to the measurement date of $32,214 will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

Year Ended June 30,	
2022	$ (26,870)
2023	(24,231)
2024	(28,526)
2025	(24,258)
2026	(4,284)
Thereafter	(228)
Total	$ (108,397)

Note 7: Postemployment Healthcare Benefits (Continued)

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

Actuarial Assumptions - The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial Cost method	Entry age
Price inflation	2.40 percent
Real wage growth	1.10 percent
Wage inflation	3.50 percent
Salary increases, including wage inflation	3.50 percent
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25 percent
Discount rate	7.25 percent
Health care cost trend rates:	
Service-based premium subsidy	0.0%
PERACare Medicare plans	
5.60% for 2019, gradually decreasing to 4.50% in 2029	
Medicare Part A premiums:	
3.50% for 2019, gradually rising to 4.50% in 2025	

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, 2019, valuation, the following monthly costs/premiums (actual dollars) are assumed for 2020 for the PERA Benefit Structure:

- Medicare Advantage/Self-Insured Rx - Monthly Cost of $558, Monthly Premium of $227, Monthly Costs Adjusted to Age 65 of $550.
- Kaiser Permanente Medicare Advantage HMO - Monthly Cost of $621, Monthly Premium of $232, Monthly Costs Adjusted to Age 65 of $586.

The 2020 Medicare Part A premium is $458 (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.

Note 7: Postemployment Healthcare Benefits (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, 2019, 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.

Mortality assumptions used in the December 31, 2019, 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.

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Post-retirement non-disabled mortality assumptions for the School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

- Males*:* Mortality improvement projected to 2018 using the MP-2015 projection scale, a 93 percent factor applied to rates for ages less than 80, a 113 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.
- Females*:* Mortality improvement projected to 2020 using the MP-2015 projection scale, a 68 percent factor applied to rates for ages less than 80, a 106 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

The mortality assumption for disabled retirees was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

The actuarial assumptions used in the December 31, 2019, valuation were based on the results of the 2016 experience analysis for the period January 1, 2012, through December 31, 2015, as well as the October 28, 2016, actuarial assumptions workshop and were adopted by PERA's Board during the November 18, 2016, Board meeting.

Note 7: Postemployment Healthcare Benefits (Continued)

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

Based on the 2020 experience analysis, dated October 28, 2020, and November 4, 2020, for the period of January 1, 2016, through December 31, 2019, revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculation of the total OPEB liability from December 31, 2019, to December 31, 2020.

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	3.50 to 11.00 percent

The long-term rate of return, net of OPEB plan investment expenses, including price inflation and discount rate assumptions were 7.25 percent.

Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

Mortality assumptions used in the roll forward calculations for the determination of the total pension liability for each of the Division Trust Funds as shown below were applied, as applicable, in the roll forward calculation for the HCTF, using a headcount-weighted basis.

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

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

- Males: 112 percent of the rates prior to age 80 and 94 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Females: 83 percent of the rates prior to age 80 and 106 percent of the rates for ages 80 and older, 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 mortality tables described above are generational mortality tables on a head-count weighted basis.

Note 7: Postemployment Healthcare Benefits (Continued)

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

The following health care costs assumptions were updated and used in the roll forward calculation 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 2020 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

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. As a result of the November 20, 2020, PERA Board meeting, the following economic assumptions were changed, effective December 31, 2020:

- Price inflation assumption decreased from 2.40 percent per year to 2.30 percent per year.
- Real rate of investment return assumption increased from 4.85 percent per year, net of investment expenses to 4.95 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50 percent per year to 3.00 percent per year.

Several factors were considered in evaluating the long-term rate of return assumption for the HCTF, 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.

The PERA Board first adopted the 7.25 percent long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized, as presented previously (see Note 6).

Note 7: Postemployment Healthcare Benefits (Continued)

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

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 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, 2020, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the HCTF's FNP was projected to 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 total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25%.

Note 7: Postemployment Healthcare Benefits (Continued)

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

Sensitivity of the School's proportionate share of 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, as follows:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	$ 528,694	$ 461,532	$ 404,148

Sensitivity of the School's proportionate share of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rates - The following presents the net OPEB liability using the current healthcare cost trend rates, ranging from 2.5% to 9.1%, as well as if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates, as follows:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Proportionate share of the net OPEB liability	$ 449,603	$ 461,532	$ 475,419

OPEB Plan Fiduciary Net Position - Detailed information about the HCTF's FNP is available in PERA's separately issued financial report, which may be obtained at www.copera.org/investments/pera-financial-reports.

Note 8: Commitments and Contingencies

Claims and Judgments

The School participates in a number of federal and state programs that are fully or partially funded by revenues received from other governmental entities. Expenditures financed by these revenues are subject to audit by the appropriate government. If expenditures are disallowed due to noncompliance with program regulations, the School may be required to reimburse the other government. At June 30, 2021, significant amounts of related expenditures have not been audited but management believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

Note 8: Commitments and Contingencies (Continued)

<u>TABOR Amendment</u>

In November 1992, Colorado voters passed the TABOR Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The Amendment is subject to many interpretations, but the School believes it is in substantial compliance with the Amendment. In accordance with the Amendment, the School has established an emergency reserve representing 3 percent of qualifying expenditures. At June 30, 2021, the reserve was reported as restricted fund balance in the General Fund, in the amount of $380,000.

<u>Current Economic Conditions</u>

During the year ended June 30, 2021, the United States of America and State of Colorado have declared an emergency associated with the COVID-19 pandemic. Along with significant declines in financial markets, the public health emergency creates uncertain economic conditions. BFA has adapted and made changes to operations due to potential impacts on the health and safety. Should these conditions persist, BFA could be negatively impacted.

Required Supplementary Information

Chavez/Huerta K-12 Preparatory Academy

(A Component Unit of Pueblo School District No. 60)

Required Supplementary Information

Schedule of Proportionate Share of the Net Pension Liability and Contributions

Public Employees' Retirement Association of Colorado Health Care Trust Fund

June 30, 2021

	12/31/20	12/31/19	12/31/18
Proportionate Share of the Net Pension Liability			
School's Proportion of the Net Pension Liability	0.0840363001%	0.0678438969%	0.0682145930%
School's Proportionate Share of the Net Pension Liability	$ 12,704,594	$ 10,135,731	$ 12,078,795
School's Covered-Employee Payroll	$ 4,491,569	$ 4,260,336	$ 3,749,664
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	283%	238%	322%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	67%	65%	57%

	6/30/21	6/30/20	6/30/19
School Contributions			
Statutorily Required Contribution	$ 994,458	$ 767,684	$ 785,142
Contributions in Relation to the Statutorily Required Contribution	$ (994,458)	$ (767,684)	(785,142)
Contribution Deficiency (Excess)	$ -	$ -	$ -
School's Covered-Employee Payroll	$ 5,002,314	$ 4,389,033	3,871,152
Contributions as a Percentage of Covered-Employee Payroll	19.88%	17.49%	20.28%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

(Continued)

Chavez/Huerta K-12 Preparatory Academy
(A Component Unit of Pueblo School District No. 60)
Required Supplementary Information
Schedule of Proportionate Share of the Net Pension Liability and Contributions
Public Employees' Retirement Association of Colorado Health Care Trust Fund
June 30, 2021
(Continued)

	12/31/17	12/31/16	12/31/15	12/31/14	12/31/13
Proportionate Share of the Net Pension Liability					
School's Proportion of the Net Pension Liability	0.0796704910%	0.0788908866%	0.0782479466%	0.0870071850%	0.0950888738%
School's Proportionate Share of the Net Pension Liability	$ 25,762,605	$ 23,488,868	$ 11,967,471	$ 11,792,396	$ 12,128,560
School's Covered-Employee Payroll	$ 3,675,255	$ 3,540,764	$ 3,644,977	$ 3,644,977	$ 3,833,335
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	701%	663%	328%	324%	316%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	44%	43%	59%	63%	64%

	6/30/18	6/30/17	6/30/16	6/30/15	6/30/14
School Contributions					
Statutorily Required Contribution	$ 753,241	$ 652,622	$ 617,622	$ 587,688	$ 600,866
Contributions in Relation to the Statutorily Required Contribution	(753,241)	(652,622)	(617,622)	(587,688)	(600,866)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -	$ -
School's Covered-Employee Payroll	$ 3,735,171	$ 3,551,099	$ 3,475,430	$ 3,482,715	$ 3,759,983
Contributions as a Percentage of Covered-Employee Payroll	20.17%	18.38%	17.77%	16.87%	15.98%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

Chavez/Huerta K-12 Preparatory Academy

(A Component Unit of Pueblo School District No. 60)

Required Supplementary Information

Schedule of Proportionate Share of the Net OPEB Liability and Contribution

Public Employees' Retirement Association of Colorado School Division Trust Fund

June 30, 2021

	12/31/20	12/31/19	12/31/18	12/31/17
Proportionate Share of the Net OPEB Liability				
School's Proportion of the Net OPEB Liability	0.0485708329%	0.0443215728%	0.0443344331%	0.0452703084%
School's Proportionate Share of the Net OPEB Liability	$ 498,174	$ 498,174	$ 603,189	$ 588,333
School's Covered Payroll	$ 4,491,569	$ 4,260,336	$ 3,749,664	$ 1,541,318
School's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	11%	12%	13%	38%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	34%	34%	17%	18%

	6/30/21	6/30/20	6/30/19	6/30/18
School Contributions				
Statutorily Required Contribution	$ 51,024	$ 40,649	$ 39,486	$ 38,099
Contributions in Relation to the Statutorily Required Contribution	(51,024)	(40,649)	(39,486)	(38,099)
Contribution Deficiency (Excess)	$ -	$ -	$ -	$ -
School's Covered Payroll	$ 5,002,314	$ 4,389,033	$ 3,871,152	$ 3,735,171
Contributions as a Percentage of Covered Payroll	1.02%	0.93%	1.02%	1.02%

This schedule is presented to show information for 10 years. Until information for the full 10-year period is available, information will be presented for the years it is available.

Chavez/Huerta K-12 Preparatory Academy

(A Component Unit of Pueblo School District No. 60)

Budgetary Comparison Schedule

For the Year Ended June 30, 2021

	Original Budget	Final Budget	Actual	Variance *Positive (Negative)*
Revenues				
Local Sources				
Per Pupil Revenue	$ 8,869,240	$ 8,243,794	$ 8,647,708	$ 403,914
Pupil Activities	69,439	69,439	34,189	(35,250)
Grants and Contributions	345,000	415,000	87,211	(327,789)
Investment Income	40,000	85,000	2,912	(82,088)
Other	1,098,000	2,084,000	436,354	(1,647,646)
Total Local Sources	10,421,679	10,897,233	9,208,374	(1,688,859)
State Sources				
Additional At-Risk Funding	-	172,379	34,758	(137,621)
Capital Construction	264,116	242,116	304,983	62,867
Transportation	65,000	65,000	45,011	(19,989)
Instruction Grants	256,500	354,500	147,380	(207,120)
Total State Sources	585,616	833,995	532,132	(301,863)
Federal Sources				
Instruction Grants	450,063	1,494,697	2,469,924	975,227
Total Federal Grants	450,063	1,494,697	2,469,924	975,227
Total Revenues	11,457,358	13,225,925	12,210,430	(1,015,495)
Expenditures				
Salaries	4,457,516	4,577,516	5,320,433	(742,917)
Employee Benefits	1,300,261	1,300,261	1,551,702	(251,441)
Purchased Services	1,959,551	1,853,813	3,598,006	(1,744,193)
Supplies and Materials	927,583	927,583	1,056,280	(128,697)
Property	2,588,739	2,785,101	499,909	2,285,192
Other	223,708	1,781,650	20,691	1,760,959
Total Expenditures	11,457,358	13,225,924	12,047,021	1,178,903
Excess Revenues Over (Under) Expenditures	-	1	163,409	163,408
Other Financing Sources (Uses)				
Transfers (Out)	-	-	(587,636)	(587,636)
Total Other Financing Sources (Uses)	-	-	(587,636)	(587,636)
Net Change in Fund Balance	-	1	(424,227)	(424,228)
Fund Balance, *Beginning of year*	2,812,619	2,948,486	2,765,631	(182,855)
Fund Balance, *End of year*	$ 2,812,619	$ 2,948,487	$ 2,341,404	$ (607,083)

Note 1: Schedule of Proportionate Share of the Net Pension Liability and Contributions

The Public Employees' Retirement Association of Colorado (PERA) School Division Trust Fund's net pension liability and associated amounts are measured annually at December 31, based on an actuarial valuation as of the previous December 31. The School's contributions and related ratios represent cash contributions and any related accruals that coincide with the School's fiscal year ending on June 30.

Changes in Assumptions and Other Inputs

For the year ended June 30, 2021, the total pension liability was determined by an actuarial valuation as of December 31, 2019. The following revised economic and demographic assumptions were effective as of December 31, 2019.

- Investment rate of return assumption of 7.25% per year, compounded annually. This assumption did not change from the prior year.
- Price inflation assumption of 2.4% per year. This assumption did not change from the prior year.
- Real rate of investment return assumption of 4.85% per year, net of investment expenses. The rate reflected in the roll-forward calculation of the collective total pension liability to the measurement date was 7.25%. This assumption did not change from prior year.
- Wage inflation assumption of 3.5% per year. This assumption did not change from the prior year.
- Healthy and disabled mortality assumptions are based on the RP-2014 Mortality Tables.

Note 2: Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

A budget is adopted for the School on a basis consistent with generally accepted accounting principles (GAAP). The School adheres to the following procedures to establish the budgetary information reflected in the financial statements.

- Management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them.
- Prior to June 30, the budget is adopted by the Board of Directors.
- Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Board of Directors.
- All appropriations lapse at fiscal year-end.