

CHAVEZ/HUERTA K-12 PREPARATORY ACADEMY

BASIC FINANCIAL STATEMENTS

June 30, 2023

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JOHN CUTLER & ASSOCIATES

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

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund, of Chavez/Huerta K-12 Preparatory Academy (the "Academy") as of and for the year ended June 30, 2023, a component unit of Pueblo School District No. 60, and the related notes to the financial statements, which collectively comprise the Academy's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of Chavez/Huerta K-12 Preparatory Academy as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows, thereof for the year then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Chavez/Huerta K-12 Preparatory Academy and to meet our ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required budgetary and pension information on pages 40-44 be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board (GASB) who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

John Luttrell & Associates, LLC

January 10, 2024

Chavez/Huerta K-12 Preparatory Academy
Management Discussion and Analysis
June 30, 2023

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, 2023.

FINANCIAL HIGHLIGHTS

- On June 30, 2023 the school reported a total liability of \$67,897,844. This includes the school's share of the net pension liability of \$15,525,017 as deemed by GASB 68.
- At year end, the total net position increased to \$18,411,012 due to the net investment in capital assets from the previous year end. This increase was an increase of \$27,717,847.

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

Chavez/Huerta K-12 Preparatory Academy
Management Discussion and Analysis
June 30, 2023

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 ensure and demonstrate compliance with finance-related legal requirements. All 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.

Chavez/Huerta K-12 Preparatory Academy
Management Discussion and Analysis
June 30, 2023

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, assets exceeded liabilities by (\$14,670,295) as of the close of the 2022-23 fiscal year compared to (- \$13,833,953) the prior year. The 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.

Chavez/Huerta K-12 Preparatory Academy
Management Discussion and Analysis
June 30, 2023

	Governmental Activities	
	<u>2023</u>	<u>2022</u>
ASSETS		
Cash and Investments	\$518,598	\$357,390
Restricted Cash and Investments	\$7,877,212	\$14,285,593
Due from the District	\$0	\$0
Accounts Receivable	\$9,424,968	\$1,493,595
Prepaid Expenses	\$0	\$0
Capital Assets, Not Depreciated	\$38,498,191	\$21,947,131
Capital Assets, Depreciated, Net of Accumulated Depreciation	\$26,249,170	\$9,133,532
<u>TOTAL ASSETS</u>	<u>\$82,568,139</u>	<u>\$47,217,241</u>
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	\$4,396,877	\$3,438,960
Related to OPEB	\$296,350	\$264,124
<u>TOTAL DEFERRED OUTFLOWS OF RESOURCES</u>	<u>\$4,693,227</u>	<u>\$3,703,084</u>
LIABILITIES		
Accounts Payable	\$6,564,225	\$2,060,334
Accrued Liabilities	\$302,815	\$412,949
Due to District	\$182,001	\$104,740
Accrued Interest	\$164,821	\$1,917,517
Deferred Revenue	\$0	\$673,128
<u>Noncurrent Liabilities</u>		
Due In One Year	\$545,000	\$110,000
Due In More than One Year	\$44,085,067	\$44,544,597
Net Pension Liability	\$15,525,017	\$10,709,792
Net OPEB Liability	\$528,898	\$518,137
<u>TOTAL LIABILITIES</u>	<u>\$67,897,844</u>	<u>\$61,051,194</u>
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	\$715,537	\$4,035,617
Related to OPEB	\$186,279	\$204,984
<u>TOTAL DEFERRED INFLOWS OF RESOURCES</u>	<u>\$901,816</u>	<u>\$4,240,601</u>
NET POSITION - EQUITY		
Net Investment in Capital Assets	\$28,539,506	\$821,659
Restricted for Emergencies	\$456,000	\$367,000
Restricted for Debt Service	\$7,877,212	\$12,239,248
Unrestricted	-\$18,411,012	-\$27,799,377
<u>TOTAL NET POSITION</u>	<u>\$18,461,706</u>	<u>-\$14,371,470</u>

Chavez/Huerta K-12 Preparatory Academy
Management Discussion and Analysis
June 30, 2023

Overall, total assets increased \$35,350,898 primarily due to the increase in capital assets, not depreciated.

Net deferred outflows related to pensions decreased from \$4,035,617 for 2022 to \$715,537 for 2023.

Liabilities increased by \$6,846,650 due to increases in the net pension liability, deferred revenue, and outstanding debt. Increase in liabilities was mostly due to an increase in debit service.

	<u>2023</u>	<u>2022</u>
Program Revenues		
Charges for Services	\$30,308	\$121,755
Per Pupil Revenue	\$12,435,434	\$10,922,888
Interest	\$1,777	\$2,654
Other	\$2,409,444	\$382,292
State Sources		
Capital Construction	\$364,382	\$300,111
Operating Grants and Contributions	\$15,663,376	\$2,448,567
Total Revenues	<u>\$30,904,721</u>	<u>\$14,178,267</u>
Program Expenses		
Instructional	\$5,678,436	\$4,022,667
Support	\$9,051,563	\$10,111,095
Debt Service - Interest	\$1,875,618	\$1,486,925
Total Expenses	<u>\$16,605,617</u>	<u>\$15,620,687</u>
Change in Net Position	\$14,299,104	-\$1,442,420
Beginning Net Position (Restated)	\$4,162,602	-\$12,928,690
Ending Net Position	<u>\$18,461,706</u>	<u>-\$14,371,110</u>

Chavez/Huerta K-12 Preparatory Academy
Management Discussion and Analysis
June 30, 2023

Total revenue increased in fiscal year 2022-2023 primarily from a refund received the federal program on payroll tax payments made during the COVID closure. Per Pupil Revenue from the Colorado Department of Revenue CDE increased to \$9,782 per pupil in 2022 compared to \$8,738 for 2021. CHPA's overall expenditures decreased due to support expenses.

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 22nd full year of operations for the Academy, but the tenth year since the two schools were merged. Total revenue for FY 2022-2023 was \$15,258,617 compared to \$11,571,140 the prior year. Per pupil operating revenue, makes up 84% of Governmental Funds revenue for FY 2022-2023 compared to 94% the prior year.

BUDGETARY HIGHLIGHTS

The Academy approves a budget in June based on enrollment projections for the following school year. The budget is amended in January, 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 65% of total expenditures for FY 2022-2023 compared to 54.9% the prior year. Purchased services made up 30.7% of total expenditures compared to 30.8% 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 2022-2023 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 \$15,630,005 at June 30, 2023. Capitalized equipment, including buses, totals \$7,525,100. There were \$921,055 in additions and \$0 disposals of capital assets in the Building Corporation during 2022-2023. Additional information on this investment is provided in Note 4 to the financial statements.

Chavez/Huerta K-12 Preparatory Academy
Management Discussion and Analysis
June 30, 2023

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. In April 2022, the CCA Building Corporation elected to finance an additional \$8.3 million on Bond 2022 funds to support the \$5 million match required for the \$35 million Cash BEST grant award CHPA received in May 2022.

The 2020 & 2022 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 complete the 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 Academy took a zero-based budget into the budgeting process for the 2023-2024 school year. The administration took an overall look at the departments and built the budget based on each department's prior year use. Staffing requirements, increase in salary matrix and health benefit increases were all considered during the budgeting process for the 2023-2024 school year.

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 Chavez/Huerta K-12 Preparatory Academy, 2727 W. 18th St., Pueblo, CO 81003.

BASIC FINANCIAL STATEMENTS

CHAVEZ/HUERTA K-12 PREPARATORY ACADEMY

STATEMENT OF NET POSITION

As of June 30, 2023

	Governmental Activities	
	2023	2022
ASSETS		
Cash and Investments	\$ 518,598	\$ 357,390
Restricted Cash and Investments	7,877,212	14,285,593
Accounts Receivable	9,424,968	1,493,595
Capital Assets, not Depreciated	38,498,191	21,947,131
Capital Assets, Depreciated net of Accumulated Depreciation	26,249,170	9,133,532
TOTAL ASSETS	82,568,139	47,217,241
DEFERRED OUTFLOWS OF RESOURCES		
Related to Pensions	4,396,877	3,438,960
Related to OPEB	296,350	264,124
TOTAL DEFERRED OUTFLOWS OF RESOURCES	4,693,227	3,703,084
LIABILITIES		
Accounts Payable	6,564,225	2,060,334
Accrued Salaries and Benefits	302,815	412,949
Due to District	182,001	104,740
Unearned Revenues	-	673,128
Accrued Interest	164,821	1,917,517
Due in One Year	545,000	110,000
Noncurrent Liabilities		
Due in More Than One Year	44,085,067	44,544,597
Net Pension Liability	15,525,017	10,709,792
Net OPEB Liability	528,898	518,137
TOTAL LIABILITIES	67,897,844	61,051,194
DEFERRED INFLOWS OF RESOURCES		
Related to Pensions	715,537	4,035,617
Related to OPEB	186,279	204,984
TOTAL DEFERRED INFLOWS OF RESOURCES	901,816	4,240,601
NET POSITION		
Invested in Capital Assets, Net of Related Debt	28,539,506	821,659
Restricted for Emergencies	456,000	367,000
Restricted for Debt Service	7,877,212	12,239,248
Unrestricted	(18,411,012)	(27,799,377)
TOTAL NET POSITION	\$ 18,461,706	\$ (14,371,470)

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

CHAVEZ/HUERTA K-12 PREPARATORY ACADEMY

STATEMENT OF ACTIVITIES
Year Ended June 30, 2023

FUNCTIONS/PROGRAMS	Expenses	PROGRAM REVENUES			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
					2023	2022
PRIMARY GOVERNMENT						
Governmental Activities						
Instructional	\$ 5,678,436	\$ 30,308	\$ 2,874,371	\$ -	\$ (2,773,757)	\$ (1,715,651)
Supporting Services	9,051,563	-	12,377,043	364,382	3,689,862	(10,221,687)
Interest on Long-term Debt	1,875,618	-	-	-	(1,875,618)	(1,486,925)
Total Governmental Activities	<u>\$ 16,605,617</u>	<u>\$ 30,308</u>	<u>\$ 15,251,414</u>	<u>\$ 364,382</u>	(959,513)	(13,424,263)
GENERAL REVENUES						
					12,435,434	11,333,951
					411,962	263,306
					1,777	2,654
					2,409,444	381,932
					<u>15,258,617</u>	<u>11,981,843</u>
					14,299,104	(1,442,420)
					4,162,602	(12,928,690)
					<u>\$ 18,461,706</u>	<u>\$ (14,371,110)</u>

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

CHAVEZ/HUERTA K-12 PREPARATORY ACADEMY

BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2023

	General Fund	Building Corporation	Total Governmental Funds	
			2023	2022
ASSETS				
Cash and Investments	\$ 518,598	\$ -	\$ 518,598	\$ 357,390
Restricted Cash and Investments	-	7,877,212	7,877,212	14,285,593
Accounts Receivable	2,596,130	6,828,838	9,424,968	1,493,595
Due from Other Funds	334,607	-	334,607	1,098,246
TOTAL ASSETS	\$ 3,449,335	\$ 14,706,050	\$ 18,155,385	\$ 17,234,824
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 1,026,488	\$ 5,537,737	\$ 6,564,225	\$ 2,060,334
Accrued Salaries and Benefits	302,815	-	302,815	412,949
Due to the District	182,001	-	182,001	104,740
Due to Other Funds	-	334,607	334,607	1,098,246
Unearned Revenues	239,847	-	239,847	673,128
TOTAL LIABILITIES	1,751,151	5,872,344	7,623,495	4,349,397
FUND BALANCES				
Nonspendable	-	-	-	307,661
Restricted for Emergencies	456,000	-	456,000	367,000
Restricted for Debt Service	-	7,877,212	7,877,212	12,239,248
Unassigned	1,242,184	956,494	2,198,678	(28,482)
TOTAL FUND BALANCE	1,698,184	8,833,706	10,531,890	12,885,427
TOTAL LIABILITIES AND FUND BALANCE	\$ 3,449,335	\$ 14,706,050		

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

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.

64,747,361 12,340,825

Certain Revenues received after the revenue recognition date are deferred in the governmental funds but recognized as revenue in the government-wide funds.

239,847 -

Long-term liabilities and related assets are not due and payable in the current period and, therefore, are not reported in the funds. This liability includes net pension liability (\$15,525,017), net OPEB liability (\$528,898), deferred outflows related to pensions \$4,396,877, deferred outflows related to OPEB \$296,350 deferred inflows related to pensions (\$715,537), deferred inflows related to OPEB (\$186,279), bonds payable of (\$44,630,067) and accrued interest of (\$164,821).

(57,057,392) (52,173,106)

Net Position of governmental funds

\$ 18,461,706 \$ (26,946,854)

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

CHAVEZ/HUERTA K-12 PREPARATORY ACADEMY

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

	General Fund	Building Corporation	TOTAL	
			2023	2022
REVENUES				
Local Sources	\$ 12,145,125	\$ 2,733,338	\$ 14,878,463	\$ 11,861,033
State Sources	1,449,005	12,377,043	13,826,048	915,870
Federal Sources	1,548,401	-	1,548,401	1,548,401
TOTAL REVENUES	15,142,531	15,110,381	30,252,912	14,325,304
EXPENDITURES				
Current				
Instruction	5,169,385	-	5,169,385	5,169,385
Supporting Services	9,397,765	-	9,397,765	10,579,616
Bond Issuance Costs	-	-	-	205,090
Capital Outlay	-	16,551,060	16,551,060	19,292,452
Debt Service				
Principal	-	110,000	110,000	
Interest	-	1,875,618	1,875,618	1,486,925
TOTAL EXPENDITURES	14,567,150	18,536,678	33,103,828	36,733,468
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	575,381	(3,426,297)	(2,850,916)	(22,408,164)
OTHER FINANCING SOURCES				
Proceeds from the Issuance of Debt	-	-	-	8,390,000
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	8,390,000
NET CHANGE IN FUND BALANCES	575,381	(3,426,297)	(2,850,916)	(14,018,164)
FUND BALANCES, Beginning	338,518	12,546,909	12,885,427	26,903,591
Prior Period Adjustment	784,285	(286,906)	497,379	-
FUND BALANCES, Ending	\$ 1,698,184	\$ 8,833,706	\$ 10,531,890	\$ 12,885,427

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

CHAVEZ/HUERTA K-12 PREPARATORY ACADEMY

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

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

Net change in fund balances - total governmental funds	\$ (2,850,916)
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expense in the statement of activities. This is the amount of capital outlay, \$16,551,060 that exceeded depreciation expense (\$921,055) for the year.	15,630,005
Repayment of long-term principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position. This is the principal payment of \$110,000, amortization of the bond premium, (\$85,470) and change in accrued interest of \$1,752,656.	1,777,226
Certain revenues received after the revenue recognition date are deferred in the governmental funds but recognized as revenue in the governmental funds.	239,847
Deferred Charges related to pensions are not recognized in the governmental funds. However, for the government-wide funds those amounts are capitalized and amortized.	<u>(497,058)</u>
Change in net position of governmental activities	<u>\$ 14,299,104</u>

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

CHAVEZ/HUERTA K-12 PREPARATORY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

Based upon the application of these criteria, the following organization should be included in the Academy’s reporting entity:

CCA Building Corporation

The CCA Building Corporation. (“Corporation”) is considered to be financially accountable to the Academy. The purpose of the Corporation is to provide a mechanism to issue and pay debt on behalf of the Academy. The Corporation is considered to be part of the Academy for financial reporting purposes because its resources are entirely for the direct benefit of the Academy and is blended into the Academy’s financial statements a special revenue fund. Separate financial statements are not available.

The Academy is a component unit of the Pueblo School District No. 60 (the “District”).

Government-Wide and Fund Financial Statements

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

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.

CHAVEZ/HUERTA K-12 PREPARATORY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

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

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

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

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

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

CHAVEZ/HUERTA K-12 PREPARATORY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Balance/Net Position

The Academy reports the following major governmental funds:

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

Building Corporation Fund – This fund accounts for the activity of the ISF Building Corporation.

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

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported on the statement of net position in the government-wide financial statements. Depreciation is taken on the building on a straight line basis over 30 years..

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

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

Unearned Revenues – Unearned revenues include tuition payments that have been collected for the following school year.

Net Position – The government-wide fund financial statements utilize a net position presentation. Net position is categorized as investment in capital assets, restricted, and unrestricted. Investment in capital assets is intended to reflect the portion of net position which is associated with non-liquid, capital assets less outstanding capital asset related debt.

CHAVEZ/HUERTA K-12 PREPARATORY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The net related debt is the debt less the outstanding liquid assets and any associated unamortized cost. Restricted net position is liquid assets, which have third party limitations on their use. Unrestricted net position represents assets that do not have any third party limitations on their use.

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

- Nonspendable – This classification includes amounts that cannot be spent either because they are not in a spendable form or because they are legally or contractually required to be maintained intact. The Academy considers prepaid expenses to be nonspendable.
- Restricted – This classification includes amounts for which constraints have been placed on the use of the resources either (a) externally imposed by creditors (such as through a debt covenant), grantors, contributors, or laws or regulations of other governments, or (b) imposed by law through constitutional provisions or enabling legislation. The Academy has classified Emergency Reserves as being restricted because their use is restricted by State Statute for declared emergencies.
- Committed – This classification includes amounts that can be used only for specific purposes pursuant to constraints imposed by formal action of the Board of Directors. These amounts cannot be used for any other purpose unless the Board of Directors removes or changes the specified use by taking the same type of action (ordinance or resolution) that was employed when the funds were initially committed. This classification also includes contractual obligations to the extent that existing resources have been specifically committed for use in satisfying those contractual requirements. The Academy did not have any committed resources as of June 30, 2023.
- Unassigned – This classification includes the residual fund balance for the General Fund. The Unassigned classification also includes negative residual fund balance of any other governmental fund that cannot be eliminated by offsetting of Assigned fund balance amounts.

CHAVEZ/HUERTA K-12 PREPARATORY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

Comparative Data

Comparative total data for the prior year has been presented in the accompanying financial statements in order to provide an understanding of changes in the Academy's financial position and operations. However, complete comparative data in accordance with generally accepted accounting principles has not been presented since its inclusion would make the financial statements unduly complex and difficult to read.

Data in these columns do not present financial position or results of operations in conformity with generally accepted accounting principles. Neither is such data comparable to a consolidation. Interfund eliminations have not been made in the aggregation of this data.

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets and Budgetary Accounting

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

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

NOTE 3: CASH AND INVESTMENTS

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

Deposits	518,598
Investments	<u>7,877,212</u>
Total	<u>\$ 8,395,810</u>

CHAVEZ/HUERTA K-12 PREPARATORY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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

Deposits

Custodial Credit Risk – Deposits

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

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

At June 30, 2023, the Academy had deposits with financial institutions with a carrying amount of \$518,598. The bank balances with the financial institutions were \$534,228. Of these balances, \$260,861 was covered by federal depository insurance and \$273,367 was covered by collateral held by authorized escrow agents in the financial institution's name (PDPA).

Investments

Interest Rate Risk

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

CHAVEZ/HUERTA K-12 PREPARATORY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

NOTE 3: *CASH AND INVESTMENTS* (Continued)

Investments (Continued)

Credit Risk

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

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

Local Government Investment Pools

The Academy had invested \$7,877,212 in the Colorado Government Liquid Asset Trust (ColoTrust) which has a credit rating of AAAM by Standard and Poor's. ColoTrust is an investment vehicle established for local government entities in Colorado to pool surplus funds and is regulated by the State Securities Commissioner. It operates similarly to a money market fund and each share is equal in value to \$1.00. Investments consist of U.S. Treasury and U.S. Agency securities, and repurchase agreements collateralized by U.S. Treasury and U.S. Agency securities. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. Substantially all securities owned are held by the Federal Reserve Bank in the account maintained for the custodial bank. The custodian's internal records identify the investments owned by the entities.

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

CHAVEZ/HUERTA K-12 PREPARATORY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

NOTE 3: CASH AND INVESTMENTS (Continued)

Investments (Continued)

Fair Value

The Academy categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant observable inputs. As of June 30, 2023, the Academy does not hold investments subject to these inputs.

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

Restricted Cash

Cash and investments in the amount of \$7,877,212 are restricted for debt service.

NOTE 4: CAPITAL ASSETS

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

	Balance <u>June 30, 2022</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2023</u>
Governmental Activities				
Capital assets, Not Depreciated				
Land	\$ 1,290,972	\$ -	\$ -	\$ 1,290,972
Construction in Progress	<u>20,656,159</u>	<u>16,551,060</u>	<u>-</u>	<u>37,207,219</u>
Total Capital Assets, Not Depreciated	<u>21,947,131</u>	<u>16,551,060</u>	<u>-</u>	<u>38,498,191</u>
Capital Assets, Being Depreciated				
Site Improvements	294,583	-	-	294,583
Buildings	30,914,155	-	-	30,914,155
Building Improvements	540,854	-	-	540,854
Equipment	<u>2,024,678</u>	<u>-</u>	<u>-</u>	<u>2,024,678</u>
Total Capital Assets, Depreciated	<u>33,774,270</u>	<u>-</u>	<u>-</u>	<u>33,774,270</u>

CHAVEZ/HUERTA K-12 PREPARATORY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

NOTE 4: CAPITAL ASSETS (Continued)

	Balance <u>June 30, 2022</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>June 30, 2023</u>
Accumulated Depreciation				
Site Improvements	169,072	14,915	-	169,072
Buildings	4,834,390	715,703	-	4,834,390
Building Improvements	374,091	51,793	-	374,091
Equipment	<u>1,226,492</u>	<u>138,645</u>	<u>-</u>	<u>1,365,137</u>
Total Accumulated Depreciation	<u>6,604,045</u>	<u>921,055</u>	<u>-</u>	<u>7,525,100</u>
Capital Assets, Depreciated, net	<u>27,170,225</u>	<u>921,055</u>	<u>-</u>	<u>26,249,170</u>
Governmental Capital Assets, Net	<u>\$ 49,117,356</u>	<u>\$ 15,630,005</u>	<u>\$ -</u>	<u>\$ 64,747,361</u>

The beginning balance of Buildings has been increased by \$497,379 to correctly present the balance at June 30, 2023 for the middle school building.

NOTE 5: ACCRUED SALARIES AND BENEFITS

Salaries and retirement benefits of certain contractually employed personnel are paid over a twelve-month period from August to July, but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, as of June 30, 2023, were \$302,815. Accordingly, the accrued compensation is reflected as a liability in the accompanying financial statements of the General Fund.

NOTE 6: LONG-TERM DEBT

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

	Balance <u>June 30, 2022</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>June 30, 2023</u>	Due In <u>One Year</u>
Revenue Bonds 2020	\$ 36,630,000	\$ -	\$ 110,000	\$ 36,520,000	\$ 545,000
2020 Bond Discount	(365,403)	-	85,470	(279,933)	-
Revenue Bonds 2022	<u>8,390,000</u>	<u>-</u>	<u>-</u>	<u>8,390,000</u>	<u>-</u>
Totals	<u>\$ 44,654,597</u>	<u>\$ -</u>	<u>\$ 195,470</u>	<u>\$ 44,630,067</u>	<u>\$ 545,000</u>

CHAVEZ/HUERTA K-12 PREPARATORY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

NOTE 6: LONG-TERM DEBT (Continued)

Revenue Bonds

In May 2020, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$17,695,000 Charter School Revenue Bonds (Series 2020). Proceeds from the bonds were used to purchase the Academy's existing building. The Academy is obligated to make monthly lease payments to the Building Corporation for use of the building. The Building Corporation is required to make equal lease payments to the Trustee, for payment of the bonds. Interest accrued at rates ranging from 4.5% to 6.00% per annum and is paid monthly. Principal payments are due annually beginning June 1, 2024, with a balloon payment of \$16,795,000 due on June 1, 2027.

In April 2022, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$8,390,000 Charter School Revenue Bonds (Series 2022). Proceeds from the bonds were used for capital improvements. The Academy is obligated to make monthly lease payments to the Building Corporation for use of the building. The Building Corporation is required to make equal lease payments to the Trustee, for payment of the bonds. Interest accrued at rates ranging from 4.5% to 6.00% per annum and is paid monthly. Principal payments are due annually beginning June 1, 2025, with a balloon payment of \$8,080,000 due on June 1, 2028.

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 545,000	\$ 1,977,850	\$ 2,522,850
2025	570,000	1,954,006	2,524,006
2026	750,000	1,924,419	2,674,419
2027	34,965,000	1,890,137	36,855,137
2028	<u>8,080,000</u>	<u>181,800</u>	<u>8,261,800</u>
Total	<u>\$ 44,910,000</u>	<u>\$ 7,928,212</u>	<u>\$ 52,838,212</u>

CHAVEZ/HUERTA K-12 PREPARATORY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

NOTE 7: DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

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

General Information about the Pension Plan

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

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

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

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

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

CHAVEZ/HUERTA K-12 PREPARATORY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

NOTE 7: DEFINED BENEFIT PENSION PLAN(Continued)

General Information about the Pension Plan (Continued)

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

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

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

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

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

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

CHAVEZ/HUERTA K-12 PREPARATORY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 7: DEFINED BENEFIT PENSION PLAN(Continued)

General Information about the Pension Plan (Continued)

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

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

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

Employer contribution requirements are summarized in the table below:

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

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the

CHAVEZ/HUERTA K-12 PREPARATORY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

NOTE 7: DEFINED BENEFIT PENSION PLAN(Continued)

General Information about the Pension Plan (Continued)

For purposes of GASB 68 paragraph 15, a circumstance exists in which a nonemployer contributing entity is legally responsible for making contributions to the SCHDTF and is considered to meet the definition of a special funding situation. As specified in C.R.S. § 24-51-414, the State is required to contribute a \$225 million (actual dollars) direct distribution each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. House Bill (HB) 22-1029, instructed the State treasurer to issue an additional direct distribution to PERA in the amount of \$380 million (actual dollars), upon enactment. The July 1, 2023, payment is reduced by \$190 million (actual dollars) to \$35 million (actual dollars). The July 1, 2024, payment will not be reduced due to PERA's negative investment return in 2022. Senate Bill (SB) 23-056, enacted June 2, 2023, requires an additional direct distribution of approximately \$14.5 million (actual dollars), for a total of approximately \$49.5 million (actual dollars) to be contributed July 1, 2023.

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

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

At June 30, 2023, the Academy reported a liability of \$15,525,017 for its proportionate share of the net pension liability that reflected an increase for support from the State as a nonemployer contributing entity.

CHAVEZ/HUERTA K-12 PREPARATORY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

NOTE 7: DEFINED BENEFIT PENSION PLAN(Continued)

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

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

The School's proportionate share of the net pension liability	\$15,525,017
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the School.	3,503,261
Total	\$19,028,278

At December 31, 2022, the School's proportion was .08526%, which was a decrease of .00677% from its proportion measured as of December 31, 2021.

For the year ended June 30, 2023, the School recognized pension expense of \$2,302,705 and revenue of \$94,9190 for support from the State as a nonemployer contributing entity. At June 30, 2023, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$146,928	N/A
Changes of assumptions or other inputs	274,999	N/A
Net difference between projected and actual earnings on pension plan investments	2,085,582	N/A
Changes in proportion and differences between contributions recognized and proportionate share of contributions	1,232,518	\$715,537
Contributions subsequent to the measurement date	656,850	N/A
Total	\$4,396,877	\$715,537

CHAVEZ/HUERTA K-12 PREPARATORY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 7: DEFINED BENEFIT PENSION PLAN(Continued)

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

\$656,850 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2024	\$715,427
2025	156,257
2026	175,177
2027	764,538
2028	1,213,091

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

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

Disabled mortality assumptions were based upon the PubNS-2010 Disabled Retiree Table using 99% of the rates for all ages with generational projection using scale MP-2019.

The actuarial assumptions used in the December 31, 2021, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020, meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared at least every five years for PERA. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

CHAVEZ/HUERTA K-12 PREPARATORY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

NOTE 7: DEFINED BENEFIT PENSION PLAN(Continued)

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

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

These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentages and then adding expected inflation.

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

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

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%	

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

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

CHAVEZ/HUERTA K-12 PREPARATORY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

NOTE 7: DEFINED BENEFIT PENSION PLAN(Continued)

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200 and required adjustments resulting from the 2018 and 2020 AAP assessments. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200 and required adjustments resulting from the 2018 and 2020 AAP assessments. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- HB 22-1029, effective upon enactment in 2022, required the State treasurer to issue, in addition to the regularly scheduled \$225 million (actual dollars) direct distribution, a warrant to PERA in the amount of \$380 million (actual dollars). The July 1, 2023, direct distribution is reduced by \$190 million (actual dollars) to \$35 million (actual dollars). The July 1, 2024, direct distribution will not be reduced from \$225 million (actual dollars) due to PERA's negative investment return in 2022.

CHAVEZ/HUERTA K-12 PREPARATORY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

NOTE 7: DEFINED BENEFIT PENSION PLAN(Continued)

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

- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension	\$20,316,908	\$15,525,017	\$11,523,299

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

CHAVEZ/HUERTA K-12 PREPARATORY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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

Summary of Significant Accounting Policies

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

General Information about the OPEB Plan

Investments are reported at fair value.

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

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

C.R.S. § 24-51-1202 *et seq.* specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated.

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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

General Information about the OPEB Plan (Continued)

All benefit recipients under the PERA benefit structure and all retirees under the DPS benefit structure are eligible for a premium subsidy, if enrolled in a health care plan under PERACare. Upon the death of a DPS benefit structure retiree, no further subsidy is paid.

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

PERA Benefit Structure

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

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

DPS Benefit Structure

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

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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

General Information about the OPEB Plan (Continued)

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from School were \$67,740 for the year ended June 30, 2023.

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

At June 30, 2023, the School reported a liability of \$528,898 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2022, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021. Standard update procedures were used to roll-forward the TOL to December 31, 2022. The School's proportion of the net OPEB liability was based on the School's contributions to the HCTF for the calendar year 2022 relative to the total contributions of participating employers to the HCTF.

At December 31, 2022, the School's proportion was 0.06478%, which was an increase of 0.00469% from its proportion measured as of December 31, 2021.

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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

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

For the year ended June 30, 2023, the School recognized OPEB expense of \$27,570. At June 30, 2023, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$69	\$127,905
Changes of assumptions or other inputs	8,501	58,374
Net difference between projected and actual earnings on OPEB plan investments	N/A	N/A
Changes in proportion and differences between contributions recognized and proportionate share of contributions	222,603	
Contributions subsequent to the measurement date	32,873	N/A
Total	\$296,350	\$186,279

\$32,873 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year ended:	
2024	\$82,072
2025	(\$13,466)
2026	\$1,492
2027	\$14,423
2028	(\$532)
Thereafter	(\$6,791)

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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

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

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

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

CHAVEZ/HUERTA K-12 PREPARATORY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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

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

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

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

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

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

Age-Related Morbidity Assumptions

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

CHAVEZ/HUERTA K-12 PREPARATORY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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

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

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

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

The 2022 Medicare Part A premium is \$499 (actual dollars) per month.

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

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

CHAVEZ/HUERTA K-12 PREPARATORY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2021, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates used to measure the TOL are summarized in the table below:

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

Mortality assumptions used in the December 31, 2021, valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below, reflect generational mortality and were applied, as applicable, in the determination of the TOL for the HCTF, but developed on a headcount-weighted basis. Affiliated employers of the State, School, Local Government and Judicial Divisions participate in the HCTF.

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

CHAVEZ/HUERTA K-12 PREPARATORY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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

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

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

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

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

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

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

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

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

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

CHAVEZ/HUERTA K-12 PREPARATORY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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

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

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

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

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

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

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

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

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

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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

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

- The health care cost trend rates applicable to health care premiums were revised to reflect the then current expectation of future increases in those premiums. Medicare Part A premiums continued with the prior valuation trend pattern.

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

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

The actuarial assumptions used in the December 31, 2021, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020, meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared at least every five years for PERA. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

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

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NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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

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

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 %	

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

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate ¹	5.25%	6.25%	7.25%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	3.00%	4.00%	5.00%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$513,927	\$528,898	\$545,187

¹For the January 1, 2023, plan year.

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

CHAVEZ/HUERTA K-12 PREPARATORY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

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

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2022, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

CHAVEZ/HUERTA K-12 PREPARATORY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS
June 30, 2023

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

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$613,149	\$528,898	\$456,836

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

NOTE 9: COMMITMENTS AND CONTINGENCIES

Claims and Judgments

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

CHAVEZ/HUERTA K-12 PREPARATORY ACADEMY

NOTES TO THE FINANCIAL STATEMENTS

June 30, 2023

NOTE 9: COMMITMENTS AND CONTINGENCIES (Continued)

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment to the State Constitution, which limits state and local government tax powers and imposes spending limitations. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and student enrollment. Revenue received in excess of the limitations may be required to be refunded. The School believes it has complied with the Amendment. As required by the Amendment, the School has established a reserve for emergencies. At June 30, 2023, the reserve of \$456,000 was recorded as a reservation of fund balance in the General Fund.

NOTE 10: FUND BALANCE AND NET POSITION RESTATEMENT

The beginning fund balance of the Building Corporation Fund was decreased by \$286,906 to properly state cash balances and increased by \$18,036,693 to correctly present the balance at June 30, 2023 for the middle school building. Additionally, the beginning fund balance of the General Fund was increased by \$784,285 to account for invoices incorrectly accrued in the prior year. The Net Position of Government Wide Statements increased by a net amount of \$18,533,712 to correctly state the balances as of June 30, 2023.

NOTE 11: SUBSEQUENT EVENTS

Potential subsequent events were considered through January 10, 2024. It was determined that no events were required to be disclosed through this date.

REQUIRED SUPPLEMENTARY INFORMATION

CHAVEZ/HUERTA K-12 PREPARATORY ACADEMY

GENERAL FUND
BUDGETARY COMPARISON SCHEDULE
Year Ended June 30, 2023

	2023			VARIANCE	2022 ACTUAL
	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	Positive (Negative)	
REVENUES					
Local Sources					
Per Pupil Revenue	\$ 10,119,780	\$ 8,908,542	\$ 9,702,096	\$ 793,554	\$ 9,357,338
Tuition and Fees	80,000	80,000	30,308	(49,692)	121,755
Grants and Donations	422,000	422,000	1,500	(420,500)	21,101
Investment Income	10,000	10,000	1,777	(8,223)	2,654
Other	661,000	661,000	2,409,444	1,748,444	381,932
State and Federal Sources					
Grants and Donations	6,380,016	6,380,016	2,997,406	(3,382,610)	2,464,271
TOTAL REVENUES	17,672,796	16,461,558	15,142,531	(1,319,027)	12,349,051
EXPENDITURES					
Salaries	6,991,116	6,991,116	6,846,692	144,424	6,764,236
Employee Benefits	1,584,500	1,584,500	2,557,376	(972,876)	2,092,383
Purchased Services	1,808,313	1,808,313	4,482,833	(2,674,520)	3,584,808
Supplies and Materials	972,583	972,583	449,592	522,991	1,054,701
Property	2,981,658	2,358,768	174,252	2,184,516	760,856
Debt Payments	9,892	9,892	-	9,892	-
Other	2,686,386	2,736,386	56,405	2,679,981	94,953
TOTAL EXPENDITURES	17,034,448	16,461,558	14,567,150	1,894,408	14,351,937
CHANGE IN FUND BALANCE	638,348	-	575,381	575,381	(2,002,886)
FUND BALANCE, Beginning	2,997,479	2,997,479	338,518	(2,658,961)	2,341,404
PRIOR PERIOD ADJUSTMENT	-	-	784,285	784,285	-
FUND BALANCE, Ending	\$ 3,635,827	\$ 2,997,479	\$ 1,698,184	\$ (1,299,295)	\$ 338,518

See the accompanying independent auditors' report.

CHAVEZ/HUERTA K-12 PREPARATORY ACADEMY

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

Years Ended December 31,

	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022
School's proportionate share of the Net Pension Liability	0.095%	0.087%	0.078%	0.079%	0.080%	0.068%	0.068%	0.084%	0.092%	0.092%
School's proportionate share of the Net Pension Liability	\$ 12,128,560	\$ 11,792,396	\$ 11,967,471	\$ 23,488,868	\$ 25,762,605	\$ 12,078,795	\$ 10,135,731	\$ 12,704,594	\$ 10,709,792	\$ 15,525,017
School's covered payroll	\$ 3,833,335	\$ 3,644,977	\$ 3,644,977	\$ 3,540,764	\$ 3,675,255	\$ 3,749,664	\$ 4,260,336	\$ 4,491,569	\$ 5,751,600	\$ 6,573,391
School's proportionate share of the Net Pension Liability as a percentage of its covered payroll	316.4%	323.5%	328.3%	663.4%	701.0%	322.1%	237.9%	282.9%	186.2%	236.2%
Plan fiduciary net position as a percentage of the total pension liability	64.1%	62.8%	59.2%	43.1%	44.0%	57.0%	64.5%	67.0%	74.9%	61.8%

See the accompanying independent auditors' report.

CHAVEZ/HUERTA K-12 PREPARATORY ACADEMY

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
SCHOOL DISTRICT TRUST FUND

Years Ended June 30,

	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Statutorily required contributions	\$ 600,866	\$ 587,688	\$ 617,622	\$ 652,622	\$ 753,241	\$ 785,142	\$ 767,684	\$ 994,458	\$ 1,240,973	\$ 1,353,515
Contributions in relation to the Statutorily required contributions	<u>600,866</u>	<u>587,688</u>	<u>617,622</u>	<u>652,622</u>	<u>753,241</u>	<u>785,142</u>	<u>767,684</u>	<u>994,458</u>	<u>1,240,973</u>	<u>1,353,515</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered payroll	\$ 3,759,983	\$ 3,482,715	\$ 3,475,430	\$ 3,551,099	\$ 3,735,171	\$ 3,871,152	\$ 4,389,033	\$ 5,002,314	\$ 6,242,306	\$ 6,641,367
Contributions as a percentage of covered payroll	17.25%	18.03%	18.77%	18.38%	20.17%	20.28%	17.49%	19.88%	19.88%	20.38%

See the accompanying independent auditors' report.

CHAVEZ/HUERTA K-12 PREPARATORY ACADEMY

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

Years Ended December 31,

	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
School's proportionate share of the Net OPEB Liability	0.079%	0.045%	0.044%	0.044%	0.049%	0.060%	0.065%
School's proportionate share of the Net OPEB Liability	\$ 363,337	\$ 588,333	\$ 603,189	\$ 498,174	\$ 498,174	\$ 483,750	\$ 528,898
School's covered payroll	\$ 2,162,183	\$ 1,541,318	\$ 3,749,664	\$ 4,260,336	\$ 4,491,569	\$ 5,751,600	\$ 6,573,391
School's proportionate share of the Net OPEB Liability as a percentage of its covered payroll	16.8%	38.2%	16.1%	11.7%	11.1%	8.4%	8.0%
Plan fiduciary net position as a percentage of the total pension liability	16.7%	17.5%	17.0%	24.5%	32.8%	39.4%	38.6%

See the accompanying independent auditors' report.

CHAVEZ/HUERTA K-12 PREPARATORY ACADEMY

SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
SCHOOL DISTRICT TRUST FUND

Years Ended June 30,

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>	<u>2023</u>
Statutorily required contributions	\$ 22,134	\$ 38,099	\$ 39,486	\$ 40,649	\$ 51,024	\$ 63,670	\$ 67,740
Contributions in relation to the Statutorily required contributions	<u>22,134</u>	<u>38,099</u>	<u>39,486</u>	<u>40,649</u>	<u>51,024</u>	<u>63,670</u>	<u>67,740</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered payroll	\$ 2,170,036	\$ 3,735,171	\$ 3,871,152	\$ 4,389,033	\$ 5,002,314	\$ 6,242,306	\$ 6,641,367
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	0.93%	1.02%	1.02%	1.02%

See the accompanying independent auditors' report.