

Coperni 3 Charter School

Financial Statements
with Independent Auditor's Report

June 30, 2023



Coperni 3 Charter School

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June 30, 2023

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Business Advisors

Independent Auditor's Report

Board of Directors
Coperni 3 Charter School
Commerce City, Colorado

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Coperni 3 (Third Future) (the School), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the School, 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) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the School and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for one year after the date that the financial statements are issued or when applicable, one year after the date that the financial statements are available to be issued.

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 judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

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

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



Required Supplementary Information

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

Hick & Company, PC

Englewood, Colorado
November 30, 2023



Coperni 3 Charter School
Management's Discussion and Analysis
June 30, 2023

Coperni 3 (C3) operates as one of the six institutions overseen by Third Future Schools. In this report, we present an overview and analysis of C3's financial activities for the fiscal year concluding on June 30th, 2023. Readers are encouraged to review this narrative alongside the detailed financial statements provided later in this document.

Financial Highlights: The fiscal year ending on June 30, 2023, marked the third year of C3's operations, generating revenue totaling \$5,461,689. General Fund expenditures amounted to \$5,347,408, resulting in a \$114,281 increase in the Fund balance. Consequently, the total ending Fund Balance reached \$391,508.

Overview of Financial Statements: This discussion serves as an introduction to C3's basic financial statements, which consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements: These statements aim to provide readers with a comprehensive understanding of C3's finances, similar to private sector business reports.

The statement of net position details C3's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. Changes in net position over time serve as indicators of C3's financial health.

The statement of activities illustrates how C3's net position changed during the year, reporting changes as soon as the underlying events occur. Revenue and expenses are reported in this statement for some items that will only result in cash flow changes in future fiscal periods.

The financial results of the C3 under a government-wide accounting presentation are materially impacted by GASB 68, *Accounting and Financial Reporting for Pensions, an amendment of GASB State No 27*, and GASB 75, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. Under GASB 68 and 75, TFS/C3 must report liabilities for its proportionate share of the entire underfunded status of these respective plans. Also, GASB 87 accounting for leases has an impact on C3's financial statements.

Fund Financial Statements:

C3, like other local governments, employs fund accounting to maintain control over resources allocated for specific activities. The school primarily uses the General Fund, which encompasses all activities, including those of the Building Corporation. An annual budget is adopted for the General Fund, and a budgetary comparison in the financial statements demonstrates compliance with the budget.

C3 adopts an annual budget for its general fund. A budgetary comparison has been provided for the general fund in the financial statements to demonstrate compliance with the budget.

Notes to the Financial Statements:

The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, supplemental information is provided to show details about the budgetary information for the school.

Coperni 3 Charter School
Management's Discussion and Analysis
June 30, 2023

Governmental Funds

Governmental funds used to account for those functions reported as governmental activities in the government-wide financial statements. The school's basic services are accounted for in the governmental fund. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next year. Governmental funds reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps the reader determine if there are financial resources available to finance the school's programs. The relationship between government activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

C3 adopts an annual budget on a fund basis. The budgetary comparison statements are not included in the basic financial statements but are part of the supplemental statements and schedules that follow the notes. The budget is a legally adopted document that incorporates input from the faculty, management, and the Board of Directors of the School in determining what activities will be pursued and what services will be provided by the school during the year. It also authorizes the school to obtain funds from identified sources to finance these current period activities. The budgetary statement provided demonstrates how well the school has complied with the budget ordinance and whether the school has succeeded in providing the services as planned when the budget was adopted.

Basic Financial Statements

Coperni 3 Charter School
Statement of Net Position
June 30, 2023

	Governmental Activities
Assets	
Cash and Investments	\$ 1,033,372
Grants Receivable	66,130
Due from Related Party	1,245
Deposits	83,573
Capital Assets, <i>Net of Accumulated Depreciation</i>	5,396,925
Total Assets	6,581,245
Deferred Outflows of Resources	
Pensions, <i>Net of Accumulated Amortization</i>	1,699,166
OPEB, <i>Net of Accumulated Amortization</i>	134,840
Total Deferred Outflows of Resources	1,834,006
Liabilities	
Accounts Payable	53,777
Accrued Expenses	1,514
Accrued Salaries	389,721
Accrued Interest	13,850
Intergovernmental Payable	346,681
Unearned Revenue	1,119
Noncurrent Liabilities	
Due Within One Year	1,693,502
Due in More Than One Year	2,442,893
Net Pension Liability	4,989,292
Net OPEB Liability	169,962
Total Liabilities	10,102,311
Deferred Inflows of Resources	
Pensions, <i>Net of Accumulated Amortization</i>	531,662
OPEB, <i>Net of Accumulated Amortization</i>	63,080
Total Deferred Inflows of Resources	594,742
Net Position	
Net Investment in Capital Assets	1,260,530
Restricted for:	
Emergencies	161,722
Unrestricted	(3,704,054)
Total Net Position	\$ (2,281,802)

See Notes to the Financial Statements.

Coperni 3 Charter School
Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Expenses	Operating Grants and Contributions	Capital Grants and Contributions	Net (Expense) Revenue and Change in Net Position
Primary Government				
<i>Governmental Activities</i>				
Instruction	\$ 3,470,214	\$ (696,273)	\$ -	\$ (4,166,487)
Supporting Services	2,145,480	1,677,548	147,402	(320,530)
Interest on Long-Term Debt	200,124	-	-	(200,124)
Total Governmental Activities	<u>\$ 5,815,818</u>	<u>\$ 981,275</u>	<u>\$ 147,402</u>	<u>(4,687,141)</u>
General Revenues				
				2,793,133
				251,895
				-
				192,564
				<u>-</u>
				3,237,592
				<u>(1,449,549)</u>
				<u>(832,253)</u>
				<u>\$ (2,281,802)</u>

Coperni 3 Charter School
 Balance Sheet
 Governmental Fund
 June 30, 2023

	General
Assets	
Cash and Investments	\$ 1,033,372
Grants Receivable	66,130
Due from Related Party	1,245
Deposits	83,573
 Total Assets	 \$ 1,184,320
Liabilities and Fund Balance	
<i>Liabilities</i>	
Accounts Payable	\$ 53,777
Accrued Expenses	1,514
Accrued Salaries	389,721
Intergovernmental Payable	346,681
Unearned Revenue	1,119
 Total Liabilities	 792,812
<i>Fund Balance</i>	
Nonspendable:	
Prepaid Expenditures	83,573
Restricted for:	
Emergencies	161,722
Unrestricted, Unassigned	146,213
 Total Fund Balance	 391,508
 Total Liabilities and Fund Balance	 \$ 1,184,320

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

Total Fund Balance of the Governmental Fund	\$ 391,508
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	5,396,925
Long-term liabilities and related items are not due and payable in the current year, and, therefore, are not reported in governmental funds:	
Long-Term Debt	(4,136,395)
Accrued Interest	(13,850)
Net pension liability	(4,989,292)
Pension-related deferred outflows of resources	1,699,166
Pension-related deferred inflows of resources	(531,662)
Net OPEB liability	(169,962)
OPEB-related deferred outflows of resources	134,840
OPEB-related deferred inflows of resources	(63,080)
 Total Net Position of Governmental Activities	 \$ (2,281,802)

See Notes to the Financial Statements.

Coperni 3 Charter School
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2023

	General
Revenues	
Local Sources	
Per Pupil Revenue	\$ 2,793,133
District Mill Levy	251,895
Network Support	1,459,454
Contributions	8,041
Miscellaneous	192,564
State Sources	
Capital Construction	147,402
Grants	225,962
Federal Sources	
Grants	383,238
Total Revenues	5,461,689
Expenditures	
Instruction	3,275,595
Supporting Services	1,422,346
Debt Service	
Principal	472,063
Interest	177,404
Total Expenditures	5,347,408
Net Change in Fund Balance	114,281
Fund Balance, Beginning of Year	277,227
Fund Balance, End of Year	\$ 391,508

Coperni 3 Charter School
 Reconciliation of the Statement of Revenues, Expenditures and Changes
 in Fund Balance of the Governmental Fund to the Statement of Activities
 For the Year Ended June 30, 2023

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

Net Change in Fund Balance of the Governmental Fund	\$	114,281
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>		
Depreciation expense		(692,141)
<p>Repayments of debt principal are expenditures in governmental funds, but the repayments reduce long-term liabilities in the statement of net position and do not affect the statement of activities:</p>		
Note Principal Payments		71,241
Lease Principal Payments		400,822
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This includes changes in the following:</p>		
Accrued interest		(13,850)
Net pension liability		(1,199,850)
Pension-related deferred outflows of resources		(988,446)
Pension-related deferred inflows of resources		893,055
Net OPEB liability		13,372
OPEB-related deferred outflows of resources		(49,717)
OPEB-related deferred inflows of resources		1,684
		1,684
Change in Net Position of Governmental Activities	\$	<u>(1,449,549)</u>

Coperni 3 Charter School
Notes to Financial Statements
June 30, 2023

Note 1: Summary of Significant Accounting Policies

The Coperni 3 Charter School (the School) was organized in 2019 pursuant to the Colorado Charter Schools Act to form and operate a charter school. On February 7, 2019, the School entered into a contract with the Colorado Charter School Institute (the Institute) to authorize the School pursuant to State statutes. The current contract expires on June 30, 2023.

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

Reporting Entity

The financial reporting entity consists of the School, organizations for which the School is financially accountable, and organizations that raise and hold economic resources for the direct benefit of the School. All funds, organizations, institutions, agencies, departments, and offices that are not legally separate are part of the School. Legally separate organizations for which the School is financially accountable are considered part of the reporting entity. Financial accountability exists if the School appoints a voting majority of the organization's governing board and is able to impose its will on the organization or the organization has the potential to provide benefits to, or impose financial burdens on, the School.

The School includes the Third Future Schools Building Corporation #2 (the Corporation), a blended component unit. The purpose of the Corporation is to provide a mechanism to issue and pay debt on behalf of the School. The Corporation is considered to be part of the School for financial reporting purposes because its resources are entirely for the direct benefit of the School and is blended into the School's financial statements. Separate financial statements are not available for the Corporation.

Government-wide and Fund Financial Statements

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

Coperni 3 Charter School

Notes to Financial Statements

June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statement (Continued)

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

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

Measurement Focus, Basis of Accounting and Financial Statement Presentation

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current year. Intergovernmental revenues, grants and interest income associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the School. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences, are recorded only when payment is due.

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

The School reports the following major governmental funds:

General Fund - This fund is the general operating fund of the School. It is currently used to account for all financial activities of the School.

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

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

Coperni 3 Charter School

Notes to Financial Statements

June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Fund Balance/Net Position

Capital Assets - Capital assets are reported in the government-wide financial statements. Capital assets are defined as assets with an initial, individual cost of \$10,000 or more, and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at the acquisition value on the date of donation.

Depreciation of exhaustible capital assets is charged as an expense against operations, and accumulated depreciation is reported in the statement of net position in the government-wide and proprietary fund financial statements. Depreciation is provided over the estimated useful lives of the capital assets using the straight-line method, as follows.

Buildings and Leasehold Improvements	15 years
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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, are reported as a liability of the General Fund.

Unearned Revenues - Unearned revenues include amounts received but not yet available for expenditure.

Compensated Absences - Employees are allowed to accumulate paid time off (PTO). Employees who resign or terminate employment will be paid for their unused paid time off up to a maximum of 8 days provided they have completed five or more years of service to the School. A liability for these compensated absences is not reported in the financial statements because the amount is insignificant.

Long-Term Debt - In the government-wide financial statements and the proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable statement of net position. Premiums and discounts are deferred and amortized over the life of the debt using the straight-line method. In the fund financial statements, governmental funds recognize the face amount of debt issued as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses. Issuance costs are reported as current expenses or expenditures.

Coperni 3 Charter School
Notes to Financial Statements
June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

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

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

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's have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

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

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

Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; injuries to employees; and natural disasters. The School carries commercial insurance for these risks of loss.

Subsequent Events

The School has evaluated subsequent events through November 30, 2023, the date the financial statements were available to be issued.

Coperni 3 Charter School
Notes to Financial Statements
June 30, 2023

Note 2: Cash and Investments

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

Deposits	\$ 1,033,072
Petty Cash	<u>300</u>
 Total	 \$ <u><u>1,033,372</u></u>

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

The School, as part of the Third Future Schools Network, uses a pooled cash process. Cash deposits are held at a single operating bank account for the Network's three schools: Academy of Advanced Learning, Coperni 2 and Coperni 3. At June 30, 2023, the Network had bank deposits of \$583,222 collateralized with securities held by the financial institution's agent but not in the School's name.

Note 3: Capital Assets

Capital asset activity for the year ended June 30, 2023, was as follows:

	Balance 06/30/22	Additions	Deletions	Balance 06/30/23
Governmental Activities				
<i>Capital Assets, Being Depreciated</i>				
Buildings	\$ 1,500,000	\$ -	\$ -	\$ 1,500,000
Leasehold Improvements	1,942,104	-	-	1,942,104
Right to Use Assets	<u>3,650,201</u>	<u>-</u>	<u>-</u>	<u>3,650,201</u>
Total Capital Assets, <i>Being Depreciated</i>	<u>7,092,305</u>	<u>-</u>	<u>-</u>	<u>7,092,305</u>
 Less Accumulated Depreciation				
Buildings	(300,000)	(100,000)	-	(400,000)
Leasehold Improvements	(240,571)	(129,474)	-	(370,045)
Right to Use Assets	<u>(462,668)</u>	<u>(462,667)</u>	<u>-</u>	<u>(925,335)</u>
Total Accumulated Depreciation	<u>(1,003,239)</u>	<u>(692,141)</u>	<u>-</u>	<u>(1,695,380)</u>
 Total Capital Assets, <i>Being Depreciated, net</i>	 <u>6,089,066</u>	 <u>(692,141)</u>	 <u>-</u>	 <u>5,396,925</u>
 Business-Type Activities Capital Assets, <i>net</i>	 \$ <u><u>6,089,066</u></u>	 \$ <u><u>(692,141)</u></u>	 \$ <u><u>-</u></u>	 \$ <u><u>5,396,925</u></u>

Coperni 3 Charter School
Notes to Financial Statements
June 30, 2023

Note 3: Capital Assets (Continued)

Depreciation expense of the governmental activities of \$692,141 was charged to the supporting services program.

Note 4: Long-Term Debt

Governmental Activities

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

	<u>Balance 6/30/22</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 6/30/23</u>	<u>Due Within One Year</u>
Governmental Activities					
CFS Loan	\$ 1,350,477	\$ -	\$ (71,241)	\$ 1,279,236	\$ 1,279,236
Right-to-Use Leases	<u>3,257,981</u>	<u>-</u>	<u>(400,822)</u>	<u>2,857,159</u>	<u>414,266</u>
Total	<u>\$ 4,608,458</u>	<u>\$ -</u>	<u>\$ (472,063)</u>	<u>\$ 4,136,395</u>	<u>\$ 1,693,502</u>

In March 2019, the School entered into a loan agreement with Charter Facility Solutions (CFS) in the amount of \$1,500,000 to finance the payment of the Option Consideration required under the purchase option agreement with the CSDC Property Corporation for the purchase of the School's leased facility. Interest accrues at a rate of 3.5% and payments of principal and interest ranging from \$4,375 to \$9,781 are due monthly beginning April 1, 2019, through March 1, 2024, with a balloon payment for the balance due on April 1, 2024.

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	<u>\$ 1,279,236</u>	<u>\$ 32,940</u>	<u>\$ 1,312,176</u>
Total	<u>\$ 1,279,236</u>	<u>\$ 32,940</u>	<u>\$ 1,312,176</u>

In March 2019, the School entered into a lease agreement with CSDC Property Corporation for the School's building. The School is required to make monthly lease payments ranging from \$32,953 to \$46,179 through June 30, 2029.

In July 2020, the School entered into a lease agreement with Xerox to lease a copier. The lease payment schedules require the School to make monthly lease payments of \$802 beginning in July 2020 through June 30, 2023.

Coperni 3 Charter School
Notes to Financial Statements
June 30, 2023

Note 4: Long-Term Debt (Continued)

Governmental Activities (Continued)

Future minimum lease payments under the School's capital lease obligations are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 414,265	\$ 113,430	\$ 527,695
2025	437,600	95,373	532,973
2026	461,999	76,303	538,302
2027	487,510	56,175	543,685
2028	514,182	34,941	549,123
2029	541,603	12,549	554,152
Total	<u>\$ 2,857,159</u>	<u>\$ 388,771</u>	<u>\$ 3,245,930</u>

Leased assets under capital leases in capital assets at June 30, 2023, include the following:

	<u>June 30, 2023</u>
Building	\$ 3,633,156
Equipment	17,045
Less: Accumulated Depreciation	(925,335)
Total	<u>\$ 2,724,866</u>

Leased asset amortization is included in depreciation expense.

Note 5: Defined Benefit Pension Plan

General Information

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

Coperni 3 Charter School
Notes to Financial Statements
June 30, 2023

Note 5: Defined Benefit Pension Plan (Continued)

General Information (Continued)

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 percent match on eligible amounts as of the retirement date. This amount is then annualized into a monthly benefit based on life expectancy and other actuarial factors.

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

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

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

Coperni 3 Charter School
Notes to Financial Statements
June 30, 2023

Note 5: Defined Benefit Pension Plan (Continued)

General Information (Continued)

Survivor benefits are determined by several factors, which include the amount of earned service credit, highest average salary of the deceased, the benefit structure(s) in place 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 01, 2022 through June 30, 2023. The School's contribution rate was 21.40% of covered salaries for July 01, 2022 through June 30, 2023. However, a portion of the School's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 7). Contribution rates for the SCHDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the School were \$434,186 for the year ended June 30, 2023.

For purposes of GASB 68 paragraph 15, a circumstance exists in which a nonemployer contributing entity is legally responsible for making contributions to the SCHDTF and is considered to meet the definition of a special funding situation. As specified in C.R.S. § 24-51-414, the State is required to contribute \$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 ERA 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 at December 31, 2022, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. Standard update procedures were used to roll forward the TPL to December 31, 2022. The School proportion of the net pension liability was based on the School contributions to the SCHDTF for the calendar year, 2022 relative to the total contributions of participating employers and State as a nonemployer contributing entity.

Coperni 3 Charter School
Notes to Financial Statements
June 30, 2023

Note 5: Defined Benefit Pension Plan (Continued)

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

At June 30, 2023, the School reported a liability of \$4,989,292, for its proportionate share of the net pension liability that reflected an increase for support from the State as a nonemployer contributing entity. The amount recognized by the School as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the School were as follows:

Proportionate share of net pension liability	\$ 6,443,222
The State's proportionate share of net pension liability as a nonemployer contributing entity associated with the School	<u>(1,453,930)</u>
School Proportionate share of net pension liability	<u>\$ 4,989,292</u>

At December 31, 2022, the School's proportion was 0.0273994450%, which was a decrease of 0.0051632676% from its proportion measured at December 31, 2021.

For the year ended June 30, 2023, the School recognized pension expense of \$1,729,121 and benefit of \$971,438 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 47,219	\$ -
Changes of assumptions and other inputs	88,377	-
Net difference between projected and actual earnings on plan investments	670,250	-
Changes in proportion	683,956	531,662
Contributions subsequent to the measurement date	<u>209,364</u>	<u>-</u>
Total	<u>\$ 1,699,166</u>	<u>\$ 531,662</u>

Coperni 3 Charter School
Notes to Financial Statements
June 30, 2023

Note 5: Defined Benefit Pension Plan (Continued)

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

\$209,364 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 subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30,</u>	
2024	\$ 393,627
2025	8,143
2026	166,517
2027	389,852
2028	<u>1</u>
Total	<u>\$ 958,140</u>

Actuarial Assumptions - The TPL in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions and other inputs.

Actuarial cost method	Entry Age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	3.40% - 11.00%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Future post-employment benefit increases:	
Hired prior to 1/1/2007	1.00%
Hired after 12/31/2006	Financed by AIR

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

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

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

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

Coperni 3 Charter School
Notes to Financial Statements
June 30, 2023

Note 5: Defined Benefit Pension Plan (Continued)

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

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

The actuarial assumptions used in the December 31, 2021, valuation were based on the results of the 2020 experience analysis for the periods 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. Recently this assumption has been reviewed more frequently. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

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

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>30 Year Expected Geometric Real Rate of Return</u>
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	<u>100.00%</u>	

Coperni 3 Charter School

Notes to Financial Statements

June 30, 2023

Note 5: Defined Benefit Pension Plan (Continued)

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

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

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

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

Coperni 3 Charter School
Notes to Financial Statements
June 30, 2023

Note 5: Defined Benefit Pension Plan (Continued)

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

- 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 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 liability	\$ 6,529,268	\$ 4,989,292	\$ 3,703,256

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.

Note 6: Postemployment Healthcare Benefits

General Information

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.

Coperni 3 Charter School
Notes to Financial Statements
June 30, 2023

Note 6: Postemployment Healthcare Benefits (Continued)

General Information (Continued)

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

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

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

PERA Benefit Structure

The maximum service-based premium subsidy is \$230 per month for benefit recipients who are under 65 years of age and who are not entitled to Medicare; the maximum service-based subsidy is \$115 per month for benefit recipients who are over 65 years of age or who are under 65 years of age and entitled to Medicare. The maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5% 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.

Coperni 3 Charter School
Notes to Financial Statements
June 30, 2023

Note 6: Postemployment Healthcare Benefits (Continued)

General Information (Continued)

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

DPS Benefit Structure

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

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the School was \$21,731, for the year ended June 30, 2023.

Coperni 3 Charter School
Notes to Financial Statements
June 30, 2023

Note 6: Postemployment Healthcare Benefits (Continued)

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 \$169,962 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured at 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 total OPEB liability 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 ended December 31, 2022, relative to the contributions of all participating employers to the HCTF.

At December 31, 2022, the School's proportion was 0.0208164479% which was a decrease of 0.0004444738% from its proportion measured at December 31, 2021.

For the year ended June 30, 2023, the School recognized OPEB expense of \$41,449. At June 30, 2023, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 41,102
Changes of assumptions and other inputs	2,732	18,759
Net difference between projected and actual earnings on plan investments	10,379	-
Changes in proportion	111,251	3,219
Contributions subsequent to the measurement date	10,478	-
Total	\$ 134,840	\$ 63,080

\$10,478 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 subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

<u>Year Ended June 30,</u>			
2024		\$	25,119
2025			26,176
2026			5,887
2027			8,465
2028			(4,216)
Thereafter			(149)
Total		\$	61,282

Coperni 3 Charter School
Notes to Financial Statements
June 30, 2023

Note 6: Postemployment Healthcare Benefits (Continued)

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

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

Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	3.40% - 11.00%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates:	
<i>PERA benefit structure:</i>	
Service-based premium subsidy	0.00%
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	
<i>DPS benefit structure:</i>	
Service-based premium subsidy	0.00%
PERACare Medicare Plans	N/A
Medicare Part A premiums:	N/A

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.

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

Coperni 3 Charter School

Notes to Financial Statements

June 30, 2023

Note 6: Postemployment Healthcare Benefits (Continued)

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

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

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

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

<u>Year</u>	<u>PERACare Medicare Plans</u>	<u>Medicare Part A Premiums</u>
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 are applied, as applicable, in the determination of the TOL for the HCTF, but developed using 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.

Coperni 3 Charter School

Notes to Financial Statements

June 30, 2023

Note 6: Postemployment Healthcare Benefits (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.

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

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

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

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

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

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

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

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.

Coperni 3 Charter School
Notes to Financial Statements
June 30, 2023

Note 6: Postemployment Healthcare Benefits (Continued)

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

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 ages and are not eligible for premium-free Medicare Part A benefits have been updated to reflect costs for the 2022 plan year.
- The December 31, 2021, valuation utilizes premium information as of January 1, 2022, as the initial per capita health care cost. As of that date, PERACare health benefits administration is performed by UnitedHealthcare. In that transition, the costs for the Medicare Advantage Option #2 decreased to a level that is lower than the maximum possible service-related subsidy as described in the plan provisions.
- The health care cost trend rates applicable to health care premiums were revised to reflect the then-current expectation of future increases in those premiums. Medicare Part A premiums continued with the prior valuation trend pattern.

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

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 adopted by the PERA's Board during the November 20, 2020, Board 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.

Coperni 3 Charter School

Notes to Financial Statements

June 30, 2023

Note 6: Postemployment Healthcare Benefits (Continued)

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

As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized, as presented previously (See Note 6).

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2022, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- 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.

Coperni 3 Charter School
Notes to Financial Statements
June 30, 2023

Note 6: Postemployment Healthcare Benefits (Continued)

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

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ <u>197,036</u>	\$ <u>169,962</u>	\$ <u>146,805</u>

Sensitivity of the School's proportionate share of the net OPEB liability to changes in the Healthcare Cost Trend Rates - The following presents the net OPEB liability using the current healthcare cost trend rates applicable to the PERA benefit structure, ranging from 3.00% to 7.25%, as well as if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates, as follows:

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Proportionate share of the net OPEB liability	\$ <u>165,151</u>	\$ <u>169,962</u>	\$ <u>175,196</u>

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.

Required Supplementary Information

Coperni 3 Charter School

Schedule of Proportionate Share of the Net Pension Liability and Contributions Public Employees' Retirement Association of Colorado School Division Trust Fund June 30, 2023

Measurement Date	12/31/22	12/31/21	12/31/20	12/31/19
Proportionate Share of the Net Pension Liability				
School's Proportion of the Net Pension Liability	0.0273994450%	0.0325627126%	0.0255126671%	0.0210154210%
Net Pension Liability				
School's Proportionate Share	\$ 4,989,292	\$ 3,789,442	\$ 3,857,001	\$ 3,139,659
State's Proportionate Share	1,453,930	434,411	-	398,226
Total Proportionate Share of the Net Pension Liability	6,443,222	4,223,853	3,857,001	3,537,885
School's Covered-Employee Payroll	\$ 2,112,381	\$ 2,035,061	\$ 1,361,604	\$ 613,516
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	305%	208%	283%	577%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62%	75%	67%	65%
Reporting Date	6/30/23	6/30/22	6/30/21	6/30/20
School Contributions				
Statutorily Required Contribution	\$ 434,186	\$ 441,283	\$ 321,491	\$ 228,691
Contributions in Relation to the Statutorily Required Contribution	(434,186)	(441,283)	(321,491)	(228,691)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
School's Covered-Employee Payroll	\$ 2,130,453	\$ 2,219,723	\$ 1,617,153	\$ 1,180,036
Contributions as a Percentage of Covered-Employee Payroll	20.38%	19.88%	19.88%	19.38%

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

Coperni 3 Charter School

Schedule of Proportionate Share of the Net OPEB Liability and Contributions Public Employees' Retirement Association of Colorado Health Care Trust Fund June 30, 2023

Measurement Date	12/31/22	12/31/21	12/31/20	12/31/19
Proportionate Share of the Net Pension Liability				
School's Proportion of the Net Pension Liability	0.0208164479%	0.0212609217%	0.0147240846%	0.0136467504%
School's Proportionate Share of the Net Pension Liability	\$ 169,962	\$ 183,334	\$ 139,912	\$ 153,386
School's Covered-Employee Payroll	\$ 2,112,381	\$ 2,035,061	\$ 1,361,604	\$ 613,516
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	8%	9%	10%	25%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	39%	39%	33%	24%
Reporting Date	6/30/23	6/30/22	6/30/21	6/30/20
School Contributions				
Statutorily Required Contribution	\$ 21,731	\$ 22,641	\$ 16,495	\$ 12,036
Contributions in Relation to the Statutorily Required Contribution	(21,731)	(22,641)	(16,495)	(12,036)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -
School's Covered-Employee Payroll	\$ 2,130,453	\$ 2,219,723	\$ 1,617,153	\$ 1,180,036
Contributions as a Percentage of Covered-Employee Payroll	1.02%	1.02%	1.02%	1.02%

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

Coperni 3 Charter School
 Budgetary Comparison Schedule
 General Fund
 For the Year Ended June 30, 2023

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
<i>Local Sources</i>				
Per Pupil Revenue	\$ 3,942,410	\$ 2,754,493	\$ 2,793,133	\$ 38,640
Mill Levy Override	340,674	238,502	251,895	13,393
Network Support	-	592,838	1,459,454	866,616
Grants and Contributions	114,000	314,000	8,041	(305,959)
Other	-	-	192,564	192,564
Total Local Sources	<u>4,397,084</u>	<u>3,899,833</u>	<u>4,705,087</u>	<u>805,254</u>
<i>State Sources</i>				
Capital Construction	120,012	150,445	147,402	(3,043)
Grants and Donations	119,894	134,701	225,962	91,261
Total State Sources	<u>239,906</u>	<u>285,146</u>	<u>373,364</u>	<u>88,218</u>
<i>Federal Sources</i>				
Grants	467,408	478,812	383,238	(95,574)
Total Revenues	<u>5,104,398</u>	<u>4,663,791</u>	<u>5,461,689</u>	<u>797,898</u>
Expenditures				
<i>Current</i>				
Salaries	2,343,000	2,028,000	2,244,833	(216,833)
Employee Benefits	806,599	766,856	938,066	(171,210)
Purchased Services	1,528,321	1,574,472	1,067,178	507,294
Supplies and Materials	457,056	293,888	405,896	(112,008)
Property	-	-	41,790	(41,790)
Other	-	-	178	(178)
<i>Debt Service</i>				
Principal	-	-	472,063	(472,063)
Interest	-	-	177,404	(177,404)
Total Expenditures	<u>5,134,976</u>	<u>4,663,216</u>	<u>5,347,408</u>	<u>(684,192)</u>
Net Change in Fund Balance	(30,578)	575	114,281	113,706
Fund Balance, Beginning of Year	<u>262,137</u>	<u>277,227</u>	<u>277,227</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 231,559</u>	<u>\$ 277,802</u>	<u>\$ 391,508</u>	<u>\$ 113,706</u>

Coperni 3 Charter School
Notes to Required Supplementary Information
June 30, 2023

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

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

Changes in Assumptions and Other Inputs

For the year ended June 30, 2023, the total pension liability was determined by an actuarial valuation as of December 31, 2021. The following revised economic and demographic assumptions were effective as of December 31, 2021.

- Investment rate of return assumption of 7.25% per year, compounded annually. This assumption did not change from the prior year.
- Price inflation assumption of 2.3% per year. This assumption did not change from the prior year.
- Real rate of investment return assumption of 4.85% per year, net of investment expenses. The rate reflected in the roll-forward calculation of the collective total pension liability to the measurement date was 7.25%. This assumption did not change from prior year.
- Wage inflation assumption of 3.0% per year. This assumption did not change from the prior year.
- Healthy and disabled mortality assumptions are based on the PubT-2010 Employee Tables.

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

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

The School adheres to the following procedures to establish the budgetary information reflected in the financial statements.

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

During the year ended June 30, 2023, School expenditures exceeded budgeted appropriations which may be a violation of State statutes.