

Challenge to Excellence Charter School

Financial Statements
with Independent Auditor's Report

June 30, 2023



**HINKLE &
COMPANY**
Strategic ^{PC}
Business Advisors

Challenge to Excellence Charter School
(A Component Unit of Douglas County School District RE.1)
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June 30, 2023

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**HINKLE &
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Business Advisors

Independent Auditor's Report

Governing Council
Challenge to Excellence Charter School
Parker, Colorado

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of Challenge to Excellence Charter School (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, each major fund, and the aggregate remaining fund information of the School, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (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 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 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.

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 listed in the table of contents, such as management's discussion and analysis and budgetary comparison information as noted 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 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
October 26, 2023



Challenge to Excellence Charter School

Management's Discussion and Analysis

June 30, 2023

As management of Challenge to Excellence Charter School (C2E or the School), we offer readers of Challenge to Excellence Charter School's basic financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information provided in the accompanying financial statements.

Financial Highlights

The year ended June 30, 2023 is the twenty-first year of operations for C2E. As of June 30, 2023, net position increased by \$576,795 to \$(3,100,052). Challenge to Excellence Charter School's governmental funds reported an ending fund balance of \$4,962,345, a decrease of \$4,253,654 from the prior year.

The operations of the School are funded primarily by tax revenue received under the Colorado School Finance Act in Per Pupil Revenue (PPR). Tax revenue for the year from PPR was \$4,942,486.

Overview of Financial Statements

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The School's 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 School's finances, in a manner similar to a private-sector business.

The statement of net position presents information on the School's assets and liabilities, and deferred inflows and outflows, with the difference being reported as net position. Over time, the increases or decreases in net position may serve as a useful indicator of whether the financial position is improving or deteriorating.

The statement of activities presents information showing how net position changed during the 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 the related cash flows. Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future periods (for example, salaries and benefits earned but unpaid as of year-end).

The government-wide statement of activities distinguishes functions/programs of the School supported primarily by Per Pupil Revenue or other revenues passed through from the School's authorizer (Douglas County School District). The governmental activities of C2E include instruction and supporting services.

Challenge to Excellence Charter School

Management's Discussion and Analysis

June 30, 2023

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. The School keeps track of these monies to ensure and demonstrate compliance with finance-related legal requirements.

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.

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 School's near-term financing decisions. 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.

The School maintains two governmental funds and adopts annually appropriated budgets for the funds. A budgetary comparison schedule for the General Fund is included to demonstrate that spending did not exceed the budget.

Notes to the Financial Statements

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

Challenge to Excellence Charter School

Management's Discussion and Analysis

June 30, 2023

Government-Wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of the School's financial position. For the fiscal year ended June 30, 2023, C2E's net position was \$(3,100,052). This position includes a net pension liability in the amount of \$6,070,617, representing the School's proportionate share of the School Division Trust Fund pension liability, administered by the Public Employees' Retirement Association of Colorado (PERA). The School reports this net pension liability, and associated deferred inflows and outflows of resources, as required by GASB (Governmental Accounting Standards Board) 68. The School's net position also includes a net OPEB (Other Post-Employment Benefits) liability in the amount of \$206,849, representing the School's proportionate share of the defined benefit Health Care Trust Fund, administered by PERA. The School reports this net OPEB liability, and associated deferred inflows and outflows of resources, as requirement by GASB 75. More information regarding the net pension and OPEB liabilities may be found in the notes to the financial statements.

Of the School's total net position, \$(2,317,870) is invested in capital assets, \$219,100 is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment, and \$409,049 is restricted for debt service in future years.

Challenge to Excellence Charter School
Management's Discussion and Analysis
June 30, 2023

Challenge to Excellence Charter School's Net Position

	2022-2023	2021-2022
ASSETS		
Cash and Investments	\$ 4,666,286	\$ 3,243,181
Restricted Cash and Investments	392,433	6,301,675
Accounts Receivable	130,730	13,393
Prepaid Expenses	29,490	8,483
Deposits	150,000	-
Capital Assets, Not Being Depreciated	1,010,419	1,603,455
Capital Assets, Net of Accumulated Depreciation	<u>2,984,859</u>	<u>2,501,635</u>
TOTAL ASSETS	<u>9,364,217</u>	<u>13,671,822</u>
DEFERRED OUTFLOWS OF RESOURCES		
Pensions, Net of Accumulated Amortization	1,371,579	1,220,952
OPEB, Net of Accumulated Amortization	37,312	32,890
Loss on Debt Refunding, Net of Accumulated Amortization	<u>62,882</u>	<u>73,243</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,471,773</u>	<u>1,327,085</u>
LIABILITIES		
Accounts Payable	189,325	143,766
Accrued Liabilities	3,612	2,310
Accrued Salaries and Benefits	213,657	204,657
Accrued Interest Payable	18,480	8,624
Noncurrent Liabilities		
Due Within One Year	183,069	5,009,927
Due in More Than One Year	6,130,079	6,313,148
Net Pension Liability	6,070,617	4,573,470
Net OPEB Liability	<u>206,849</u>	<u>221,266</u>
TOTAL LIABILITIES	<u>13,015,688</u>	<u>16,477,168</u>
DEFERRED INFLOWS OF RESOURCES		
Pensions, Net of Accumulated Amortization	833,479	2,105,370
OPEB, Net of Accumulated Amortization	<u>86,875</u>	<u>93,216</u>
TOTAL DEFERRED INFLOWS OF RESOURCES	<u>920,354</u>	<u>2,198,586</u>
NET POSITION		
Net Investment in Capital Assets	(2,317,870)	(7,217,985)
Restricted for Debt Service	409,049	6,293,051
Restricted for Emergencies	219,100	173,100
Unrestricted	<u>(1,410,331)</u>	<u>(2,925,013)</u>
TOTAL NET POSITION	<u>\$ (3,100,052)</u>	<u>\$ (3,676,847)</u>

Challenge to Excellence Charter School
Management's Discussion and Analysis
June 30, 2023

Challenge to Excellence Charter School's Change in Net Position

	2022-2023	2021-2022
REVENUES		
Per Pupil Revenue	\$ 4,942,486	\$ 4,653,931
District Mill Levy	688,586	641,620
Capital Construction	191,874	185,047
Charges for Services	292,884	234,878
Operating Grants and Contributions	371,801	61,352
Investment Income	154,210	7,460
Other	9,211	500
TOTAL REVENUE	6,651,052	5,784,788
EXPENSES		
Instruction	3,399,473	881,339
Supporting Services	2,365,446	2,020,533
Interest on Long-Term Debt	309,338	469,335
TOTAL EXPENSES	6,074,257	3,371,207
CHANGE IN NET POSITION	576,795	2,413,581
NET POSITION, Beginning	(3,676,847)	(6,090,428)
NET POSITION, Ending	\$ (3,100,052)	\$ (3,676,847)

Financial Analysis of the Government's Funds

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

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

As of the end of the current fiscal year, the School's General Fund reported an ending fund balance of \$4,534,816, an increase of \$1,620,492 from the prior year. The School also maintains a governmental fund to record the activity of the C2E Building Corporation (the Corporation). The Corporation was organized exclusively for the purpose of holding title to real estate and personal property for the School, and to provide facilities, equipment and other physical plant and related support to the School. As of the end of the current fiscal year, the Corporation reported an ending fund balance of \$427,529, a decrease of \$5,874,146 from the prior year.

Challenge to Excellence Charter School

Management's Discussion and Analysis

June 30, 2023

General Fund Budgetary Highlights

C2E recognized \$309,633 more revenue than expected and spent \$687,889 less than planned, when compared to the final budget. There were budget amendments during the year, which reflected changes in revenues and expenditures. Overall, revenue and expenses were fine-tuned to account for changes to student enrollment and available resources.

Capital Assets & Long-Term Debt

The School has invested in capital assets for the School's educational facility, facility improvements, land, construction in process, and both purchased and leased equipment. Depreciation and amortization expenses for capital assets are booked under the supporting services program of the School's operations. More information regarding capital assets may be found in Note 3 to the financial statements.

The School has long-term debt in the form of Revenue Refunding Series 2022 bonds, acquired at the close of 2021-2022, the proceeds of which were used to refund 2017 Series Bonds in 2022-2023. The school also has a lease agreement for a copier machine that qualifies as long-term debt. More information regarding long-term debt may be found in Note 4 to the financial statements.

Economic Factors and Next Year's Budget

The primary factor driving the budget for Challenge to Excellence Charter School is student enrollment. Enrollment for the 2022-2023 school year was 538 funded students. Enrollment projected for 2023-2024 is 540 funded students. This factor was considered when preparing C2E's budget for 2023-2024.

Requests for Information

This financial report is designed to provide a general overview of Challenge to Excellence Charter School's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the School:

Challenge to Excellence Charter School
16995 E. Carlson Drive
Parker, CO 80134

Basic Financial Statements

Challenge to Excellence Charter School
(A Component Unit of Douglas County School District RE.1)
Statement of Net Position
June 30, 2023

	Governmental Activities
Assets	
Cash and Investments	\$ 4,666,286
Restricted Cash and Investments	392,433
Accounts Receivable	130,730
Prepaid Expenses	29,490
Deposits	150,000
Capital Assets, <i>Not Being Depreciated</i>	1,010,419
Capital Assets, <i>Net of Accumulated Depreciation</i>	2,984,859
Total Assets	9,364,217
Deferred Outflows of Resources	
Pensions, <i>Net of Accumulated Amortization</i>	1,371,579
OPEB, <i>Net of Accumulated Amortization</i>	37,312
Loss on Debt Refunding, <i>Net of Accumulated Amortization</i>	62,882
Total Deferred Outflows of Resources	1,471,773
Liabilities	
Accounts Payable	189,325
Accrued Liabilities	3,612
Accrued Salaries and Benefits	213,657
Accrued Interest Payable	18,480
Noncurrent Liabilities	
Due Within One Year	183,069
Due in More Than One Year	6,130,079
Net Pension Liability	6,070,617
Net OPEB Liability	206,849
Total Liabilities	13,015,688
Deferred Inflows of Resources	
Pensions, <i>Net of Accumulated Amortization</i>	833,479
OPEB, <i>Net of Accumulated Amortization</i>	86,875
Total Deferred Inflows of Resources	920,354
Net Position	
Net Investment in Capital Assets	(2,317,870)
Restricted for:	
Debt Service	409,049
Emergencies	219,100
Unrestricted	(1,410,331)
Total Net Position	\$ (3,100,052)

See Notes to the Financial Statements.

Challenge to Excellence Charter School
(A Component Unit of Douglas County School District RE.1)
Statement of Activities
For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	
Primary Government				
<i>Governmental Activities</i>				
Instruction	\$ 3,399,473	\$ 286,158	\$ 315,633	\$ (2,797,682)
Supporting Services	2,365,446	6,726	56,168	(2,302,552)
Interest on Long-Term Debt	<u>309,338</u>	<u>-</u>	<u>-</u>	<u>(309,338)</u>
Total Governmental Activities	<u>\$ 6,074,257</u>	<u>\$ 292,884</u>	<u>\$ 371,801</u>	<u>(5,409,572)</u>
General Revenues				
				4,942,486
Per Pupil Revenue				688,586
District Mill Levy				191,874
Capital Construction				154,210
Investment Income				9,211
Other				<u>9,211</u>
Total General Revenues and Transfers				<u>5,986,367</u>
Change in Net Position				576,795
Net Position, Beginning of Year				<u>(3,676,847)</u>
Net Position, End of Year				<u>\$ (3,100,052)</u>

Challenge to Excellence Charter School
(A Component Unit of Douglas County School District RE.1)
 Balance Sheet
 Governmental Fund
 June 30, 2023

	General	Building	Total
Assets			
Cash and Investments	\$ 4,666,286	\$ -	\$ 4,666,286
Restricted Cash and Investments	-	392,433	392,433
Accounts Receivable	130,730	-	130,730
Prepaid Expenses	29,490	-	29,490
Deposits	-	150,000	150,000
Total Assets	\$ 4,826,506	\$ 542,433	\$ 5,368,939
Liabilities and Fund Balance			
<i>Liabilities</i>			
Accounts Payable	\$ 74,421	\$ 114,904	\$ 189,325
Accrued Liabilities	3,612	-	3,612
Accrued Salaries and Benefits	213,657	-	213,657
Total Liabilities	291,690	114,904	406,594
<i>Fund Balance</i>			
Nonspendable	29,490	-	29,490
Restricted for:			
Emergencies	219,100	-	219,100
Debt Service	-	427,529	427,529
Unrestricted, Unassigned	4,286,226	-	4,286,226
Total Fund Balance	4,534,816	427,529	4,962,345
Total Liabilities and Fund Balance	\$ 4,826,506	\$ 542,433	\$ 5,368,939

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

Total Fund Balance of the Governmental Fund	\$ 4,962,345
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	3,995,278
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds.	
Accrued interest payable	(18,480)
Long-Term Debt	(6,250,266)
Net pension liability	(6,070,617)
Pension-related deferred outflows of resources	1,371,579
Pension-related deferred inflows of resources	(833,479)
Net OPEB liability	(206,849)
OPEB-related deferred outflows of resources	37,312
OPEB-related deferred inflows of resources	(86,875)
Total Net Position of Governmental Activities	\$ (3,100,052)

Challenge to Excellence Charter School
(A Component Unit of Douglas County School District RE.1)
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2023

	General	Building	Total
Revenues			
<i>Local Sources</i>			
Per Pupil Revenue	\$ 4,942,486	\$ -	\$ 4,942,486
District Mill Levy	688,586	-	688,586
Tuition	6,726	-	6,726
Student Fees and Activities	286,158	-	286,158
Investment Income	136,671	17,539	154,210
Other	9,211	198,887	208,098
<i>State Sources</i>			
Capital Construction	191,874	-	191,874
Grants	242,884	-	242,884
<i>Federal Sources</i>			
Grants	71,741	-	71,741
 Total Revenues	 6,576,337	 216,426	 6,792,763
Expenditures			
Instruction	3,520,524	-	3,520,524
Supporting Services	2,230,578	7,535	2,238,113
Debt Service			
Principal	-	4,998,659	4,998,659
Interest	-	289,121	289,121
 Total Expenditures	 5,751,102	 5,295,315	 11,046,417
 Excess of Revenues Over (Under)			
Expenditures	825,235	(5,078,889)	(4,253,654)
Other Financing Sources (Uses)			
Transfers In	795,257	-	795,257
Transfers Out	-	(795,257)	(795,257)
 Net Change in Fund Balance	 1,620,492	 (5,874,146)	 (4,253,654)
 Fund Balance, Beginning of Year	 2,914,324	 6,301,675	 9,215,999
 Fund Balance, End of Year	 \$ 4,534,816	 \$ 427,529	 \$ 4,962,345

Challenge to Excellence Charter School

(A Component Unit of Douglas County School District RE.1)

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 \$ (4,253,654)

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.

Depreciation expense	(226,840)
Amortization Expense	(11,268)
Capital outlays	128,296

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities. Repayments of debt principal are expenditures in governmental funds, but they reduce long-term liabilities in the statement of net position and do not affect the statement of activities.

Lease Payments	11,268
Bond Principal Payments	4,998,659
Amortization of Debt Refunding	(10,361)

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.

Accrued Interest Payable	(9,856)
Net pension liability	(1,497,147)
Pension-related deferred outflows of resources	150,627
Pension-related deferred inflows of resources	1,271,891
Net OPEB liability	14,417
OPEB-related deferred outflows of resources	4,422
OPEB-related deferred inflows of resources	6,341

Change in Net Position of Governmental Activities \$ 576,795

Challenge to Excellence Charter School
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2023

Note 1: Summary of Significant Accounting Policies

The Challenge to Excellence Charter School (the School) was organized in 2002 pursuant to the Colorado Charter Schools Act to form and operate a charter school within Douglas County School District (the District). The School is a non-profit organization as defined by Section 501(c)(3) of the Internal Revenue Code.

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

Reporting Entity

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

The School includes the C2E Building Corporation (the Corporation) within its reporting entity. The Corporation was organized exclusively for the purpose of holding title to real estate and personal property for, and to make same available for use by, the School and to otherwise provide facilities, equipment and other physical plant and related support to the School. The Corporation is blended into the School's financial statements as a Special Revenue Fund. Separate audited financial statements are not available for the Corporation.

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

Government-wide and Fund Financial Statements

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

Challenge to Excellence Charter School
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2023

Note 1: Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements (Continued)

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

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 is the proprietary fund in the 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 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 are recorded only when payment is due.

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

The School reports the following major funds:

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

Building Fund - This fund is used to account for the financial activities of the Corporation, primarily related to capital assets and the related debt service.

Challenge to Excellence Charter School
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Notes to Financial Statements
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Note 1: Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Net Position/Fund Balance

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

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

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

Capital assets are depreciated using the straight-line method over the following estimated useful lives.

Buildings and Improvements	20 - 30 years
Equipment	5 - 15 years

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.

Compensated Absences - Employees are allowed to use sick and personal leave, which is not available to carry over from year to year. Certified and classified staff are reimbursed \$100 and \$50 per day, respectively, for unused sick and personal leave at the end of each fiscal year. Therefore, no liability is reported in the financial statements for these compensated absences.

Long-Term Debt - In the government-wide financial statements and the proprietary fund in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities. Debt premiums, discounts, and accounting losses resulting from debt refunding's are deferred and amortized over the life of the debt using the straight-line method. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financing uses.

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

Challenge to Excellence Charter School
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Note 1: Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Net Position/Fund Balance (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 Governing Council 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 October 26, 2023, the date the financial statements were available to be issued.

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Note 2: Deposits and Investments

A summary of cash and investments at June 30, 2023, follows:

Deposits	\$ 971,687
Investments	4,086,832
Petty Cash	200
 Total	 \$ 5,058,719

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

Cash and Investments	\$ 4,666,286
Restricted Cash and Investments	392,433
 Total	 \$ 5,058,719

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2023, the School had no bank deposits in excess of federal insurance levels.

Investments

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

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

Challenge to Excellence Charter School
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Note 2: Deposits and Investments (Continued)

Investments (Continued)

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

Credit Risk - State statutes limit investments in money market funds to those that maintain a constant share price, with a maximum remaining maturity in accordance with the Securities and Exchange Commission's Rule 2a-7, and either have assets of one billion dollars or the highest rating issued by one or more nationally recognized statistical rating organizations.

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

Local Government Investment Pool - At June 30, 2023, the School had \$4,086,832 invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds for investment purposes. The Colorado Division of Securities administers and enforces the requirements of creating and operating Colotrust. Colotrust operates in conformity with the Securities and Exchange Commission's Rule 2a-7. Colotrust is reported at the net asset value per share, with each share valued at \$1. Colotrust is rated AAAM by Standard and Poor's. Investments of Colotrust are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

Restricted Cash and Investments

At June 30, 2023, investments of \$392,433 have been restricted by the School's loan agreement for debt service.

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Notes to Financial Statements
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Note 3: Capital Assets

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

Governmental Activities	Balance 06/30/22	Additions	Deletions	Balance 06/30/23
<i>Capital Assets, Not Being Depreciated</i>				
Land	\$ 1,010,419	\$ -	\$ -	\$ 1,010,419
Construction in Process	593,036	-	(593,036)	-
Total Capital Assets, <i>Being Depreciated</i>	<u>1,603,455</u>	<u>-</u>	<u>(593,036)</u>	<u>1,010,419</u>
<i>Capital Assets, Being Depreciated</i>				
Buildings	4,754,070	-	-	4,754,070
Building Improvements	861,769	705,434	-	1,567,203
Land Improvements	91,964	-	-	91,964
Equipment	309,644	15,898	-	325,542
Leased Equipment	56,342	-	-	56,342
Total Capital Assets, <i>Being Depreciated</i>	<u>6,073,789</u>	<u>721,332</u>	<u>-</u>	<u>6,795,121</u>
<i>Less Accumulated Depreciation</i>				
Buildings	(2,793,487)	(158,469)	-	(2,951,956)
Building Improvements	(470,934)	(42,504)	-	(513,438)
Land Improvements	(64,370)	(9,196)	-	(73,566)
Equipment	(211,437)	(16,671)	-	(228,108)
<i>Less Accumulated Amortization for</i>				
Leased Equipment	(31,926)	(11,268)	-	(43,194)
Total Accumulated Depreciation and Amortization	<u>(3,572,154)</u>	<u>(238,108)</u>	<u>-</u>	<u>(3,810,262)</u>
Total Capital Assets, <i>Being Depreciated, Net</i>	<u>2,501,635</u>	<u>483,224</u>	<u>-</u>	<u>2,984,859</u>
Governmental Activities Capital Assets, <i>Net</i>	<u>\$ 4,105,090</u>	<u>\$ 483,224</u>	<u>\$ (593,036)</u>	<u>\$ 3,995,278</u>

Depreciation expense of the governmental activities was charged to the supporting services program of the School.

Note 4: Long-Term Debt

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

Governmental Activities	Balance 06/30/22	Additions	Payments	Balance 06/30/23	Due Within One Year
2017 Building Loan	\$ 4,998,659	\$ -	\$ (4,998,659)	\$ -	\$ -
2019 Copier Lease	24,416	-	(11,268)	13,148	11,270
2022 Series Revenue Bond	6,300,000	-	-	6,300,000	171,799
Total	<u>\$ 11,323,075</u>	<u>\$ -</u>	<u>\$ (5,009,927)</u>	<u>\$ 6,313,148</u>	<u>\$ 183,069</u>

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Note 4: Long-Term Debt (Continued)

On June 30, 2018, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$5,775,756 Charter School Refunding Revenue Bonds, Series 2017. Bond proceeds were used to refund the Charter School Revenue Refunding Bonds, Series 2007. The School was obligated under a lease agreement to make monthly lease payments to the Corporation for using the facilities. The Corporation was required to make monthly loan payments to the trustee, for payment of the bonds. Interest accrued on the outstanding balance of the bonds at 3.48% per annum. Principal and interest payments were due monthly beginning August 1, 2017, with a balloon payment of \$3,970,706 due at maturity on December 1, 2027.

On June 17, 2022, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$6,300,000 Charter School Refunding Revenue Bonds, Series 2022. Proceeds of the refunded bonds were used to advance refund CECFA's outstanding Series 2017 Bonds. The School is obligated under a lease agreement to make monthly lease payments to the Corporation for using the facilities. The Corporation is required to make monthly loan payments to the trustee, for payment of the bonds. Interest accrues on the outstanding balance of the bonds at 3.52% per annum. Principal and interest payments are due monthly beginning July 1, 2022, with a balloon payment of \$3,970,706 due at maturity on June 1, 2029.

Future debt service requirements are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 171,799	\$ 219,006	\$ 390,805
2025	177,944	212,860	390,804
2026	184,310	206,494	390,804
2027	190,903	199,901	390,804
2028	197,734	193,072	390,806
2029	<u>5,377,310</u>	<u>185,998</u>	<u>5,563,308</u>
Total	<u>\$ 6,300,000</u>	<u>\$ 1,217,331</u>	<u>\$ 7,517,331</u>

The School has entered into lease agreements directly with the vendor to copier machine. Monthly payments are required by the lease agreement, with terms of five years. Future minimum leases payments to maturity are as follows:

<u>Year Ended June 30,</u>	
2024	11,270
2025	1,880
Total Minimum Lease Payments	<u>13,150</u>
Less: Interest Portion	<u>(2)</u>
Total	<u>\$ 13,148</u>

Challenge to Excellence Charter School
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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.

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.

Challenge to Excellence Charter School
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Note 5: Defined Benefit Pension Plan (Continued)

General Information (Continued)

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.

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 6). 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 \$539,299, for the year ended June 30, 2023.

Challenge to Excellence Charter School
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 Notes to Financial Statements
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Note 5: Defined Benefit Pension Plan (Continued)

General Information (Continued)

For purposes of GASB 68 paragraph 15, a circumstance exists in which a non-employer 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.

At June 30, 2023, the School reported a liability of \$6,070,617, for its proportionate share of the net pension liability that reflected a reduction 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:

School Proportionate share of net pension liability	\$ 7,839,656
The State's proportionate share of net pension liability as a nonemployer contributing entity associated with the School	<u>(1,769,039)</u>
Proportionate share of the net pension liability	<u>\$ 6,070,617</u>

Challenge to Excellence Charter School
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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 December 31, 2022, the School's proportion was 0.0333377006%, which was a decrease of 0.0059621710% from its proportion measured at December 31, 2021.

For the year ended June 30, 2023, the School recognized pension expense of \$573,852 and benefit of \$208,028 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	\$ 57,452	\$ -
Changes of assumptions and other inputs	107,532	-
Net difference between projected and actual earnings on plan investments	815,507	-
Changes in proportion	120,789	833,479
Contributions subsequent to the measurement date	270,299	-
Total	\$ 1,371,579	\$ 833,479

\$270,299 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		\$ (368,637)
2025		(45,421)
2026		207,515
2027		474,344
Total		\$ 267,801

Challenge to Excellence Charter School
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 Notes to Financial Statements
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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)

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	2.3%
Real wage growth	0.7%
Wage inflation	3.0%
Salary increases, including wage inflation	3.4% - 11.0%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate	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.

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.

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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)

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 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%
	<u>100.00%</u>	

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%.

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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)

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.

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 Notes to Financial Statements
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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	\$ 7,944,350	\$ 6,070,617	\$ 4,505,859

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.

Challenge to Excellence Charter School
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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.

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.

Challenge to Excellence Charter School
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Note 6: Postemployment Healthcare Benefits (Continued)

General Information (Continued)

PERA Benefit Structure

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

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.

Challenge to Excellence Charter School
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Note 6: Postemployment Healthcare Benefits (Continued)

General Information (Continued)

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the School was \$26,992, 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 \$206,849 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 0.0253342811% which was a decrease of 0.0003255442% from its proportion measured at December 31, 2021.

For the year ended June 30, 2023, the School recognized OPEB expense of \$713. 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	\$ 27	\$ 50,025
Changes of assumptions and other inputs	3,323	22,828
Net difference between projected and actual earnings on plan investments	12,637	-
Changes in proportion	7,797	14,022
Contributions subsequent to the measurement date	13,528	-
Total	<u>\$ 37,312</u>	<u>\$ 86,875</u>

Challenge to Excellence Charter School
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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)

\$13,528 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	\$ (20,559)
2025	(19,493)
2026	(12,603)
2027	(4,802)
2028	(4,308)
Thereafter	<u>(1,326)</u>
 Total	 \$ <u>(63,091)</u>

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	2.3%
Real wage growth	7.0%
Wage inflation	3.0%
Salary increases, including wage inflation	3.4% - 11.0
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates:	
<i>PERA Benefit Structure</i>	
Service-based premium subsidy	0.0%
PERACare Medicare plans	
6.50% in 2022 gradually decreasing to 4.5% in 2030	
Medicare Part A premiums:	
3.75% in 2022, gradually increasing to 4.5% in 2029	
<i>DPS Benefit Structure</i>	
Service-based premium subsidy	0.0%
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.

Challenge to Excellence Charter School
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 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)

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.

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%

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Note 6: Postemployment Healthcare Benefits (Continued)

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

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.

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.

Challenge to Excellence Charter School
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Note 6: Postemployment Healthcare Benefits (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 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.

Challenge to Excellence Charter School
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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)

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.

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 5).

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%.

Challenge to Excellence Charter School
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 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)

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.

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	\$ 239,799	\$ 206,849	\$ 178,666

Challenge to Excellence Charter School
 (A Component Unit of Douglas County School District RE.1)
 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)

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:

	Current Healthcare Cost		
	1% Decrease	Trend Rates	1% Increase
Proportionate share of the net OPEB liability	\$ 200,994	\$ 206,849	\$ 213,220

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 7: Commitments and Contingencies

Claims and Judgments

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

TABOR Amendment

In November 1992, Colorado voters passed the TABOR Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The Amendment is subject to interpretation, but the School believes it is in substantial compliance with the requirements of the Amendment. As required by the Amendment, the School has established a reserve for emergencies, representing 3% of qualifying expenditures. At June 30, 2023, the emergency reserve was reported as restricted fund balance in the General Fund, in the amount of \$219,100.

Required Supplementary Information

Challenge to Excellence Charter School
(A Component Unit of Douglas County School District RE.1)
Required Supplementary Information
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	12/31/18
Proportionate Share of the Net Pension Liability					
School's Proportion of the Net Pension Liability	0.0333377006%	0.0392998716%	0.0456533340%	0.0422525671%	0.0399526875%
Net Pension Liability					
School's Proportionate Share	\$ 6,070,617	\$ 4,573,470	\$ 6,901,863	\$ 6,312,442	\$ 7,074,444
State's Proportionate Share	1,769,039	524,290	-	800,654	2,196,413
Total Proportionate Share of the Net Pension Liability	\$ 7,839,656	\$ 5,097,760	\$ 6,901,863	\$ 7,113,096	\$ 9,270,857
School's Covered-Employee Payroll	\$ 2,570,835	\$ 2,456,116	\$ 2,441,813	\$ 2,482,994	\$ 2,196,413
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	236%	186%	283%	254%	322%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62%	75%	67%	65%	57%
Reporting Date	6/30/23	6/30/22	6/30/21	6/30/20	6/30/19
School Contributions					
Statutorily Required Contribution	\$ 539,299	\$ 497,461	\$ 480,575	\$ 480,483	\$ 452,043
Contributions in Relation to the Statutorily Required Contribution	(539,299)	(497,461)	(480,575)	(480,483)	(452,043)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
School's Covered-Employee Payroll	\$ 2,646,285	\$ 2,502,316	\$ 2,417,387	\$ 2,473,078	\$ 2,362,912
Contributions as a Percentage of Covered-Employee Payroll	20.38%	19.88%	19.88%	19.43%	19.13%

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

(Continued)

Challenge to Excellence Charter School
(A Component Unit of Douglas County School District RE.1)
 Required Supplementary Information
 Schedule of Proportionate Share of the Net Pension Liability and Contributions
 Public Employees' Retirement Association of Colorado
 School Division Trust Fund
 June 30, 2023
(Continued)

Measurement Date	12/31/17	12/31/16	12/31/15	12/31/14	12/31/13
Proportionate Share of the Net Pension Liability					
School's Proportion of the Net Pension Liability	0.0456648566%	0.0443513783%	0.0435081376%	0.0427827980%	0.0432178520%
Net Pension Liability					
School's Proportionate Share	\$ 14,766,391	\$ 13,205,120	\$ 6,654,262	\$ 5,798,506	\$ 5,512,425
State's Proportionate Share	-	-	-	-	-
Total Proportionate Share of the Net Pension Liability	\$ 14,766,391	\$ 13,205,120	\$ 6,654,262	\$ 5,798,506	\$ 5,512,425
School's Covered-Employee Payroll	\$ 2,106,465	\$ 1,990,568	\$ 1,896,362	\$ 1,792,291	\$ 1,742,249
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	701%	663%	351%	324%	316%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	44%	43%	59%	63%	63%
Reporting Date	6/30/18	6/30/17	6/30/16	6/30/15	6/30/14
School Contributions					
Statutorily Required Contribution	\$ 407,218	\$ 375,265	\$ 347,700	\$ 306,721	\$ 279,088
Contributions in Relation to the Statutorily Required Contribution	(407,218)	(375,265)	(347,700)	(306,721)	(279,088)
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -
School's Covered-Employee Payroll	\$ 2,156,879	\$ 2,041,567	\$ 1,961,651	\$ 1,817,034	\$ 1,745,725
Contributions as a Percentage of Covered-Employee Payroll	18.88%	18.38%	17.72%	16.88%	15.99%

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.

Challenge to Excellence Charter School
(A Component Unit of Douglas County School District RE.1)
 Required Supplementary Information
 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	12/31/2022	12/31/2021
Proportionate Share of the Net OPEB Liability		
School's Proportion of the Net OPEB Liability	0.0253342811%	0.0256598253%
School's Proportionate Share of the Net OPEB Liability	\$ 206,849	\$ 221,266
School's Covered Payroll	\$ 2,570,835	\$ 2,456,116
School's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	8%	9%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	39%	33%
Reporting Date	6/30/2023	6/30/2022
School Contributions		
Statutorily Required Contribution	\$ 26,992	\$ 25,524
Contributions in Relation to the Statutorily Required Contribution	(26,992)	(25,524)
Contribution Deficiency (Excess)	\$ -	\$ -
School's Covered Payroll	\$ 2,646,285	\$ 2,502,316
Contributions as a Percentage of Covered Payroll	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.

(Continued)

Challenge to Excellence Charter School
(A Component Unit of Douglas County School District RE.1)
Required Supplementary Information
Schedule of Proportionate Share of the Net OPEB Liability and Contributions
Public Employees' Retirement Association of Colorado
Health Care Trust Fund
June 30, 2023
(Continued)

Measurement Date	12/31/2020	12/31/2019	12/31/18	12/31/17
Proportionate Share of the Net OPEB Liability				
School's Proportion of the Net OPEB Liability	0.0264052035%	0.0276146182%	0.0259694641%	0.0259465832%
School's Proportionate Share of the Net OPEB Liability	\$ 250,909	\$ 310,388	\$ 353,325	\$ 337,202
School's Covered Payroll	\$ 2,441,813	\$ -	\$ 2,482,994	\$ 2,198,431
School's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	10%	#DIV/0!	14%	15%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	33%	24%	17%	18%
Reporting Date				
	6/30/2021	6/30/2020	6/30/19	6/30/18
School Contributions				
Statutorily Required Contribution	\$ 24,657	\$ 25,225	\$ 24,102	\$ 22,000
Contributions in Relation to the Statutorily Required Contribution	<u>(24,657)</u>	<u>(25,225)</u>	<u>(24,102)</u>	<u>(22,000)</u>
Contribution Deficiency (Excess)	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>	\$ <u>-</u>
School's Covered Payroll	\$ 2,417,387	\$ 2,473,078	\$ 2,362,912	\$ 2,245,739
Contributions as a Percentage of Covered Payroll	1.02%	1.02%	1.02%	0.98%

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

Challenge to Excellence Charter School
(A Component Unit of Douglas County School District RE.1)
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	\$ 4,909,131	\$ 4,858,524	\$ 4,942,486	\$ 83,962
District Mill Levy	659,610	649,857	688,586	38,729
Tuition	7,000	4,000	6,726	2,726
Student Fees and Activities	211,750	262,950	286,158	23,208
Investment Income	1,000	32,000	136,671	104,671
Other	3,500	3,500	9,211	5,711
Total Local Sources	<u>5,791,991</u>	<u>5,830,331</u>	<u>6,069,838</u>	<u>259,007</u>
<i>State Sources</i>				
Capital Construction	164,984	160,784	191,874	31,090
Grants	166,978	220,089	242,884	22,795
Total State Sources	<u>331,962</u>	<u>380,873</u>	<u>434,758</u>	<u>53,885</u>
<i>Federal Sources</i>				
Grants	80,000	75,000	71,741	(3,259)
Total Federal Sources	<u>80,000</u>	<u>75,000</u>	<u>71,741</u>	<u>(3,259)</u>
Total Revenues	<u>6,203,953</u>	<u>6,286,204</u>	<u>6,576,337</u>	<u>309,633</u>
Expenditures				
Salaries	2,866,555	2,841,893	2,788,652	53,241
Employee Benefits	1,083,117	1,045,065	1,070,278	(25,213)
Purchased Professional Services	368,408	368,408	285,175	83,233
Purchased Property Services	716,879	726,010	497,061	228,949
Other Purchased Services	559,669	561,273	570,838	(9,565)
Supplies	319,761	322,441	269,860	52,581
Property	119,710	417,175	260,989	156,186
Other	158,244	156,726	8,249	148,477
Total Expenditures	<u>6,192,343</u>	<u>6,438,991</u>	<u>5,751,102</u>	<u>687,889</u>
Other Sources (Expenditures)				
Transfers	-	-	795,257	795,257
Net Change in Fund Balance	11,610	(152,787)	1,620,492	1,792,779
Fund Balance, Beginning of Year	<u>3,151,362</u>	<u>3,719,176</u>	<u>2,914,324</u>	<u>(804,852)</u>
Fund Balance, End of Year	<u>\$ 3,162,972</u>	<u>\$ 3,566,389</u>	<u>\$ 4,534,816</u>	<u>\$ 987,927</u>

Challenge to Excellence Charter School
(A Component Unit of Douglas County School District RE.1)
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

Budgets are required by State statutes for all funds and are adopted 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 Governing Council 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 Governing Council.
- Expenditures may not legally exceed appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Governing Council.
- All appropriations lapse at fiscal year-end.