

**VILLA BELLA EXPEDITIONARY SCHOOL**  
**PUEBLO, COLORADO**  
**BASIC FINANCIAL STATEMENTS**  
**WITH INDEPENDENT AUDITOR'S REPORT**

June 30, 2022

## **TABLE OF CONTENTS**

|  | <b><u>PAGE</u></b> |
|--|--------------------|
| <b>INDEPENDENT AUDITOR'S REPORT</b>  | 1 - 3              |
| <b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>  | 4 - 7              |
| <b>BASIC FINANCIAL STATEMENTS</b>  |                    |
| <b>Government-wide Financial Statements</b>  |                    |
| Statement of Net Position  | 8                  |
| Statement of Activities  | 9                  |
| <b>Governmental Fund Financial Statements</b>  |                    |
| Balance Sheet  | 10                 |
| Reconciliation of Balance Sheet to Statement of Net Position   | 11                 |
| Statement of Revenues, Expenditures and Changes in Fund Balances   | 12                 |
| Reconciliation of Revenues, Expenditures and Changes in Fund Balances to the<br>Statement of Activities      | 13                 |
| <b>Notes to Financial Statements</b>   | 14 - 40            |
| <b>REQUIRED SUPPLEMENTARY INFORMATION</b>  |                    |
| Statement of Revenues, Expenditures and Changes in Fund Balances<br>Budget and Actual (Budget Basis)         |                    |
| General Fund   | 41                 |
| Schedule of School's Proportionate Share - School Division Trust Fund  | 42                 |
| Schedule of School's Contributions - School Division Trust Fund  | 43                 |
| Schedule of School's Proportionate Share - Health Care Trust Fund  | 44                 |
| Schedule of School's Contributions - Health Care Trust Fund  | 45                 |
| <b>OTHER SUPPLEMENTARY INFORMATION</b>   |                    |
| Combining Balance Sheet - Nonmajor Governmental Funds  | 46                 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances -<br>Nonmajor Governmental Funds | 47                 |
| Statement of Revenues, Expenditures and Changes in Fund Balances Budget and<br>Actual (Budget Basis)         |                    |
| Pupil Activities Fund  | 48                 |

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## **INDEPENDENT AUDITOR'S REPORT**

February 14, 2023

Board of Directors  
Villa Bella Expeditionary School  
Pueblo, Colorado

### **Opinions**

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Villa Bella Expeditionary School, a component unit of Pueblo County School District No. 70, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

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

### **Basis for Opinions**

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

### **Responsibilities of Management for the Financial Statements**

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

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 Villa Bella Expeditionary School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### **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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Villa Bella Expeditionary 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 Villa Bella Expeditionary 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 we identified during the audit.

### **Required Supplementary Information**

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

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the School's basic financial statements. The combining and individual nonmajor fund financial statements and budgetary comparisons for nonmajor funds are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements.

**Supplementary Information (continued)**

The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

*Harren Ross & DeMarco, Inc.*

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**VILLA BELLA EXPEDITIONARY SCHOOL**  
**JUNE 30, 2022**

As management of Villa Bella Expeditionary School (the School), we offer readers of the School's financial statements this narrative and analysis of the financial activities of the School for the fiscal year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with the basic financial statements to enhance their understanding of the School's financial performance.

The School was organized in 2019 pursuant to the Colorado Charter Schools Act. The school operates within Pueblo County School District No. 70. The school year ending June 30, 2022 included kindergarten through fifth grade with plans to add sixth grade in 2023, seventh grade in 2024, and eighth grade in 2025.

**Financial Highlights**

The total net position increased during the current year by \$365,334, from \$349,119 to \$714,453. Of this amount, \$256,313 is invested in capital assets or restricted by law.

The School's General Fund balance increased during the current year by \$488,936 from \$563,510 to \$1,052,446. Of this amount, \$90,800 is reserved for emergencies.

The School's Activity Fund balance increased during the current year by \$22,364 from \$79,065 to \$101,429.

**Overview of the Financial Statements**

This annual report consists of three parts: Management's Discussion and Analysis (MD&A), the basic financial statements, and notes to the financial statements. The MD&A provides an analysis of the School's overall financial position and results of the previous year's operations to assist the users of financial statements to assess whether the government's finances have improved or deteriorated. The basic financial statements include two kinds of statements that present different views of the school.

- The first two statements are government-wide financial statements that provide both short-term and long-term information about the School's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the School, reporting the School's operations in more detail than the government-wide statements.

The financial statements also include notes that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of required supplemental information that further explains and supports the financial statements.

**Government-wide Financial Statements**

The government-wide statements report information about the School as a whole using accounting methods similar to those used by private-sector companies. The statement of net position presents information on all of the School's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the School's net position and how they have changed. Net position – the difference between the School's assets and liabilities is one way to measure the School's financial health or position.

- Over time, increases or decreases in the School's net position is an indicator of whether its financial position is improving or deteriorating.

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**VILLA BELLA EXPEDITIONARY SCHOOL**  
**JUNE 30, 2022**

**Fund Financial Statements**

The Fund financial statements provide more detailed information about the School's funds. 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 has two types of funds – the general fund and student activities fund.

**Notes to the Financial Statements**

The notes to the basic financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 14 through 40 of this report.

**Budgetary Comparisons**

The School adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided on page 41 of this report.

**Government-wide Financial Analysis – Net Position**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. As of June 30, 2022, the combined assets exceeded liabilities by \$714,453. Of the \$714,453, \$90,800 is restricted to comply with Tabor. An additional \$256,313 is invested in capital assets.

The following table provides a summary of the School's government wide net position for 2022.

| <u>Assets</u>                                   | <u>2022</u>       | <u>2021</u>       |
|---|-------------------|-------------------|
| Current assets                                  | \$ 1,440,074      | \$ 762,770        |
| Non-current assets                              | 6,735,069         | 6,308,311         |
| <b>Total Assets</b>                             | <b>8,175,143</b>  | <b>7,071,081</b>  |
| <u>Deferred Outflow of Resources</u>            |                   |                   |
| Related to Pensions and OPEB                    | 1,988,782         | 3,003,347         |
| <u>Liabilities</u>                              |                   |                   |
| Current liabilities                             | 604,921           | 393,884           |
| Long-term liabilities                           | 8,128,374         | 8,449,348         |
| <b>Total Liabilities</b>                        | <b>8,733,295</b>  | <b>8,843,232</b>  |
| <u>Deferred Inflow of Resources</u>             |                   |                   |
| Related to Pensions and OPEB                    | 716,177           | 915,990           |
| <u>Net Position</u>                             |                   |                   |
| Invested in capital assets, net of related debt | 256,313           | 6,671             |
| Restricted for emergency                        | 90,800            | 51,800            |
| Unrestricted                                    | 367,340           | 290,648           |
| <b>Total Net Position - restated</b>            | <b>\$ 714,453</b> | <b>\$ 349,119</b> |

**MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)**  
**VILLA BELLA EXPEDITIONARY SCHOOL**  
**JUNE 30, 2022**

**Government-wide Financial Analysis (Continued)**

The assets of the School are classified as current assets and capital assets. Cash and receivables are current assets. These assets are available to provide resources for the near-term operations of the School. A portion of School's net position reflects its investment in capital assets. These assets include buildings and improvements and furniture and fixtures. Capital assets are discussed in greater detail in the section titled, capital assets, elsewhere in this analysis. In addition to assets there are deferred outflows relating to the pension and OPEB obligations. Deferred outflows represent a consumption of net position that applies to a future period and will not be recognized as an outflow of resources until then.

Current and long-term liabilities are classified based on anticipated liquidation either in the near-term or in the future. Current liabilities include accounts payable, accrued salaries and benefits, and the current portion of notes payable. Long term liabilities include compensated absences, the long term portion of notes payable, the net pension liability and OPEB liability. The liquidation of current liabilities is anticipated to be either from currently available resources, current assets, or new resources that become available during fiscal year 2022-2023. In addition to liabilities there are deferred inflows relating to the pension and OPEB. Deferred inflows represent an acquisition of net position that applies to a future period and will not be recognized as revenue until then.

**Changes in Net Position**

The following table summarizes the changes in the School's net position for governmental activities for the year ended June 30:

| <b>Revenue</b>                                     | <b><u>2022</u></b>       | <b><u>2021</u></b>       |
|--|--------------------------|--------------------------|
| Program Revenue                                    |                          |                          |
| Charges for services                               | \$ -                     | \$ 39                    |
| Operating grants                                   | 363,532                  | 526,600                  |
| Capital grants                                     | 74,730                   | 185,755                  |
| General Revenue                                    |                          |                          |
| School finance act                                 | 2,558,277                | 1,936,385                |
| Other income                                       | 244,866                  | 33,913                   |
| <b>Total Revenue</b>                               | <b><u>3,241,405</u></b>  | <b><u>2,682,692</u></b>  |
| Program Expenses                                   |                          |                          |
| Direct instruction                                 | 1,974,084                | 1,351,796                |
| Indirect instruction                               | 488,472                  | 454,030                  |
| Transportation                                     | 1,246                    | 826                      |
| Custodial and maintenance                          | 84,961                   | 298,369                  |
| Other support services                             | 88,130                   | 191,303                  |
| General administration                             | 38,491                   | 31,316                   |
| Interest Expense Unallocated                       | 200,687                  | 62,662                   |
| <b>Total Expenses</b>                              | <b><u>2,876,071</u></b>  | <b><u>2,390,302</u></b>  |
| <b>Change in Net Position</b>                      | <b>365,334</b>           | <b>292,390</b>           |
| <b>Net position - beginning of year - restated</b> | <b>349,119</b>           | <b>56,729</b>            |
| <b>Net position - end of year - restated</b>       | <b><u>\$ 714,453</u></b> | <b><u>\$ 349,119</u></b> |

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**VILLA BELLA EXPEDITIONARY SCHOOL**  
**JUNE 30, 2022**

**Financial Analysis of the School's Funds**

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

**Governmental Funds Overview** - The focus of the School's general fund 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, unreserved 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 \$1,052,446, an increase of \$488,936.

**General Fund Budgetary Highlights**

The School's budget is prepared according to Colorado statutes.

For 2022, management appropriated \$3,408,619 for general fund expenditures and other financing uses.

| <b>2021 General Fund Budget</b> |                                   |                                |                      |
|---------------------------------|-----------------------------------|--------------------------------|----------------------|
|                                 | <b><u>Original<br/>Budget</u></b> | <b><u>Final<br/>Budget</u></b> | <b><u>Actual</u></b> |
| Revenues                        | \$ 2,542,641                      | \$ 3,012,698                   | \$ 3,125,194         |
| Expenditures                    | \$ 2,874,068                      | \$ 3,408,619                   | \$ 3,017,706         |

Actual expenditures were less than the anticipated budget and actual revenues, which caused the ending fund balance to increase \$107,488 over the prior year before transfers and other financing sources.

**Capital Assets**

The School's investment in capital assets for its governmental activities as of June 30, 2022 totals \$256,313 (net of accumulated depreciation and associated debt). This investment includes all non-depreciable construction in progress, furniture, fixtures, buildings, improvements, and leased assets.

**Economic Factors and Next Year's Budget and Rates**

The primary factor driving the budget for the School is student enrollment. Enrollment for the 2021-22 school year was 300. The enrollment projected for the 2022-23 school year is expected to be approximately 350. This factor was considered when preparing the School's budget for 2022-23.

**Requests for Information**

This financial report is designed to provide a general overview of the School's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in the report or for additional financial information should be addressed to: Villa Bella Expeditionary School, HR/Finance Director, 2390 Rawlings Blvd, Pueblo, CO 81001.

## **BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE  
FINANCIAL STATEMENTS**

**STATEMENT OF NET POSITION**  
**VILLA BELLA EXPEDITIONARY SCHOOL**  
June 30, 2022

|   | <b>Governmental<br/>Activities</b> |
|---|------------------------------------|
| <b><u>Assets</u></b>                        |                                    |
| Cash and investments - unrestricted         | \$ 1,098,021                       |
| Receivables                                 | 229,240                            |
| Assets held by primary government           | 112,813                            |
| Capital assets                              |                                    |
| Non-depreciable                             | 174,614                            |
| Depreciable - net                           | <u>6,560,455</u>                   |
| <b>Total Assets</b>                         | <u><u>8,175,143</u></u>            |
| <b><u>Deferred Outflow of Resources</u></b> |                                    |
| Related to OPEB                             | 7,959                              |
| Related to pensions                         | <u>1,980,823</u>                   |
| <b>Total Deferred Outflow of Resources</b>  | <u><u>1,988,782</u></u>            |
| <b><u>Liabilities</u></b>                   |                                    |
| Accounts payable and accrued liabilities    | 23,776                             |
| Accrued salaries                            | 143,741                            |
| Due to primary government                   | 127,908                            |
| Unearned revenue                            | 743                                |
| Long term liabilities:                      |                                    |
| Due within one year                         | 308,753                            |
| Due in more than one year                   | 6,237,207                          |
| OPEB liability                              | 86,800                             |
| Pension liability                           | <u>1,804,367</u>                   |
| <b>Total Liabilities</b>                    | <u><u>8,733,295</u></u>            |
| <b><u>Deferred Inflow of Resources</u></b>  |                                    |
| Related to OPEB                             | 37,640                             |
| Related to pensions                         | <u>678,537</u>                     |
| <b>Total Deferred Inflow of Resources</b>   | <u><u>716,177</u></u>              |
| <b><u>Net Position</u></b>                  |                                    |
| Invested in capital assets - net of debt    | 256,313                            |
| Restricted - Tabor Reserve                  | 90,800                             |
| Unrestricted                                | <u>367,340</u>                     |
| <b>Total Net Position</b>                   | <u><u>\$ 714,453</u></u>           |

The accompanying notes to financial statements are an integral part of this statement.

**STATEMENT OF ACTIVITIES**  
**VILLA BELLA EXPEDITIONARY SCHOOL**  
For the year ended June 30, 2022

| Functions/Programs                      | Expenses         | Program Revenue      |                                    |                                  | Net (Expense) Revenue and Changes in Net Position |
|---|------------------|----------------------|------------------------------------|----------------------------------|---|
|   |                  | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |   |
| <b>Governmental Activities</b>          |                  |                      |                                    |                                  |   |
| Direct instruction                      | \$ 1,974,084     | \$ -                 | \$ 363,532                         | \$ 74,730                        | \$ (1,535,822)                                    |
| Indirect instruction                    | 488,472          | -                    | -                                  | -                                | (488,472)   |
| Transportation                          | 1,246            | -                    | -                                  | -                                | (1,246)   |
| Custodial and maintenance               | 84,961           | -                    | -                                  | -                                | (84,961)  |
| Other support services                  | 88,130           | -                    | -                                  | -                                | (88,130)  |
| General administration                  | 38,491           | -                    | -                                  | -                                | (38,491)  |
| Interest expense unallocated            | 200,687          | -                    | -                                  | -                                | (200,687)   |
| <b>Total Governmental Activities</b>    | <b>2,876,071</b> | <b>-</b>             | <b>363,532</b>                     | <b>74,730</b>                    | <b>(2,437,809)</b>                                |
|   |                  |                      |                                    |                                  |   |
| <b>General Revenues</b>                 |                  |                      |                                    |                                  |   |
| School finance act                      |                  |                      |                                    |                                  | 2,558,277   |
| Earnings on investments                 |                  |                      |                                    |                                  | 7   |
| Other income                            |                  |                      |                                    |                                  | 244,859   |
| <b>Total General Revenues</b>           |                  |                      |                                    |                                  | <b>2,803,143</b>                                  |
|   |                  |                      |                                    |                                  |   |
| <b>Change in Net Position</b>           |                  |                      |                                    |                                  | <b>365,334</b>                                    |
|   |                  |                      |                                    |                                  |   |
| <b>Net Position - July 1 - Restated</b> |                  |                      |                                    |                                  | <b>349,119</b>                                    |
| <b>Net Position - June 30</b>           |                  |                      |                                    |                                  | <b>\$ 714,453</b>                                 |

The accompanying notes to financial statements are an integral part of this statement.

**GOVERNMENTAL FUND**  
**FINANCIAL STATEMENTS**

**BALANCE SHEET**  
**VILLA BELLA EXPEDITIONARY SCHOOL**  
June 30, 2022

|  | <b><u>General</u></b><br><b><u>Fund</u></b> | <b><u>Nonmajor</u></b><br><b><u>Governmental</u></b><br><b><u>Funds</u></b> | <b><u>Total</u></b> |
|--|---|---|---------------------|
| <b><u>Assets</u></b>                       |   |   |                     |
| Cash and investments - unrestricted        | \$ 1,098,021                                | \$ -  | \$ 1,098,021        |
| Receivables                                | 229,240                                     | -   | 229,240             |
| Assets held by the primary government      | 11,384                                      | 101,429   | 112,813             |
| <b>Total Assets</b>                        | <u>1,338,645</u>                            | <u>101,429</u>  | <u>1,440,074</u>    |
| <b><u>Liabilities</u></b>                  |   |   |                     |
| Accounts payable and accrued liabilities   | 13,807                                      | -   | 13,807              |
| Accrued salaries                           | 143,741                                     | -   | 143,741             |
| Due to primary government                  | 127,908                                     | -   | 127,908             |
| Unearned revenue                           | 743   | -   | 743                 |
| <b>Total Liabilities</b>                   | <u>286,199</u>                              | <u>-</u>  | <u>286,199</u>      |
| <b><u>Fund Balances</u></b>                |   |   |                     |
| Restricted - Tabor Reserve                 | 90,800                                      | -   | 90,800              |
| Assigned                                   | -   | 101,429   | 101,429             |
| Unassigned                                 | 961,646                                     | -   | 961,646             |
| <b>Total Fund Balances</b>                 | <u>1,052,446</u>                            | <u>101,429</u>  | <u>1,153,875</u>    |
| <b>Total Liabilities and Fund Balances</b> | <u>\$ 1,338,645</u>                         | <u>\$ 101,429</u>   | <u>\$ 1,440,074</u> |

The accompanying notes to financial statements are an integral part of this statement.

**RECONCILIATION OF BALANCE SHEET**  
**TO THE STATEMENT OF NET POSITION**  
VILLA BELLA EXPEDITIONARY SCHOOL  
June 30, 2022

---

|   |    |           |
|---|----|-----------|
| <b>Total Fund Balances - General Fund</b> | \$ | 1,153,875 |
|---|----|-----------|

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

|   |  |           |
|---|--|-----------|
| Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds. |  | 6,735,069 |
|---|--|-----------|

Deferred inflows and outflows of resources represent an acquisition or consumption of net position that applies to future periods and are therefore not reported in the governmental funds.

|   |                  |  |           |
|---|------------------|--|-----------|
| Deferred outflows - OPEB related amounts    | 7,959            |  |           |
| Deferred outflows - pension related amounts | 1,980,823        |  |           |
| Deferred inflows - OPEB related amounts     | (37,640)         |  |           |
| Deferred inflows - pension related amounts  | <u>(678,537)</u> |  | 1,272,605 |

Long-term liabilities, including long-term debt, are not due and payable in the current period and are therefore not reported in the governmental funds.

|                        |                    |  |                    |
|------------------------|--------------------|--|--------------------|
| Leases                 | (264,815)          |  |                    |
| Notes payable          | (6,213,941)        |  |                    |
| Compensated absences   | (67,204)           |  |                    |
| Accrued interest       | (9,969)            |  |                    |
| Net OPEB obligation    | (86,800)           |  |                    |
| NET pension obligation | <u>(1,804,367)</u> |  | <u>(8,447,096)</u> |

|   |    |                |
|---|----|----------------|
| <b>Total Net Position - Government Activities</b> | \$ | <u>714,453</u> |
|---|----|----------------|

The accompanying notes to financial statements are an integral part of this statement.

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES****VILLA BELLA EXPEDITIONARY SCHOOL**

June 30, 2022

|  | <b>General<br/>Fund</b> | <b>Nonmajor<br/>Governmental<br/>Funds</b> | <b>Total</b>        |
|--|-------------------------|--|---------------------|
| <b>Revenues</b>  |                         |  |                     |
| State sources  | \$ 121,938              | \$ -                                       | \$ 121,938          |
| Federal sources  | 200,113                 | -  | 200,113             |
| Other sources  | 244,866                 | 116,211                                    | 361,077             |
| Fund allocations   | <u>2,558,277</u>        | <u>-</u>                                   | <u>2,558,277</u>    |
| <b>Total Revenues</b>  | <u>3,125,194</u>        | <u>116,211</u>                             | <u>3,241,405</u>    |
| <b>Expenditures</b>  |                         |  |                     |
| Direct instruction   | 1,485,405               | 30,305                                     | 1,515,710           |
| Indirect instruction   | 397,640                 | -  | 397,640             |
| Transportation   | 1,246                   | -  | 1,246               |
| Custodial and maintenance  | 66,890                  | -  | 66,890              |
| Other support services   | 86,967                  | -  | 86,967              |
| General administration   | 38,491                  | -  | 38,491              |
| Capital outlay   | 470,432                 | 63,542                                     | 533,974             |
| Debt service   |                         |  |                     |
| Principal retirement   | 279,917                 | -  | 279,917             |
| Interest   | <u>190,718</u>          | <u>-</u>                                   | <u>190,718</u>      |
| <b>Total Expenditures</b>  | <u>3,017,706</u>        | <u>93,847</u>                              | <u>3,111,553</u>    |
| <b>Excess of Revenues Over (Under) Expenditures</b>                                      | 107,488                 | 22,364                                     | 129,852             |
| <b>Other Financing Sources</b>   |                         |  |                     |
| Debt proceeds  | <u>381,448</u>          | <u>-</u>                                   | <u>381,448</u>      |
| <b>Total Other Financing Sources</b>   | <u>381,448</u>          | <u>-</u>                                   | <u>381,448</u>      |
| <b>Excess of Revenues and Other Sources<br/>Over (Under) Expenditures and Other Uses</b> | 488,936                 | 22,364                                     | 511,300             |
| <b>Fund Balances - July 1 - Restated</b>   | <u>563,510</u>          | <u>79,065</u>                              | <u>642,575</u>      |
| <b>Fund Balances - June 30</b>   | <u>\$ 1,052,446</u>     | <u>\$ 101,429</u>                          | <u>\$ 1,153,875</u> |

The accompanying notes to financial statements are an integral part of this statement.

**RECONCILIATION OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**TO THE STATEMENT OF ACTIVITIES**  
**VILLA BELLA EXPEDITIONARY SCHOOL**  
For the year ended June 30, 2022

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|   |           |                |
|---|-----------|----------------|
| <b>Total Change in Fund Balances - General Fund</b> | <b>\$</b> | <b>511,300</b> |
|---|-----------|----------------|

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

Capital outlays are reported in the governmental funds as expenditures; however, in the statement of activities, the cost of these assets is allocated over their estimated useful lives as depreciation expense.

|                      |           |  |         |
|----------------------|-----------|--|---------|
| Capital outlay       | 304,606   |  |         |
| Depreciation expense | (142,663) |  |         |
| Leased assets        | 229,368   |  |         |
| Amortization expense | (40,138)  |  |         |
|                      |           |  | 351,173 |

The issuance of long-term obligations (e.g. notes, leases) provide current financial resources to the governmental funds, while repayment of the principal of long-term obligations consumes the current financial resources of the governmental funds. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when the debt is issued, whereas these amounts are deferred and amortized in the statement of activities. The net effect of these differences in the treatment of long-term obligations and related items.

|   |           |  |           |
|---|-----------|--|-----------|
| Principal payments on long-term obligations | 279,917   |  |           |
| Capital assets financed by notes payable    | (152,080) |  |           |
| Capital assets financed by leases           | (229,368) |  |           |
| Change in accrued interest                  | (9,969)   |  |           |
|   |           |  | (111,500) |

In the statement of activities, certain operating expenses such as compensated absences (sick and vacation) and pension benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of the financial resources used or due (essentially, the amounts actually paid). This amount represents the net effect of compensated absences, pension and OPEB amounts on the statement of activities.

|                                |           |  |           |
|--------------------------------|-----------|--|-----------|
| Pension income (expense)       | (343,261) |  |           |
| OPEB income (expense)          | (32,125)  |  |           |
| Change in compensated absences | (10,253)  |  |           |
|                                |           |  | (385,639) |

|   |           |                       |
|---|-----------|-----------------------|
| <b>Total Change in Net Position - Government Activities</b> | <b>\$</b> | <b><u>365,334</u></b> |
|---|-----------|-----------------------|

The accompanying notes to financial statements are an integral part of this statement.

## **NOTES TO FINANCIAL STATEMENTS**

**NOTES TO FINANCIAL STATEMENTS**  
**VILLA BELLA EXPEDITIONARY SCHOOL**  
June 30, 2022

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of Villa Bella Expeditionary School (the “School”) conform to generally accepted accounting principles, as applicable to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The School’s more significant accounting policies are described below.

**Reporting Entity**

The School was organized in 2019 pursuant to the Colorado Charter Schools Act to operate a charter school within Pueblo County School District No. 70 (the “District”) in the State of Colorado. The School is governed by a seven person board of directors and the District is governed by an elected five member board of education. The accompanying financial statements represent the School and any organizations for which the School is financially accountable. Such organizations are detailed below:

VBE Building Corp. (the “Building Corporation”) is considered to be financially accountable to the School. The Building Corporation was formed to support and assist the School in performing its function and carrying out its purpose; specifically, to assist in the financing and purchase of the School’s facilities. The activities of the Building Corporation are included in the School’s financial statements as part of the General Fund. Separate financial statements are not available for the Building Corporation.

**Government-Wide and Fund Financial Statements**

The School’s basic financial statements consist of government-wide financial statements, including a statement of net position and the statement of activities, and fund financial statements which provide a more detailed level of financial information. The government-wide focus is more on the sustainability of the School as an entity and the change in aggregate financial position resulting from activities of the fiscal year.

The government-wide financial statements (the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the School. For the most part, the effect of interfund activity has been removed from these statements. 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. The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major governmental funds (General Fund) are reported as separate columns in the fund financial statements.

**Reconciliation of Government-Wide and Fund Financial Statements**

The governmental fund balance sheet includes a reconciliation between fund balances - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position. Additionally, the governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net change in fund balances - total governmental funds and changes in net position of governmental activities as reported in the government-wide statement of activities.

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**VILLA BELLA EXPEDITIONARY SCHOOL**  
June 30, 2022

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Reconciliation of Government-Wide and Fund Financial Statements (Continued)**

These reconciliations detail items that require adjustment to convert from the current resources measurement and modified accrual basis for governmental fund statements to the economic resources measurement and full accrual basis used for government-wide statements; however, certain items having no effect on measurement and basis were eliminated from the government fund statements during the consolidation of governmental activities.

**Measurement Focus, Basis of Accounting, and Financial Statement Presentations**

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the School's governmental and business-type activities. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting, as are fiduciary fund statements. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting; however, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Grants and entitlement revenues are recognized when compliance with matching requirements are met. A receivable is established when the related expenditures exceed revenue receipts.

Expenditures are recorded when the related fund liability is incurred with the exception of general obligation and lease debt service which is recognized when due, and certain sick and retirement pay which are accounted for as expenditures when expected to be liquidated with expendable financial resources.

**Fund Accounting**

The accounts of the School are organized on the basis of funds, each of which is considered a separate accounting entity. The School has created two types of funds. Each fund is accounted for by a separate set of self-balancing accounts that comprise its assets, liabilities, fund balance, revenues and expenditures/expenses. The individual funds account for governmental resources allocated to them for the purpose of carrying on specific activities in accordance with laws, regulations or other restrictions.

The following major funds and fund types are used by the School:

**Governmental Fund Types**

The focus of the governmental fund type measurement is upon determination of financial position and changes in financial position rather than upon net income.

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**VILLA BELLA EXPEDITIONARY SCHOOL**  
**June 30, 2022**

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Fund Accounting (Continued)**

The following is a description of the major and nonmajor governmental fund types of the School:

**General Fund**

The General Fund, a major fund, records financial transactions for the current educational operations of the School. All revenues and expenditures not allocated by law or contractual agreement to a special fund are accounted for in this fund.

**Special Revenue Funds**

Special Revenue Funds are used to account for the proceeds of specific revenue sources which are legally restricted to expenditures for specified purposes. The Special Revenue Funds consist of the Pupil Activity Fund. The Pupil Activity Fund accounts for funds related to school sponsored organizations and activities.

**Cash and Investments**

Cash on hand, cash in the bank and all highly liquid investments with a maturity of three months or less when purchased or subject to withdrawal, are considered to be cash and cash equivalents. Cash and investments are subject to Colorado State statutes as described in Note 3.

**Capital Assets**

All capital assets are capitalized at cost or estimated historical cost. Donated assets are recorded at fair market value at the time of donation. The costs of normal maintenance, repairs and minor renovations are recorded as expenditures when incurred. Major additions and improvements are capitalized. The proceeds from the sale of assets used in the operations of the governmental fund types are recorded as revenues in the general fund. The School does not capitalize interest on the construction of capital assets. The School maintains a capitalization threshold of \$5,000.

Capital assets are depreciated using the straight-line method over the estimated useful lives of the assets. Depreciation of all capital assets used in governmental activities and by proprietary funds is charged as an expense against their operations. Depreciation is recorded starting in the month the asset is placed in service. Estimated useful lives are as follows:

|                            | <b><u>ESTIMATED USEFUL LIFE</u></b> |
|----------------------------|-------------------------------------|
| Buildings and improvements | 20 to 50 years                      |
| Furniture and fixtures     | 5 to 20 years                       |

**Unearned Revenue**

Unearned revenue in the government-wide and fund financial statements consists solely of unearned grant income.

**Accounts Payable and Encumbrances**

Accounts payable represent obligations due to vendors for goods delivered or services rendered prior to June 30, 2022.

Encumbrances represent outstanding purchase orders for goods or services not yet delivered or provided as of June 30, 2022. Encumbrances are not recognized as liabilities or expenditures until the period in which the payable becomes fixed.

Outstanding encumbrances at year-end are recognized as a reservation of fund balance. There were no outstanding encumbrances at June 30, 2022.

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**VILLA BELLA EXPEDITIONARY SCHOOL**  
June 30, 2022

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**Deferred Outflows/Inflows of Resources**

In addition to assets and liabilities, the statement of net position and/or balance sheet will sometimes report a separate sections of deferred outflows of resources and deferred inflows of resources. A deferred outflow of resources is a consumption of net assets by the School that is applicable to future reporting periods, and a deferred inflow of resources is an acquisition of net assets by the School that is applicable to future reporting periods. Both deferred outflows and deferred inflows are reported in the statement of net position but are not reported as revenue or expenditures until the period(s) to which they relate.

The School reports deferred outflows for amounts related to pensions and OPEB. The pension and OPEB amounts consist of several components and are more fully described in Notes 10 and 12.

The School reports deferred inflows for amounts related to pensions and OPEB. The pension and OPEB amounts consist of several components and are more fully described in Notes 10 and 12.

**Compensated Absences**

The School follows the District's policy for compensated absences. The School affords certain employees annual leave benefits which are vesting, accumulating rights and are carried forward to subsequent years. Payment of unused annual leave, a liability of the School to the employee, if any, is payable only upon termination of an employee with ten years of continuous service to the School. The benefits are paid at varied rates applied to varied maximum accumulated days, depending on the employee group. The annual leave benefits are recognized at the time of the employee absence (i.e. days off for sick leave) which is in accordance with generally accepted accounting principles for these on-going benefits.

The School also affords certain employees vacation benefits. These benefits are earned based upon the length of service and accumulation is limited to a maximum of 40 days. Accrued vacation is paid to employees upon termination of employment.

Amounts recognized as expenditures on the fund financial statements are those which have been paid in the current year or are expected to be liquidated with currently available expendable financial resources.

Total accrued vacation and annual leave is included in the government-wide financial statements.

**Budgets and Budgetary Data**

The School follows these procedures in establishing the budgetary data reflected in the financial statements:

- a. Formal budgetary accounting is employed by the District as a management control for all funds, including the School. Annual operating budgets are adopted each fiscal year through the passage of an annual appropriation resolution. For each legally adopted budget, budgetary control exists at the total fund level.
- b. These budgets are adopted on a basis consistent with generally accepted accounting principles (GAAP).
- c. All unencumbered budget appropriations lapse at the end of each fiscal year.

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**VILLA BELLA EXPEDITIONARY SCHOOL**  
June 30, 2022

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**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**On-Behalf Payments**

GAAP requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another legally separate entity be recognized as revenue and expenditures by the employer government. The State of Colorado makes direct on-behalf payments for retirement benefits to Colorado PERA. Beginning July 1, 2018, the State of Colorado is required to make a payment to PERA each year equal to \$225 million. PERA allocates the contribution to the trust funds of the State, School, Denver Public Schools, and Judicial Division Trust Funds of PERA, as proportionate to the annual payroll of each division. This annual payment is required on July 1<sup>st</sup> of each year until there are no unfunded actuarial accrued liabilities of any division of PERA that receives direct distribution. House Bill 20-1379 suspended the \$225 million direct distribution payable on July 1, 2020 for the State's 2020-2021 fiscal year. In accordance with C.R.S. §24-51-414, the direct distribution payment from the State of Colorado recommences annually starting July 1, 2021. The on-behalf payments of \$21,407 were made for the School by the State of Colorado have been recorded in the fund financial statements.

**NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Risk Management**

The School is exposed to various risks of loss related to torts; theft of; damage to; and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The School carries commercial insurance for such risks, including workers' compensation. There were no settled claims from these risks during the fiscal year.

**Risks and Uncertainties**

In March 2020, the COVID-19 virus was declared a global pandemic as it continued to spread rapidly. Business continuity, including supply chains and consumer demand across a broad range of industries and countries, was severely impacted for months and may continue to impact the economy. Management has been carefully monitoring the situation and evaluating its options during this time. No adjustments have been made to these financial statements as a result of this uncertainty.

**NOTE 3 - CASH DEPOSITS AND INVESTMENTS**

**Deposits**

Colorado State statutes govern the School's deposits of cash. The statutes specify eligible depositories for public cash deposits which must be Colorado institutions and must maintain federal insurance (FDIC or FSLIC) on deposits held. Each eligible depository with deposits in excess of the insured levels must pledge a collateral pool of defined eligible assets maintained by another institution or held in trust for all of its local government depositors as a group with a market value at least equal to the total uninsured deposits held by that institution. The State Regulatory Commissions for banks and savings and loan associations are required by statute to monitor the naming of eligible depositories and reporting of the uninsured deposits and assets maintained in the collateral pool. At June 30, 2022, the School had deposits over \$250,000 in the amount of \$812,761. These deposits are required to be collateralized under State statutes.

Custodial credit risk is the risk that, in the event of a bank failure, the School's deposits may not be returned to it. The School's policy for custodial risk parallels Colorado statutes.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**VILLA BELLA EXPEDITIONARY SCHOOL**

June 30, 2022

**NOTE 3 - CASH DEPOSITS AND INVESTMENTS (Continued)**

**Deposits (Continued)**

A summary of deposits held at year end follows:

|          | <b><u>Deposits</u></b> | <b><u>Carrying<br/>Amount</u></b> | <b><u>Less Than<br/>One Year</u></b> | <b><u>Less Than<br/>Five Years</u></b> |
|----------|------------------------|-----------------------------------|--------------------------------------|--|
| Checking |                        | \$ 1,098,021                      | \$ 1,098,021                         | \$ -                                   |

**Investments**

Colorado statutes specify investment instruments meeting defined rating and risk criteria in which local government entities may invest. The law outlines the types of securities that public entities in Colorado may acquire and hold as investments. These include U.S. government and agency securities, certain bonds of political subdivisions, banker's acceptances, commercial paper, local government investment pools, repurchase agreements, money market funds and guaranteed insurance contracts. The statute also includes a provision limiting any investment to a five year maturity unless the governing body authorizes a longer period.

Interest rate risk - The School's policy of limiting investment maturities as a means of managing its exposure to fair value losses arising from increasing rates parallels Colorado statutes. Specifically, all securities are limited to a maximum maturity of five years from the date of purchase unless the governing body authorizes a longer period.

Credit risk - The School does not have a policy that would further limit its choices beyond the requirements of Colorado statutes. The School had no investments at June 30, 2022.

**NOTE 4 - RECEIVABLES**

Receivables at June 30, 2022 consisted of accounts (fees) and intergovernmental grants and entitlements. All receivables are considered collectible in full due to the stable condition of State programs and the current year guarantee of Federal funds. A summary of the principal items of receivables follows:

|   |            |            |
|---|------------|------------|
| General Fund  |            |            |
| Grants  | \$ 200,113 |            |
| Due from primary government                               | 22,944     |            |
| Accounts receivable other                                 | 6,183      | \$ 229,240 |
| Totals Governmental Funds Balance Sheet                   |            | 229,240    |
| Accounts receivable - long-term                           |            | -          |
| Total Statement of Net Position - Governmental Activities |            | \$ 229,240 |

**NOTE 5 - INTERFUND TRANSACTIONS**

**Due From / To Primary Government:**

The amounts due from and to the primary government at June 30, 2022 are \$22,944 and \$127,908 respectively. The charter school also has assets held in the designated grants fund maintained by the primary government.

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**VILLA BELLA EXPEDITIONARY SCHOOL**  
June 30, 2022

**NOTE 6 - CHANGES IN CAPITAL ASSETS**

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

|   | <u>July 1, 2021</u> | <u>Additions</u>  | <u>Deletions</u> | <u>June 30, 2022</u> |
|---|---------------------|-------------------|------------------|----------------------|
| <b>Non-Depreciable Assets:</b>            |                     |                   |                  |                      |
| Construction in progress                  | \$ -                | \$ 174,614        | \$ -             | \$ 174,614           |
| <b>Total Non-Depreciable Assets</b>       | <u>-</u>            | <u>174,614</u>    | <u>-</u>         | <u>174,614</u>       |
| <b>Depreciable Assets:</b>                |                     |                   |                  |                      |
| Furniture and fixtures                    | 64,113              | 129,992           | -                | 194,105              |
| Buildings and improvements                | 6,306,410           | -                 | -                | 6,306,410            |
| Leased assets                             | 108,387             | 229,368           | -                | 337,755              |
| <b>Total Depreciable Assets</b>           | <u>6,478,910</u>    | <u>359,360</u>    | <u>-</u>         | <u>6,838,270</u>     |
| <b>Less Accumulated Depreciation for:</b> |                     |                   |                  |                      |
| Furniture and fixtures                    | 5,816               | 4,116             | -                | 9,932                |
| Bldg. and improvements                    | 56,396              | 138,547           | -                | 194,943              |
| Leased assets                             | 32,802              | 40,138            | -                | 72,940               |
| <b>Total Accumulated Depreciation</b>     | <u>95,014</u>       | <u>182,801</u>    | <u>-</u>         | <u>277,815</u>       |
| <b>Total Depreciable Assets, Net</b>      | <u>\$ 6,383,896</u> | <u>\$ 176,559</u> | <u>\$ -</u>      | <u>\$ 6,560,455</u>  |

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

|                           |                   |
|---------------------------|-------------------|
| Direct instruction        | \$ 174,054        |
| Custodial and maintenance | 7,584             |
| Other supporting services | 1,163             |
| Total                     | <u>\$ 182,801</u> |

**NOTE 7 - ACCRUED SALARIES AND P.E.R.A.**

Salaries of certain contractually employed personnel are paid over a twelve month period, but are earned during the school year, a period of approximately nine months. The amounts representing accrued salaries are those earned through June 30, 2022, but not yet paid by the School. Accrued P.E.R.A. represents the School's 20.9% contribution on the accrued salaries. At June 30, 2022 accrued salaries and P.E.R.A. of \$143,741 have been recognized as a liability in the general fund.

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**VILLA BELLA EXPEDITIONARY SCHOOL**  
June 30, 2022

**NOTE 8 - LONG-TERM LIABILITIES**

Changes in long-term liabilities for the School were as follows:

|                              | <u>July 1, 2021</u> | <u>Additions</u>  | <u>Retirements</u> | <u>June 30, 2022</u> | <u>Current Portion</u> |
|------------------------------|---------------------|-------------------|--------------------|----------------------|------------------------|
| Notes payable                | \$ 6,301,640        | \$ 152,080        | \$ 239,779         | \$ 6,213,941         | \$ 266,486             |
| Leases                       | 75,585              | 229,368           | 40,138             | 264,815              | 42,267                 |
| Compensated absences         | <u>56,951</u>       | <u>10,253</u>     | <u>-</u>           | <u>67,204</u>        | <u>-</u>               |
| <b>Total Notes and Other</b> |                     |                   |                    |                      |                        |
| <b>Obligations</b>           | 6,434,176           | 391,701           | 279,917            | 6,545,960            | 308,753                |
| Net pension liability        | 2,273,292           | -                 | 468,925            | 1,804,367            | -                      |
| Net OPEB liability           | <u>57,241</u>       | <u>29,559</u>     | <u>-</u>           | <u>86,800</u>        | <u>-</u>               |
| <b>Totals</b>                | <u>\$ 8,764,709</u> | <u>\$ 421,260</u> | <u>\$ 748,842</u>  | <u>\$ 8,437,127</u>  | <u>\$ 308,753</u>      |

As a result of implementation of GASB 87, Leases, \$75,585 in lease liabilities for equipment was added to the beginning balance presented above. Because these leases are offset by an equal amount in leased assets, the School does not report a restatement of beginning net position as a result of the implementation of GASB 87.

**Notes Payable**

The School's notes and related financing arrangements are summarized below:

Bank of the San Juans, to finance the purchase of the school building, payable in monthly installments of \$35,256 including interest of 2.96% for 120 months, with a final balloon payment of \$3,684,302 due in April 2031. \$ 6,061,861

Pueblo County School District 70, to reimburse the District for equipment purchased by the District for the benefit of Villa Bella, payable in monthly installments of \$2,044 including interest at 3.50% for 84 months, with final payment due in June 2029. 152,080  
\$ 6,213,941

Future years repayment schedule:

| <u>Fiscal Year Ending June 30</u> | <u>Principal</u>    | <u>Interest</u>     | <u>Total</u>        |
|-----------------------------------|---------------------|---------------------|---------------------|
| 2023                              | \$ 266,486          | \$ 181,110          | \$ 447,596          |
| 2024                              | 274,590             | 173,006             | 447,596             |
| 2025                              | 282,941             | 164,654             | 447,595             |
| 2026                              | 291,547             | 156,048             | 447,595             |
| 2027                              | 300,416             | 147,180             | 447,596             |
| 2028 - 2031                       | <u>4,797,961</u>    | <u>460,479</u>      | <u>5,258,440</u>    |
| <b>Total</b>                      | <u>\$ 6,213,941</u> | <u>\$ 1,282,477</u> | <u>\$ 7,496,418</u> |

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**VILLA BELLA EXPEDITIONARY SCHOOL**  
June 30, 2022

**NOTE 8 - LONG-TERM LIABILITIES (Continued)**

**Leases**

The School's lease arrangements are summarized below:

610 RLLLP, to lease a vacant lot, payable in variable monthly installments between \$1,800 and \$2,347 including interest of 1.48% for 120 months, with final payment due in June 2031. \$ 210,752

Pueblo County School District 70, to reimburse the District for vehicles leased by the District for the benefit of Villa Bella, payable in monthly installments of \$2,164 including interest at 6.75% for 60 months, with final payment due in September 2024. 54,063  
\$ 264,815

Future years repayment schedule:

| <u>Fiscal Year Ending June 30</u> | <u>Principal</u>  | <u>Interest</u>  | <u>Total</u>      |
|-----------------------------------|-------------------|------------------|-------------------|
| 2023                              | \$ 42,267         | \$ 5,935         | \$ 48,202         |
| 2024                              | 44,829            | 4,040            | 48,869            |
| 2025                              | 27,617            | 2,464            | 30,081            |
| 2026                              | 22,226            | 2,071            | 24,297            |
| 2027                              | 23,290            | 1,735            | 25,025            |
| 2028 - 2031                       | 104,586           | 3,250            | 107,836           |
| <b>Total</b>                      | <b>\$ 264,815</b> | <b>\$ 19,495</b> | <b>\$ 284,310</b> |

**NOTE 9 - COMMITMENTS AND CONTINGENCIES**

**Tax, Revenue, Spending and Debt Limitation**

In November, 1992 Colorado voters amended Article X of the Colorado Constitution by adding Section 20, commonly known as the Taxpayer's Bill of Rights (TABOR). TABOR imposes tax raising, revenue, spending and debt limitations on local government entities within the State of Colorado. These limitations became effective for the first fiscal year beginning after December 31, 1992, which for the School was the year ended June 30, 1994. On November 4, 1997, the Pueblo School District No. 70 passed a referendum regarding the revenue and spending limits imposed by Article X, section 20 of the Colorado constitution. The referendum allows the District, without increasing or adding any taxes of any kind, to collect, retain and expend all revenues and other funds collected during 1997 and thereafter. The School believes it is in compliance with the tax raising, revenue, spending, debt and other limitations.

In addition to the tax raising, revenue, spending and debt limitation provisions of TABOR, there is also a requirement that every entity to which TABOR applies establish an "emergency reserve". To be used for declared emergencies only, each entity must reserve 3% or more of its fiscal year spending excluding bonded debt service. For the year ended June 30, 2022, the School's reserve requirement was approximately \$90,800 which represents 3% of fiscal year spending.

**Federal and State Grants**

Federal and State Grants are subject to audit by the grantor agencies and any adjustment may become a liability of the appropriate fund. Management believes these adjustments, if any, will not materially affect the School's results of operations or financial position.

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**VILLA BELLA EXPEDITIONARY SCHOOL**  
June 30, 2022

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**NOTE 9 - COMMITMENTS AND CONTINGENCIES (Continued)**

**Economic Dependency**

Funding provided by the State to all public school systems in Colorado is primarily based upon the October 1 student count. The State provided \$2,558,277, which represents approximately 82% of the School's total governmental fund revenues for the year.

**NOTE 10 - DEFINED BENEFIT PENSION PLAN**

**Summary of Significant Accounting Policies**

**Pensions**

Villa Bella Expeditionary School (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 accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**General Information about the Pension Plan**

**Plan Description**

Eligible employees of the School are provided with pensions through the SCHDTF - a cost-sharing multiple employer defined benefit pension plan administered by PERA. Plan benefits are specified in Title 24, Article 51 of the Colorado Revised Statutes (C.R.S), administrative rules set forth at 8 C.C.R. 1502-1, and applicable provisions of the federal Internal Revenue Code. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. PERA issues a publicly available annual comprehensive financial report (ACFR) that can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**Benefits Provided as of December 31, 2021**

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

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

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

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**VILLA BELLA EXPEDITIONARY SCHOOL**

June 30, 2022

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**NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued)**

**Benefits Provided as of December 31, 2021 (Continued)**

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

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

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

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

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

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

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

**Contributions Provisions as of June 30, 2022**

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

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**VILLA BELLA EXPEDITIONARY SCHOOL**  
June 30, 2022

**NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued)**

**Contributions Provisions as of June 30, 2021 (Continued)**

|   | <b><u>July 1, 2021<br/>Through<br/>June 30, 2022</u></b> |
|---|--|
| Employer Contribution Rate  | 10.90%   |
| Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208 (1)(f) | (1.02%)  |
| Amount apportioned to SCHDTF  | 9.88%  |
| Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411                                     | 4.50%  |
| Supplemental Amortization Equalization Disbursement (SAED) as in C.R.S. § 24-51-411                                 | 5.50%  |
| Total Employer Contribution Rate to the SCHDTF  | 19.88%   |
| **Contribution rates for the SCHDTF are expressed as a percentage of salary as defined in CRS § 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 \$192,682 for the year ended June 30, 2022.

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

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

The net pension liability for the SCHDTF was measured as of December 31, 2021, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll-forward the TPL to December 31, 2021. The School's proportion of the net pension liability was based on the School's contributions to the SCHDTF for the calendar year 2021 relative to the total contributions of participating employers and the State as a nonemployer contributing entity. At June 30, 2022 the School reported a liability of \$1,804,367 for its proportionate share of the net pension liability that reflected an increase for support from the State as a nonemployer contributing entity. The amount recognized by the School as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the School were as follows:

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**VILLA BELLA EXPEDITIONARY SCHOOL**  
June 30, 2022

**NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued)**

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

The School's proportionate share of the net pension liability \$ 1,804,367

The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the School

228,861

Total \$ 2,033,228

At December 31, 2021, the School's proportion was 0.0155083515%, which was an increase of 0.0004697675% from its proportion measured as of December 31, 2020.

For the year ended June 30, 2022, the School recognized pension expense of \$343,261 and revenue of \$21,407 for support from the State as a nonemployer contributing entity. At June 30, 2022, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

|   | <b><u>Deferred Outflows<br/>of Resources</u></b> | <b><u>Deferred Inflows<br/>of Resources</u></b> |
|---|--|---|
| Difference between expected and actual experience   | \$ 41,267  | \$ -  |
| Changes of assumptions or other inputs  | 1,836,458  | -   |
| Net difference between projected and actual earnings on pension plan investments                                | -  | 474,353   |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | -  | 204,184   |
| Contributions subsequent to the measurement date  | 103,098  | -   |
| Total   | <b><u>\$ 1,980,823</u></b>                       | <b><u>\$ 678,537</u></b>                        |

\$103,098 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

|                     |                            |
|---------------------|----------------------------|
| Year Ended June 30, |                            |
| 2023                | \$ 605,668                 |
| 2024                | 465,505                    |
| 2025                | 187,304                    |
| 2026                | (59,289)                   |
|                     | <b><u>\$ 1,199,188</u></b> |

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**VILLA BELLA EXPEDITIONARY SCHOOL**  
June 30, 2022

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**NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued)**

**Actuarial Assumptions**

The TPL in the December 31, 2020 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

|   |                     |
|---|---------------------|
| Actuarial cost method   | Entry age           |
| Price inflation   | 2.30%               |
| Real wage growth  | 0.70%               |
| Wage inflation  | 3.00%               |
| Salary increases, including wage inflation  | 3.40% - 11.00%      |
| Long-term investment rate of return, net of pension plan investment expenses, including price inflation   | 7.25%               |
| Discount rate   | 7.25%               |
| Post-retirement benefit increases:  |                     |
| PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (compounded annually)  | 1.00%               |
| PERA benefit structure hired after 12/31/06*  | Financed by the AIR |
| *Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets |                     |

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

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

Post-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 on 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 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.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**VILLA BELLA EXPEDITIONARY SCHOOL**

June 30, 2022

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**NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued)**

**Actuarial Assumptions (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, 2020 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 during the November 20, 2020 meeting.

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

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

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

| <u>Asset Class</u> | <u>Target<br/>Allocation</u> | <u>30 year Expected Geometric<br/>Real Rate of Return</u> |
|--------------------|------------------------------|---|
| Global Equity      | 54.00%                       | 5.60%   |
| Fixed Income       | 23.00%                       | 1.30%   |
| Private Equity     | 8.50%                        | 7.10%   |
| Real Estate        | 8.50%                        | 4.40%   |
| Alternatives       | 6.00%                        | 4.70%   |
| Total              | <u>100.00%</u>               |   |

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%.

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
VILLA BELLA EXPEDITIONARY SCHOOL  
June 30, 2022

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**NOTE 10 - DEFINED BENEFIT PENSION PLAN (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 SB 18-200, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial 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.
- The projected benefit payments reflect the lowered AI cap, from 1.25% to 1.00%, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.
- Benefit payments and contributions were assumed to be made at the middle of the year.

NOTES TO FINANCIAL STATEMENTS (Continued)  
VILLA BELLA EXPEDITIONARY SCHOOL  
June 30, 2022

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**NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued)**

**Discount Rate (Continued)**

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

**Sensitivity of the School's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate**

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

|  | 1% Decrease<br>(6.25%) | Current Discount<br>Rate (7.25%) | 1% Increase<br>(8.25%) |
|--|------------------------|----------------------------------|------------------------|
| Proportionate share of the net pension liability | \$ 2,655,881           | \$ 1,804,367                     | \$ 1,093,811           |

**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](http://www.copera.org/investments/pera-financial-reports).

**NOTE 11 - DEFINED CONTRIBUTION PENSION PLAN**

**Voluntary Investment Program**

**Plan Description**

Employees of the School that are also members of the SCHDTF may voluntarily contribute to the Voluntary Investment Program, an Internal Revenue Code Section 401(k) defined contribution plan administered by PERA. Title 24, Article 51, Part 14 of the C.R.S., as amended, assigns the authority to establish the Plan provisions to the PERA Board of Trustees. PERA issues a publicly available ACFR which includes additional information on the Voluntary Investment Program. That report can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

**Funding Policy**

The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. Employees are immediately vested in their own contributions and investment earnings. For the year ended June 30, 2022, program members contributed \$840 to the Voluntary Investment program.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**VILLA BELLA EXPEDITIONARY SCHOOL**

June 30, 2022

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**NOTE 12 - DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN**

**Summary of Significant Accounting Policies**

**OPEB**

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

**General Information about the OPEB Plan**

**Plan Description**

Eligible employees of the District 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 (ACRF) that can be obtained at [www.copera.org/investments/pera-financial-reports](http://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 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.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

VILLA BELLA EXPEDITIONARY SCHOOL

June 30, 2022

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**NOTE 12 - DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (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 65 years of age or older or who are under 65 years of age and entitled to Medicare. The maximum service-based subsidy, in each case, is for benefit recipients with retirement benefits based on 20 or more years of service credit. There is a 5% reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit. Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF on behalf 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 C.R.S., as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the State, School, Local Government, and Judicial Divisions are required to contribute at a rate of 1.02% of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the School were \$10,373 for the year ended June 30, 2022.

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

At June 30, 2022, the School reported a liability of \$86,800 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2021, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020.

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**VILLA BELLA EXPEDITIONARY SCHOOL**  
June 30, 2022

**NOTE 12 - DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)**

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

Standard update procedures were used to roll-forward the TOL to December 31, 2021. The School's proportion of the net OPEB liability was based on the School's contributions to the HCTF for the calendar year 2021 relative to the total contributions of participating employers to the HCTF.

At December 31, 2021 the School's proportion was 0.0101257736%, which was an increase of 0.0014402413% from its proportion measured as of December 31, 2020.

For the year ended June 30, 2022, the School recognized OPEB expense of \$32,125. At June 30, 2022, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

|   | <b><u>Deferred Outflows<br/>of Resources</u></b> | <b><u>Deferred Inflows<br/>of Resources</u></b> |
|---|--|---|
| Difference between expected and actual experience   | \$ 54  | \$ 20,702                                       |
| Changes of assumptions or other inputs  | 694  | 4,517   |
| Net difference between projected and actual earnings on OPEB plan investments                                   | -  | 5,270   |
| Changes in proportion and differences between contributions recognized and proportionate share of contributions | 1,921  | 7,151   |
| Contributions subsequent to the measurement date  | <u>5,290</u>                                     | <u>-</u>  |
| Total   | <u>\$ 7,959</u>                                  | <u>\$ 37,640</u>                                |

\$5,290 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

|                     |                    |
|---------------------|--------------------|
| Year Ended June 30, |                    |
| 2023                | \$ (6,921)         |
| 2024                | (6,921)            |
| 2025                | (6,921)            |
| 2026                | (6,924)            |
| 2027                | (5,859)            |
| 2028                | <u>(1,425)</u>     |
|                     | <u>\$ (34,971)</u> |

**Actuarial Assumptions**

The TOL in the December 31, 2020 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**VILLA BELLA EXPEDITIONARY SCHOOL**

June 30, 2022

**NOTE 12 - DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)**

**Actuarial Assumptions (Continued)**

|  | <u>State<br/>Division</u> | <u>School<br/>Division</u>  | <u>Local<br/>Government<br/>Division</u> | <u>Judicial<br/>Division</u> |
|--|---------------------------|---|--|------------------------------|
| Actuarial cost method  |                           |   | Entry Age                                |                              |
| Price inflation  |                           |   | 2.30%                                    |                              |
| Real wage growth   |                           |   | 0.70%                                    |                              |
| Wage inflation   |                           |   | 3.00%                                    |                              |
| Salary increase, including wage inflation  |                           |   |  |                              |
| Members other than State Troopers  | 3.30%-10.90%              | 3.40%-11.00%  | 3.20%-11.30%                             | 2.80%-5.30%                  |
| State Troopers   | 3.20%-12.40%              | N/A   | 3.20%-12.40%                             | N/A                          |
| Long-term investment rate of return, net of<br>OPEB plan investment expenses, including<br>price inflation |                           |   | 7.25%                                    |                              |
| Discount rate  |                           |   | 7.25%                                    |                              |
| Health care cost trend rates   |                           |   |  |                              |
| PERA benefit structure:  |                           |   |  |                              |
| Service-based premium subsidy  |                           |   | 0.00%                                    |                              |
| PERACare Medicare plan   |                           | 4.50% in 2021, 6.00% in 2022 gradually decreasing<br>to 4.50% in 2029 |  |                              |
| Medicare Part A premiums   |                           | 3.75% in 2021, gradually increasing<br>to 4.50% in 2029               |  |                              |
| DPS benefit structure:   |                           |   |  |                              |
| Service-based premium subsidy  |                           |   | 0.00%                                    |                              |
| PERACare Medicare plans  |                           |   | N/A                                      |                              |
| Medicare Part A premiums   |                           |   | N/A                                      |                              |

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

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

|  | <b>Initial Costs for Members<br/>without Medicare Part A</b> |                            |  |
|--|--|----------------------------|--|
| <b>Medicare Plan</b>                     | <b>Monthly<br/>Cost</b>                                      | <b>Monthly<br/>Premium</b> | <b>Monthly Cost<br/>Adjusted to<br/>Age 65</b> |
| Medicare Advantage/Self-Insured Rx       | \$633  | \$230                      | \$591  |
| Kaiser Permanente Medicare Advantage HMO | \$596  | \$199                      | \$562  |

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

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

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**VILLA BELLA EXPEDITIONARY SCHOOL**  
June 30, 2022

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**NOTE 12 - DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)**

**Actuarial Assumptions (Continued)**

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

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

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

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

Mortality assumptions used in the December 31, 2020 valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below, reflect generational mortality and were applied, as applicable, in the determination of the TOL for the HCTF, but developed 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.

**NOTES TO FINANCIAL STATEMENTS (Continued)**

VILLA BELLA EXPEDITIONARY SCHOOL

June 30, 2022

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**NOTE 12 - DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)**

**Actuarial Assumptions (Continued)**

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

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

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

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

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

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

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 Trust Fund:

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

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

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**VILLA BELLA EXPEDITIONARY SCHOOL**  
June 30, 2022

**NOTE 12 - DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)**

**Actuarial Assumptions (Continued)**

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

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

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

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

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>30 year Expected Geometric Real Rate of Return</u> |
|--------------------|--------------------------|---|
| Global Equity      | 54.00%                   | 5.60%   |
| Fixed Income       | 23.00%                   | 1.30%   |
| Private Equity     | 8.50%                    | 7.10%   |
| Real Estate        | 8.50%                    | 4.40%   |
| Alternatives       | 6.00%                    | 4.70%   |
| Total              | 100.00%                  |   |

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

**Sensitivity of the School's Proportionate share of the net OPEB liability to changes in the Health Care Cost**

**Trend Rates**

The following presents the net OPEB liability using the current health care cost trend rates applicable to the PERA benefit structure, as well as if it were calculated using health care cost trend rates that are one percentage point lower or one percentage point higher than the current rates:

|                                       | <u>1% Decrease in Trend Rates</u> | <u>Current Trend Rates</u> | <u>1% Increase in Trend Rates</u> |
|---------------------------------------|-----------------------------------|----------------------------|-----------------------------------|
| Initial PERACare Medicare trend rate  | 3.50%                             | 4.50%                      | 5.50%                             |
| Ultimate PERACare Medicare trend rate | 3.50%                             | 4.50%                      | 5.50%                             |
| Initial Medicare Part A trend rate    | 2.75%                             | 3.75%                      | 4.75%                             |
| Ultimate Medicare Part A trend rate   | 3.50%                             | 4.50%                      | 5.50%                             |
| Net OPEB Liability                    | \$ 84,307                         | \$ 86,800                  | \$ 89,688                         |

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**VILLA BELLA EXPEDITIONARY SCHOOL**  
June 30, 2022

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**NOTE 12 - DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (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, 2021, measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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 the Net OPEB Liability to Changes in the Discount Rate**

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

|   | <b>1% Decrease<br/>(6.25%)</b> | <b>Current Discount<br/>Rate (7.25%)</b> | <b>1% Increase<br/>(8.25%)</b> |
|---|--------------------------------|--|--------------------------------|
| Proportionate share of the net OPEB liability | \$ 100,809                     | \$ 86,800                                | \$ 74,834                      |

**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](http://www.copera.org/investments/pera-financial-reports).

**NOTES TO FINANCIAL STATEMENTS (Continued)**

**VILLA BELLA EXPEDITIONARY SCHOOL**

June 30, 2022

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**NOTE 13 - NET POSITION AND FUND BALANCES**

**Government-wide Net Position:**

Government-wide net position is divided into three components:

- Invested in capital assets, net of related debt - consists of the historical cost of capital assets less accumulated depreciation and less any debt that remains outstanding that was used to finance those assets.
- Restricted net position - consists of net position that is restricted by the School's creditors (for example, through debt covenants), by the state enabling legislation (through restrictions on shared revenues), by grantors (both federal and state), and by other contributors.
- Unrestricted - all other net position is reported in this category.

**Governmental Fund Balances**

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

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

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

The specific purposes for each fund balance classification on the balance sheet are detailed in the table below:

**NOTES TO FINANCIAL STATEMENTS (Continued)**  
**VILLA BELLA EXPEDITIONARY SCHOOL**  
June 30, 2022

**NOTE 13 - NET POSITION AND FUND BALANCES (Continued)**

**Governmental Fund Balances (Continued)**

|                            | <b><u>General<br/>Fund</u></b> | <b><u>Other<br/>Governmental<br/>Funds</u></b> | <b><u>Total</u></b> |
|----------------------------|--------------------------------|--|---------------------|
| <b>Fund Balances</b>       |                                |  |                     |
| <b>Restricted</b>          |                                |  |                     |
| Tabor reserve              | \$ 90,800                      | \$-  | \$ 90,800           |
| <b>Total Restricted</b>    | <u>90,800</u>                  | <u>-</u>                                       | <u>90,800</u>       |
| <b>Assigned</b>            |                                |  |                     |
| Pupil activity fund        | -                              | 101,429  | 101,429             |
| <b>Total Assigned</b>      | <u>-</u>                       | <u>101,429</u>                                 | <u>101,429</u>      |
| <b>Unassigned</b>          |                                |  |                     |
| General Government         | 961,646                        | -  | 961,646             |
| <b>Total Fund Balances</b> | <u>\$ 1,052,446</u>            | <u>\$ 101,429</u>                              | <u>\$ 1,153,875</u> |

**NOTE 14 - RESTATEMENT**

The portion of the District's Designated Grants fund balance which applies to the School was not included in the government-wide or governmental fund financial statements of the School as of June 30, 2021. This portion of fund balance was included in the School's financial statements for the year ended June 30, 2022 and a prior period adjustment was necessary to recognize the beginning net position and fund balance as shown below:

**Government-wide Financial Statements**

|   |                   |
|---|-------------------|
| Statements of Activities                              |                   |
| Net Position - July 1                                 | \$ 315,206        |
| To include portion of primary government net position | <u>33,913</u>     |
| <b>Net Position - July 1 - Restated</b>               | <u>\$ 349,119</u> |

**Governmental Fund Financial Statements**

|   |                   |
|---|-------------------|
| Statements of Revenues, Expenditure, and Changes in Fund Balances |                   |
| Fund Balances - July 1  | \$ 608,662        |
| To include portion of primary government fund balance             | <u>33,913</u>     |
| <b>Fund Balances - July 1 - Restated</b>                          | <u>\$ 642,575</u> |

**NOTE 15 - SUBSEQUENT EVENT**

The School entered into an agreement to lease a newly constructed building for its middle school programs. The building will be first available for the 2022-2023 school year.

## **REQUIRED SUPPLEMENTARY INFORMATION**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**

**BUDGET AND ACTUAL (BUDGET BASIS)**

**GENERAL FUND**

VILLA BELLA EXPEDITIONARY SCHOOL

For the year ended June 30, 2022

|  | <u>Budgeted Amount</u> |                     |                     | <b>Variance With<br/>Final Budget<br/>Favorable<br/>(Unfavorable)</b> |
|--|------------------------|---------------------|---------------------|---|
|  | <u>Original</u>        | <u>Final</u>        | <u>Actual</u>       |   |
| <b>Revenues</b>  |                        |                     |                     |   |
| State sources  | \$ 101,950             | \$ 101,344          | \$ 121,938          | \$ 20,594   |
| Federal sources  | -                      | 470,000             | 200,113             | (269,887)   |
| Other sources  | 12,000                 | 12,000              | 244,866             | 232,866   |
| Fund allocations   | <u>2,428,691</u>       | <u>2,429,354</u>    | <u>2,558,277</u>    | <u>128,923</u>  |
| <b>Total Revenues</b>  | <u>2,542,641</u>       | <u>3,012,698</u>    | <u>3,125,194</u>    | <u>112,496</u>  |
| <b>Expenditures</b>  |                        |                     |                     |   |
| Direct instruction   | 1,168,077              | 1,511,623           | 1,485,405           | 26,218  |
| Indirect instruction   | 388,348                | 369,906             | 397,640             | (27,734)  |
| Transportation   | 6,500                  | 6,500               | 1,246               | 5,254   |
| Custodial and maintenance  | 64,785                 | 65,073              | 66,890              | (1,817)   |
| Other support services   | 70,857                 | 78,740              | 86,967              | (8,227)   |
| General administration   | -                      | -                   | 38,491              | (38,491)  |
| Capital outlay   | 75,000                 | 75,000              | 470,432             | (395,432)   |
| Debt service   |                        |                     |                     | -   |
| Principal retirement   | 239,776                | 239,776             | 279,917             | (40,141)  |
| Interest   | 183,293                | 183,293             | 190,718             | (7,425)   |
| Contingency  | <u>677,432</u>         | <u>878,708</u>      | <u>-</u>            | <u>878,708</u>  |
| <b>Total Expenditures</b>  | <u>2,874,068</u>       | <u>3,408,619</u>    | <u>3,017,706</u>    | <u>390,913</u>  |
| <b>Excess of Revenues Over<br/>(Under) Expenditures</b>                                  | <u>(331,427)</u>       | <u>(395,921)</u>    | <u>107,488</u>      | <u>503,409</u>  |
| <b>Other Financing Sources</b>   |                        |                     |                     |   |
| Debt proceeds  | <u>233,852</u>         | <u>233,852</u>      | <u>381,448</u>      | <u>147,596</u>  |
| <b>Excess of Revenues and Other Sources<br/>Over (Under) Expenditures and Other Uses</b> | <u>(97,575)</u>        | <u>(162,069)</u>    | <u>488,936</u>      | <u>651,005</u>  |
| <b>Fund Balances - July 1 - Restated</b>   | <u>-</u>               | <u>-</u>            | <u>563,510</u>      | <u>563,510</u>  |
| <b>Fund Balances - June 30</b>   | <u>\$ (97,575)</u>     | <u>\$ (162,069)</u> | <u>\$ 1,052,446</u> | <u>\$ 1,214,515</u>   |

**SCHEDULE OF SCHOOL'S PROPORTIONATE SHARE -**  
**SCHOOL DIVISION TRUST FUND**  
VILLA BELLA EXPEDITIONARY SCHOOL  
Last 10 Fiscal Years

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|   | <u>2021</u>   | <u>2020</u>   | <u>2019</u>   |
|---|---------------|---------------|---------------|
| School's proportion (percentage) of the net pension liability                                   | 0.0155083515% | 0.0150385840% | 0.0050395068% |
| School's proportionate share of the net pension liability                                       | \$ 1,804,367  | \$ 2,273,292  | \$ 752,780    |
| School's covered payroll  | \$ 969,223    | \$ 803,191    | \$ 294,243    |
| School's proportionate share of the net pension liability as<br>a percentage of covered payroll | 186.17%       | 283.03%       | 255.84%       |
| Plan fiduciary net position as a percentage of the total<br>pension liability                   | 74.86%        | 66.99%        | 64.52%        |

The amounts presented for each fiscal year were determined as of December 31.

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

**SCHEDULE OF SCHOOL'S CONTRIBUTIONS - SCHOOL DIVISION TRUST FUND**

**VILLA BELLA EXPEDITIONARY SCHOOL**

**Last 10 Fiscal Years**

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|  | <u>2022</u>    | <u>2021</u>    | <u>2020</u>   |
|--|----------------|----------------|---------------|
| Statutorily required contributions                                     | \$ 192,682     | \$ 157,881     | \$ 57,024     |
| Contributions in relation to the statutorily<br>required contributions | <u>192,682</u> | <u>157,881</u> | <u>57,024</u> |
| Contribution deficiency (excess)                                       | <u>\$ -</u>    | <u>\$ -</u>    | <u>\$ -</u>   |
| Covered payroll  | \$ 969,223     | \$ 803,191     | \$ 294,243    |
| Contribution as a percentage of<br>covered payroll                     | 19.88%         | 19.66%         | 19.38%        |

The amounts presented for each fiscal year were determined as of June 30.

The schedule is presented to show information for ten years. Until information for the full ten year period is available, information will be presented for the years it is available.

**SCHEDULE OF SCHOOL'S PROPORTIONATE SHARE -**  
**HEALTH CARE TRUST FUND**  
VILLA BELLA EXPEDITIONARY SCHOOL  
Last 10 Fiscal Years

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|  | <u>2021</u>   | <u>2020</u>   | <u>2019</u>   |
|--|---------------|---------------|---------------|
| School's proportion (percentage) of the net OPEB liability                                 | 0.0101257736% | 0.0086855323% | 0.0032724288% |
| School's proportionate share of the net OPEB liability                                     | \$ 86,800     | \$ 57,241     | \$ 37,454     |
| School's covered payroll   | \$ 969,223    | \$ 803,191    | \$ 294,243    |
| School's proportionate share of the net pension OPEB as<br>a percentage of covered payroll | 8.96%         | 7.13%         | 12.73%        |
| Plan fiduciary net position as a percentage of the total<br>OPEB liability                 | 39.40%        | 32.78%        | 24.49%        |

The amounts presented for each fiscal year were determined as of December 31.

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

**SCHEDULE OF SCHOOL'S CONTRIBUTIONS - HEALTH CARE TRUST FUND**

**VILLA BELLA EXPEDITIONARY SCHOOL**

Last 10 Fiscal Years

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|   | <u>2022</u>  | <u>2021</u>  | <u>2020</u>  |
|---|--------------|--------------|--------------|
| Statutorily required contributions                                  | \$ 9,886     | \$ 8,193     | \$ 3,001     |
| Contributions in relation to the statutorily required contributions | <u>9,886</u> | <u>8,193</u> | <u>3,001</u> |
| Contribution deficiency (excess)                                    | <u>\$ -</u>  | <u>\$ -</u>  | <u>\$ -</u>  |
| Covered payroll   | \$ 969,223   | \$ 803,191   | \$ 294,243   |
| Contribution as a percentage of covered payroll                     | 1.02%        | 1.02%        | 1.02%        |

The amounts presented for each fiscal year were determined as of June 30.

The schedule is presented to show information for ten years. Until information for the full ten year period is available, information will be presented for the years it is available.

## **OTHER SUPPLEMENTARY INFORMATION**

**COMBINING BALANCE SHEET**  
**NONMAJOR GOVERNMENTAL FUNDS**  
VILLA BELLA EXPEDITIONARY SCHOOL  
June 30, 2022

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|                                       |  | <b><u>Student</u></b><br><b><u>Activities</u></b> | <b><u>Total</u></b> |
|---------------------------------------|--|---|---------------------|
| <b><u>Assets</u></b>                  |  |   |                     |
| Assets held by the primary government |  | \$ 101,429  | \$ 101,429          |
|                                       | <b>Total Assets</b>                        | <u>101,429</u>                                    | <u>101,429</u>      |
| <b><u>Fund Balances</u></b>           |  |   |                     |
| Assigned                              |  | <u>101,429</u>                                    | <u>101,429</u>      |
|                                       | <b>Total Fund Balances</b>                 | <u>101,429</u>                                    | <u>101,429</u>      |
|                                       | <b>Total Liabilities and Fund Balances</b> | <u>\$ 101,429</u>                                 | <u>\$ 101,429</u>   |

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NONMAJOR GOVERNMENTAL FUNDS**  
VILLA BELLA EXPEDITIONARY SCHOOL  
June 30, 2022

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|   | <b><u>Student<br/>Activities</u></b> | <b><u>Total</u></b> |
|---|--------------------------------------|---------------------|
| <b>Revenues</b>                                     |                                      |                     |
| Other sources                                       | \$ 116,211                           | \$ 116,211          |
| <b>Total Revenues</b>                               | <u>116,211</u>                       | <u>116,211</u>      |
| <b>Expenditures</b>                                 |                                      |                     |
| Direct instruction                                  | 30,305                               | 30,305              |
| Capital outlay                                      | <u>63,542</u>                        | <u>63,542</u>       |
| <b>Total Expenditures</b>                           | <u>93,847</u>                        | <u>93,847</u>       |
| <b>Excess of Revenues Over (Under) Expenditures</b> | 22,364                               | 22,364              |
| <b>Fund Balances - July 1</b>                       | <u>79,065</u>                        | <u>79,065</u>       |
| <b>Fund Balances - June 30</b>                      | <u>\$ 101,429</u>                    | <u>\$ 101,429</u>   |

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**BUDGET AND ACTUAL (BUDGET BASIS)**  
**STUDENT ACTIVITIES FUND**  
VILLA BELLA EXPEDITIONARY SCHOOL  
For the year ended June 30, 2021

|                                | <u>Budgeted Amount</u> |                  |                   | <u>Variance With</u> |
|--------------------------------|------------------------|------------------|-------------------|----------------------|
|                                | <u>Original</u>        | <u>Final</u>     | <u>Actual</u>     | <u>Final Budget</u>  |
|                                |                        |                  |                   | <u>Favorable</u>     |
|                                |                        |                  |                   | <u>(Unfavorable)</u> |
| <b>Revenues</b>                |                        |                  |                   |                      |
| Other sources                  | \$ 60,000              | \$ 60,000        | \$ 116,211        | \$ 56,211            |
| <b>Total Revenues</b>          | <u>60,000</u>          | <u>60,000</u>    | <u>116,211</u>    | <u>56,211</u>        |
| <b>Expenditures</b>            |                        |                  |                   |                      |
| Direct instruction             | 60,000                 | 60,000           | 30,305            | 29,695               |
| Capital Outlay                 | <u>-</u>               | <u>-</u>         | <u>63,542</u>     | <u>(63,542)</u>      |
| <b>Total Expenditures</b>      | <u>60,000</u>          | <u>60,000</u>    | <u>93,847</u>     | <u>(33,847)</u>      |
| <b>Excess of Revenues Over</b> |                        |                  |                   |                      |
| <b>(Under) Expenditures</b>    | -                      | -                | 22,364            | 22,364               |
| <b>Fund Balances - July 1</b>  | <u>79,065</u>          | <u>79,065</u>    | <u>79,065</u>     | <u>-</u>             |
| <b>Fund Balances - June 30</b> | <u>\$ 79,065</u>       | <u>\$ 79,065</u> | <u>\$ 101,429</u> | <u>\$ 22,364</u>     |