

Community Prep School
(A Component Unit of Colorado Springs School District 11)

Financial Statements
with Independent Auditor's Report

June 30, 2022



Community Prep School
 (A Component Unit of Colorado Springs School District 11)
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Business Advisors

Independent Auditor's Report

Governing Board
Community Prep School
Colorado Springs, Colorado

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities of Community Prep School (the School), a component unit of Colorado Springs School District 11 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 accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the School, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

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Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Community Prep 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 Community Prep School's ability to continue as a going concern for a reasonable period of time.

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



Required Supplementary Information

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

Hick & Company PC

Englewood, Colorado
August 18, 2022



COMMUNITY PREP SCHOOL

Management's Discussion and Analysis

June 30, 2022

As management of Community Prep School (the School) we offer readers of the School's annual financial report this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2022. Readers are encouraged to consider the information presented here in conjunction with the annual financial report.

FINANCIAL HIGHLIGHTS

- Assets and deferred outflows of the School exceeded its liabilities and deferred inflows by \$306,636 during the fiscal year resulting in a positive net position balance.
- The School's total net position increased \$1,469,130.
- The School has no long-term debt.
- As of the close of the current fiscal year, the School's General Fund reported an ending fund balance of \$1,101,629, a decrease of \$852,331 in comparison with the prior year.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis serves as an introduction to the School's basic financial statements. The School's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements.

Government-wide Financial Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the School's finances as a whole, in a manner similar to a private-sector business and include two statements:

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

The *statement of activities* presents information reporting how the School's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods. Accrued interest expense is an example of this type of item.

COMMUNITY PREP SCHOOL
Management's Discussion and Analysis
June 30, 2022

Both government-wide financial statements distinguish functions of the School that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the School include general government activities of running a school. Currently, the School has no business-type activities.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources segregated for specific activities or objectives. The fund financial statements provide more detailed information about the School's operations, focusing on its most significant funds, not the School as a whole. The School has one fund, the general fund, which is a governmental fund.

Governmental Funds: The School's basic services are included in this governmental fund, which focuses on (1) how money flows into and out of the fund and (2) the balances left at year-end that are available for spending or reserves. Consequently, the governmental fund statements provide a detailed short-term view that helps determine the status of financial resources that can be spent in the near future to finance the School's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Thus, readers may better understand the long-term impact of the School's near-term financing decisions. To facilitate this comparison between governmental funds and governmental activities, reconciliations are provided for both the governmental fund balance sheet and the statement of revenues, expenditures, and changes in fund balance.

Notes to the Basic 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.

Required Supplementary Information

In addition to the basic financial statements and accompanying notes, this report also presents required supplementary information concerning the School. The School adopts an annual appropriated budget for the general fund. A budgetary comparison schedule has been provided to demonstrate compliance with the budget.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

As noted earlier, net position may serve over time as a useful indicator of the School's financial position. In the case of the School, assets and deferred outflows exceeded total liabilities and deferred inflows by \$306,636 as of June 30, 2022 resulting in a positive net position balance.

COMMUNITY PREP SCHOOL
Management's Discussion and Analysis
June 30, 2022

Condensed Statement of Net Position

	<u>2022</u>	<u>2021</u>
Current and other assets	\$ 1,264,092	\$ 2,051,107
Capital assets, net accumulated depreciation	<u>2,527,303</u>	<u>1,551,573</u>
Total assets	<u>3,791,395</u>	<u>3,602,680</u>
Deferred outflows of resources	<u>495,388</u>	<u>710,395</u>
Long-term liabilities	2,498,823	3,310,033
Other liabilities	<u>162,463</u>	<u>97,147</u>
Total liabilities	<u>2,661,286</u>	<u>3,407,180</u>
Deferred inflows of resources	<u>1,318,861</u>	<u>2,068,389</u>
Net position:		
Net investment in capital assets	2,500,386	1,551,573
Restricted	252,955	248,006
Unrestricted	<u>(2,446,705)</u>	<u>(2,962,073)</u>
Total net position	<u>\$ 306,636</u>	<u>\$((1,162,494))</u>

Condensed Statement of Activities

	<u>2022</u>	<u>2021</u>
Revenues:		
General Revenues	\$ 2,609,961	\$ 2,479,789
Grants and Contributions	<u>263,457</u>	<u>356,275</u>
Total revenues	<u>2,873,418</u>	<u>2,836,064</u>
Expenses:		
Instructional	638,035	400,469
Supporting Services	<u>766,253</u>	<u>535,438</u>
Total expenses	<u>1,404,288</u>	<u>935,907</u>
Change in net position	<u>1,469,130</u>	<u>1,900,157</u>
Net position, beginning	<u>(1,162,494)</u>	<u>(3,062,651)</u>
Net position, ending	<u>\$ 306,636</u>	<u>\$((1,162,494))</u>

COMMUNITY PREP SCHOOL
Management's Discussion and Analysis
June 30, 2022

ANALYSIS OF THE SCHOOL'S FUNDS

As noted earlier, the School uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The General Fund is the operating fund of the School. The fund balance for the General Fund was \$1,101,629 at the end of the current fiscal year.

BUDGETARY HIGHLIGHTS

The School budgeted for expenditures of \$3,818,016 for the year ended June 30, 2022. Actual expenditures were \$3,754,606. Budgetary highlights include:

- The School received several grants that had to be expended before the end of the fiscal year.
- The School ended the year with a fund balance of \$1,179,097.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

Capital assets include all capital outlays related to the School building. The School's investment in capital assets for its governmental activities at the end of the year was \$2,527,303.

- The School continued its building improvements projects. A total of \$1,078,490 was recorded as construction in progress for the cafeteria remodel. Other changes are for depreciation expense.

Debt Administration

At the end of current fiscal year, the School had no long-term debt.

ECONOMIC FACTORS

- The state has increased school funding for the 2021-22 fiscal year. Community Prep School has budgeted for the increase in funding for this coming year.
- Community Prep is located in downtown Colorado Springs. It is centrally located and close to public transportation. The School anticipates that these factors will allow for continued growth in the future.

COMMUNITY PREP SCHOOL
Management's Discussion and Analysis
June 30, 2022

REQUESTS FOR INFORMATION

This financial report is designed to provide readers with a general overview of the School's finances and to demonstrate the School's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Gabrielle Gaye, Business Manager, Community Prep School, 332 E. Willamette Avenue, Colorado Springs, CO 80903.

Basic Financial Statements

Community Prep School
(A Component Unit of Colorado Springs School District 11)
Statement of Net Position
June 30, 2022

	Governmental Activities
Assets	
Cash	\$ 1,068,585
Receivables	195,507
Capital Assets, <i>Not Being Depreciated</i>	1,363,490
Capital Assets, <i>Net of Accumulated Depreciation</i>	1,163,813
 Total Assets	 3,791,395
Deferred Outflows of Resources	
OPEB, <i>Net of Accumulated Amortization</i>	30,285
Pensions, <i>Net of Accumulated Amortization</i>	465,103
 Total Deferred Outflows of Resources	 495,388
Liabilities	
Accounts Payable	117,592
Accrued Expenses	44,871
Noncurrent Liabilities	
Due Within One Year	26,917
OPEB Liability	114,073
Net Pension Liability	2,357,833
 Total Liabilities	 2,661,286
Deferred Inflows of Resources	
OPEB, <i>Net of Accumulated Amortization</i>	81,277
Pensions, <i>Net of Accumulated Amortization</i>	1,237,584
 Total Deferred Inflows of Resources	 1,318,861
Net Position	
Net Investment in Capital Assets	2,500,386
Restricted for:	
Scholarships	114,385
Emergencies	83,000
Contingencies	55,570
Unrestricted	(2,446,705)
 Total Net Position	 \$ 306,636

See Notes to the Financial Statements.

Community Prep School
(A Component Unit of Colorado Springs School District 11)
Statement of Activities
For the Year Ended June 30, 2022

Functions/Programs	Expenses	Program Revenues Operating Grants and Contributions	Net (Expense) Revenue and Change in Net Position Governmental Activities
Primary Government			
<i>Governmental Activities</i>			
Instruction	\$ 638,035	\$ 203,870	\$ (434,165)
Supporting Services	<u>766,253</u>	<u>59,587</u>	<u>(706,666)</u>
Total Governmental Activities	<u>\$ 1,404,288</u>	<u>\$ 263,457</u>	<u>\$ (1,140,831)</u>
General Revenues			
Per Pupil Revenue			1,866,130
District Mill Levy			662,507
Capital Construction			66,989
Grants and Contributions not Restricted to Specific Programs			8,000
Investment Income			1,088
Other			<u>5,247</u>
Total General Revenues			<u>2,609,961</u>
Change in Net Position			1,469,130
Net Position, Beginning of Year			<u>(1,162,494)</u>
Net Position, End of Year			<u>\$ 306,636</u>

Community Prep School
(A Component Unit of Colorado Springs School District 11)
 Balance Sheet
 Governmental Fund
 June 30, 2022

	General
Assets	
Cash	\$ 1,068,585
Account Receivables	195,507
Total Assets	\$ 1,264,092
Liabilities and Fund Balance	
<i>Liabilities</i>	
Accounts Payable	\$ 117,592
Accrued Liabilities	44,871
Total Liabilities	162,463
<i>Fund Balance</i>	
Restricted for:	
Scholarships	114,385
Emergencies	83,000
Contingencies	55,570
Unrestricted, Unassigned	848,674
Total Fund Balance	1,101,629
Total Liabilities and Fund Balance	\$ 1,264,092

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

Total Fund Balance of the Governmental Fund	\$ 1,101,629
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	2,527,303
Long-term liabilities and related items are not reported in governmental funds:	
Lease liability	(26,917)
Net pension liability	(2,357,833)
Pension-related deferred outflows of resources	465,103
Pension-related deferred inflows of resources	(1,237,584)
Net OPEB liability	(114,073)
OPEB-related deferred outflows of resources	30,285
OPEB-related deferred inflows of resources	(81,277)
Total Net Position of Governmental Activities	\$ 306,636

Community Prep School
 (A Component Unit of Colorado Springs School District 11)
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Governmental Fund
 For the Year Ended June 30, 2022

	General
Revenues	
Local Sources	\$ 2,543,867
State Sources	235,339
Federal Sources	123,069
Total Revenues	2,902,275
Expenditures	
Instruction	1,438,297
Supporting Services	2,316,309
Total Expenditures	3,754,606
Net Change in Fund Balance	(852,331)
Fund Balance, Beginning of Year	1,953,960
Fund Balance, End of Year	\$ 1,101,629

Community Prep School

(A Component Unit of Colorado Springs School District 11)

Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance of the Governmental Fund to the Statement of Activities For the Year Ended June 30, 2022

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

Net Change in Fund Balance of the Governmental Fund	\$ (852,331)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.	
Depreciation and amortization expense	(103,112)
Capital Outlay	1,022,490
Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities. Repayments of debt principal are expenditures in governmental funds, but they reduce long-term liabilities in the statement of net position and do not affect the statement of activities.	
Lease Payments	29,435
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This includes the change in:	
Net Pension Liability	836,004
Pension-related deferred outflows of resources	(218,452)
Pension-related deferred inflows of resources	739,757
Net OPEB Liability	2,123
OPEB-related deferred outflows of resources	3,445
OPEB-related deferred inflows of resources	9,771
Change in Net Position of Governmental Activities	<u>\$ 1,469,130</u>

Community Prep School
(A Component Unit of Colorado Springs School District 11)
Notes to Financial Statements
June 30, 2022

Note 1: Summary of Significant Accounting Policies

Nature of Operations

The Community Prep School (the School) was organized in 1995 pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Colorado Springs School District 11 (the District) in the State of Colorado. The School's mission is to provide students with another way to pursue a high school education with an emphasis on individual needs with small classes that engage students in their own learning. The School is governed by a board consisting of at least five members.

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

Reporting Entity

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

Based on the application of this criteria, the School does not include additional organizations within its reporting entity.

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

Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the School. *Governmental activities*, which are normally supported by taxes and intergovernmental revenues, are reported in a single column.

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

Separate financial statements are provided for the major governmental fund.

Community Prep School
(A Component Unit of Colorado Springs School District 11)
Notes to Financial Statements
June 30, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The School reports the following major governmental fund:

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

Assets, Liabilities and Net Position/Fund Balance

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

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

Building	40 years
Buildings Improvements	5 - 15 years
Vehicles and Equipment	5 - 10 years

Community Prep School
(A Component Unit of Colorado Springs School District 11)
Notes to Financial Statements
June 30, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

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

Compensated Absences - Contracted personnel are allowed to accumulate up to ten days of unused sick and vacation time. Accrued sick and vacation time is not paid upon termination of employment. Therefore, no liability is reported in the financial statements.

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

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

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

Risk Management

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

Community Prep School
(A Component Unit of Colorado Springs School District 11)
Notes to Financial Statements
June 30, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Implementation of New Accounting Pronouncements

For the year ended June 30, 2022, the School Implemented GASB Statement No. 87 - *Leases*. This statement records lease assets and liabilities for long-term leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. The lease liability is measured at the present value of payments expected to be made during the lease term. The lease asset is measured at the amount of the initial measurement of the lease liability and amortized over the shorter of the lease term or the estimated useful life of the underlying asset.

Subsequent Events

The School has evaluated subsequent events through August 18, 2022, the date the financial statements were available to be issued.

Note 2: Deposits and Investments

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2022, the School had bank deposits of \$567,617 collateralized with securities held by the financial institutions' agents but not in the School's name.

Investments

The School is required to comply with State statutes which specify investment instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest, which include the following. State statutes generally limit the maturity of investment securities to five years from the date of purchase, unless the governing board authorizes an investment for a period in excess of five years. State statutes do not address custodial risk.

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

Community Prep School
(A Component Unit of Colorado Springs School District 11)
Notes to Financial Statements
June 30, 2022

Note 2: Deposits and Investments (Continued)

Investments (Continued)

- Guaranteed investment contracts
- Local government investment pools

The School had no investments at June 30, 2022.

Note 3: Capital Assets

Changes in capital assets for the year ended June 30, 2022, are summarized below.

Governmental Activities	Balance 6/30/21	Additions	Deletions	Balance 6/30/22
<i>Capital Assets, Not Being Depreciated</i>				
Land	\$ 285,000	\$ -	\$ -	\$ 285,000
Construction in Progress	56,000	1,022,490	-	1,078,490
Total Capital Assets, Not Being Depreciated	341,000	1,022,490	-	1,363,490
<i>Capital Assets, Being Depreciated</i>				
Building	1,435,415	-	-	1,435,415
Building Improvements	216,509	-	-	216,509
Vehicles and Equipment	250,223	-	-	250,223
Right-to-use lease assets	65,835	-	-	65,835
Total Capital Assets, Being Depreciated	1,967,982	-	-	1,967,982
<i>Less: Accumulated Depreciation</i>				
Building	(480,995)	(35,885)	-	(516,880)
Building Improvements	(52,370)	(14,743)	-	(67,113)
Vehicles and Equipment	(158,209)	(24,308)	-	(182,517)
Right-to-use lease assets	(9,483)	(28,176)	-	(37,659)
Total Accumulated Depreciation	(701,057)	(103,112)	-	(804,169)
Total Capital Assets, Being Depreciated, net	1,266,925	(103,112)	-	1,163,813
Governmental Activities Capital Assets, net	\$ 1,607,925	\$ 919,378	\$ -	\$ 2,527,303

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

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Note 4: Defined Benefit Pension Plan

General Information

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

Benefits provided as of June 30, 2022. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure 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:

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

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

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

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

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

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Note 4: Defined Benefit Pension Plan (Continued)

General Information (Continued)

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

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

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

Contributions provisions as of June 30, 2022 - Eligible employees, the School and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 10.50% of their PERA-includable salary during the period of July 01, 2021 through June 30, 2022. The School's contribution rate was 20.90% of covered salaries for July 01, 2021 through June 30, 2022. However, a portion of the School's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 5). Contribution rates for the SCHDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the School were \$280,130 for the year ended 2022.

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Note 4: Defined Benefit Pension Plan (Continued)

General Information (Continued)

For purposes of GASB 68 paragraph 15, a circumstance exists in which a nonemployer contributing entity is legally responsible for making contributions to the SCHDTF and is considered to meet the definition of a special funding situation. As specified in C.R.S. § 24-51-414, the State is required to contribute \$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 at December 31, 2021, and the total pension liability 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 total pension liability to December 31, 2021. The School's proportion of the net pension liability was based on the School contributions to the SCHDTF for the calendar year 2021 relative to the total contributions of participating employers and State as a nonemployer contributing entity.

At June 30, 2022, the School reported a liability of 2,357,833, 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:

School's proportionate share of net pension liability	\$	2,628,129
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the School		(270,296)
Proportionate share of the net pension liability	\$	2,357,833

At December 31, 2021, the School's proportion was 0.0202608833%, which was a decrease of 0.0008651977% from its proportion measured at December 31, 2020.

For the year ended June 30, 2022, the School recognized pension benefit of \$1,077,391. For the year ended 2022, the School recognized pension expense of \$64,614 and revenue of \$64,614 for support from the State as a nonemployer contributing entity.

Community Prep School
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Note 4: Defined Benefit Pension Plan (Continued)

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

At June 30, 2022, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 90,267	\$ -
Changes of assumptions and other inputs	180,002	-
Net difference between projected and actual earnings on plan investments	-	886,474
Changes in proportion	54,007	351,110
Contributions subsequent to the measurement date	140,827	-
	<hr/>	<hr/>
Total	\$ <u>465,103</u>	\$ <u>1,237,584</u>

\$140,827 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30,</u>	
2023	\$ (304,602)
2024	(273,702)
2025	(227,405)
2026	<u>(107,599)</u>
Total	\$ <u>(913,308)</u>

Community Prep School
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Note 4: Defined Benefit Pension Plan (Continued)

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

Actuarial assumptions. The TPL in the December 31, 2020, actuarial valuation was determined using the following actuarial assumptions and other inputs.

Actuarial cost method	Entry age
Price inflation	2.3%
Real wage growth	0.7%
Wage inflation	3.0%
Salary increases, including wage inflation	3.4% - 11.0%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
Hired prior to 1/1/07	1.00%
Hired after 12/31/06	Financed by AIR

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.

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

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

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

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

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

Community Prep School
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 Notes to Financial Statements
 June 30, 2022

Note 4: Defined Benefit Pension Plan (Continued)

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

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

The actuarial assumptions used in the December 31, 2020, valuation were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

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

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

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

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

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Note 4: Defined Benefit Pension Plan (Continued)

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

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in Senate Bill (SB) 18-200, 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 the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- 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.

Community Prep School
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 Notes to Financial Statements
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Note 4: Defined Benefit Pension Plan (Continued)

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

- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP and the subsequent AIR benefit payments were estimated and included in the projections.
- 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.

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the of the net pension liability	\$ <u>3,470,538</u>	\$ <u>2,357,833</u>	\$ <u>1,429,323</u>

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

Community Prep School
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Note 5: Postemployment Healthcare Benefits

General Information

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

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

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

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

Community Prep School
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Note 5: Postemployment Healthcare Benefits (Continued)

General Information (Continued)

PERA Benefit Structure

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

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

DPS Benefit Structure

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

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

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

Community Prep School
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Notes to Financial Statements
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Note 5: Postemployment Healthcare Benefits (Continued)

General Information (Continued)

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the School was \$14,373, 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 \$114,073, for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured at 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. 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 ended December 31, 2021, relative to the contributions of all participating employers to the HCTF.

At December 31, 2021, the School's proportion was 00132287901%, which was an increase of 0.0010005576% from its proportion measured at December 31, 2020.

For the year ended June 30, 2022, the School recognized OPEB benefit of \$3,882. At June 30, 2022, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 173	\$ 27,048
Changes of assumptions and other inputs	2,363	6,188
Net difference between projected and actual earnings on plan investments	-	7,062
Changes in proportion	20,523	40,979
Contributions subsequent to the measurement date	7,226	-
Total	<u>\$ 30,285</u>	<u>\$ 81,277</u>

Community Prep School
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Note 5: Postemployment Healthcare Benefits (Continued)

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

\$7,226 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

<u>Year Ended June 30,</u>	
2023	\$ (13,891)
2024	(17,161)
2025	(21,329)
2026	(6,335)
2027	367
Thereafter	<u>131</u>
Total	<u>\$ (58,218)</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:

Community Prep School
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Notes to Financial Statements
June 30, 2022

Note 5: Postemployment Healthcare Benefits (Continued)

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

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.

Actuarial cost method	Entry age
Price inflation	2.3%
Real wage growth	0.7%
Wage inflation	3.0%
Salary increases, including wage inflation	3.4% - 11.0%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates:	
PERA Benefit Structure:	
Service-based premium subsidy	0%
PERACare Medicare Plans:	
4.50% in 2021, 6.00% in 2022 gradually decreasing to 4.50% in 2029	
Medicare Part A premiums:	
3.75% for 2021, gradually increasing to 4.50% in 2029	
DPS Benefit Structure:	
Service-based premium subsidy	0%
PERACare Medicare plans	N/A
Medicare Part A premiums:	N/A

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 2020 for the PERA Benefit Structure:

- Medicare Advantage/Self-Insured Rx - Monthly Cost of \$663, Monthly Premium of \$230, Monthly Costs Adjusted to Age 65 of \$591.
- Kaiser Permanente Medicare Advantage HMO - Monthly Cost of \$596, Monthly Premium of \$199, Monthly Costs Adjusted to Age 65 of \$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.

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 Notes to Financial Statements
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Note 5: Postemployment Healthcare Benefits (Continued)

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

Health care cost trend rates 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 used to measure the TOL are summarized in the table below:

<u>Year</u>	<u>PERACare Medicare Plans</u>	<u>Medicare Part A Premiums</u>
2021	4.50%	3.75%
2022	6.00%	3.75%
2023	5.80%	2.30%
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 are applied, as applicable, in the determination of the TOL for the HCTF, but developed using a headcount-weighted basis. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

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

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Notes to Financial Statements
June 30, 2022

Note 5: Postemployment Healthcare Benefits (Continued)

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

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

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

Post-retirement non-disabled beneficiary mortality assumptions for the School Divisions were based on the 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.

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

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.

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

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

Community Prep School
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Notes to Financial Statements
June 30, 2022

Note 5: Postemployment Healthcare Benefits (Continued)

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

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 percentages and then adding expected inflation.

As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized, as presented previously (see Note 4).

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 percent.

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.

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Notes to Financial Statements
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Note 5: Postemployment Healthcare Benefits (Continued)

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

- 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%.

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

Sensitivity of the School's proportionate share of net OPEB liability to changes in the Healthcare Cost Trend Rates. The following presents the net OPEB liability using the current healthcare cost trend rates, ranging from 2.75% to 5.5%, as well as if it were calculated using healthcare cost trend rates that are one percentage point lower or one percentage point higher than the current rates, as follows:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 132,483	\$ 26,917	\$ 98,347

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.

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Proportionate share of the net OPEB liability	\$ 110,797	\$ 26,917	\$ 117,867

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Notes to Financial Statements
June 30, 2022

Note 6: Long-Term Debt

Following is a summary of long-term debt transactions for the year ended June 30, 2022:

	<u>Balance 06/30/21</u>	<u>Additions</u>	<u>Payments</u>	<u>Balance 06/30/22</u>	<u>Due Within One Year</u>
Governmental Activities					
Right-to-use Lease	\$ 56,352	\$ -	\$ (29,435)	\$ 26,917	\$ 26,917
Total	<u>\$ 56,352</u>	<u>\$ -</u>	<u>\$ (29,435)</u>	<u>\$ 26,917</u>	<u>\$ 26,917</u>

On May 1, 2021, the School entered into a lease agreement to lease real property located in Colorado Springs, Colorado. The School is obligated under the lease agreement to make monthly lease payments through April 2023. Future minimum lease payments to maturity are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 26,917	\$ 1,346	\$ 28,263
Total	<u>\$ 26,917</u>	<u>\$ 1,346</u>	<u>\$ 28,263</u>

Note 7: Commitments and Contingencies

Building Acquisition

In January, 2008, the School purchased its educational facilities from the City of Colorado Springs (the City) for \$1. The terms of the purchase and sale agreement require the property to be used for public educational, classroom purposes for a minimum of twenty-five years. During this period, the City shall have the right of first refusal to purchase the property. After twenty-five years, the City shall not be entitled to any proceeds from any sale of the property.

Claims and Judgments

The School participates in a number of federal and state programs that are fully or partially funded by revenues received from other governmental entities. Expenditures financed by these revenues are subject to audit by the appropriate government. If expenditures are disallowed due to noncompliance with program regulations, the School may be required to reimburse the other government. At June 30, 2022, significant amounts of related expenditures have not been audited but the School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

Community Prep School
(A Component Unit of Colorado Springs School District 11)
Notes to Financial Statements
June 30, 2022

Note 7: Commitments and Contingencies (Continued)

TABOR Amendment

Colorado voters passed an amendment to the State Constitution, Article X, Section 20, which has several limitations, including revenue increases, spending abilities, and other specific requirements of state and local governments. The Amendment is complex and subject to judicial interpretation. However, the School believes it is in substantial compliance with the requirements of the Amendment. The Amendment requires state and local governments to establish an emergency reserve, representing 3% of qualifying expenditures. At June 30, 2022, the School's reserve was reported as restricted fund balance in the General Fund, in the amount of \$83,000.

Contingency Reserve

In accordance with its charter agreement with the District, the School is required to maintain a contingency reserve to fund unexpected occurrences. The required reserve must equal 2% of the School's total budgeted aggregate revenues for the succeeding year. At June 30, 2022, the contingency reserve of \$55,570 was reported as restricted fund balance in the General Fund.

Current Economic Conditions

During the year ended June 30, 2020, The United States of America and State of Colorado declared an emergency associated with the COVID-19 pandemic. Along with significant declines in financial markets, the public health emergency created uncertain economic conditions. The School has adapted and made changes to operations due to potential impacts on health and safety. Should these conditions continue to persist, the School could be negatively impacted.

Required Supplementary Information

Community Prep School
(A Component Unit of Colorado Springs School District 11)
 Required Supplementary Information
 Schedule of Proportionate Share of the Net Pension Liability and Contributions
 Public Employees' Retirement Association of Colorado School Division Trust Fund
 June 30, 2022

	<u>12/31/21</u>	<u>12/31/20</u>	<u>12/31/19</u>	<u>12/31/18</u>
Proportionate Share of the Net				
Pension Liability				
School's Proportion of the Net Pension Liability	0.0202608833%	0.0211260810%	0.0205708470%	0.0278073609%
School's Proportionate Share of the Net Pension Liability	\$ 2,357,833	\$ 3,193,837	\$ 3,073,240	\$ 4,923,864
School's Covered-Employee Payroll	\$ 1,266,238	\$ 1,127,497	\$ 1,208,689	\$ 1,528,720
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	186%	283%	254%	322%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	75%	67%	65%	57%
	<u>6/30/22</u>	<u>6/30/21</u>	<u>6/30/20</u>	<u>6/30/19</u>
School Contributions				
Statutorily Required Contribution	\$ 280,130	\$ 217,366	\$ 220,770	\$ 287,658
Contributions in Relation to the Statutorily Required Contribution	<u>(280,130)</u>	<u>(217,366)</u>	<u>(220,770)</u>	<u>(287,658)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered-Employee Payroll	\$ 1,409,104	\$ 1,093,380	\$ 1,139,283	\$ 1,503,707
Contributions as a Percentage of Covered-Employee Payroll	19.88%	19.88%	19.38%	19.13%

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

(Continued)

Community Prep School
(A Component Unit of Colorado Springs School District 11)
 Required Supplementary Information
 Schedule of Proportionate Share of the Net Pension Liability and Contributions
 Public Employees' Retirement Association of Colorado School Division Trust Fund
 June 30, 2022
(Continued)

	<u>12/31/17</u>	<u>12/31/16</u>	<u>12/31/15</u>	<u>12/31/14</u>	<u>12/31/13</u>
Proportionate Share of the Net					
Pension Liability					
School's Proportion of the Net Pension Liability	0.0278921040%	0.0253592674%	0.0222436460%	0.0216535582%	0.0213965478%
School's Proportionate Share of the Net Pension Liability	\$ 9,019,315	\$ 7,550,435	\$ 3,402,009	\$ 2,934,784	\$ 2,729,124
School's Covered-Employee Payroll	\$ 1,286,631	\$ 1,138,145	\$ 969,149	\$ 906,342	\$ 862,684
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	701%	663%	351%	324%	316%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	44%	43%	59%	63%	64%
	<u>6/30/18</u>	<u>6/30/17</u>	<u>6/30/16</u>	<u>6/30/15</u>	<u>6/30/14</u>
School Contributions					
Statutorily Required Contribution	\$ 263,859	\$ 223,956	\$ 186,520	\$ 153,563	\$ 141,777
Contributions in Relation to the Statutorily Required Contribution	<u>(263,859)</u>	<u>(223,956)</u>	<u>(186,520)</u>	<u>(153,563)</u>	<u>(141,777)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered-Employee Payroll	\$ 1,397,194	\$ 1,218,770	\$ 1,052,008	\$ 910,646	\$ 890,024
Contributions as a Percentage of Covered-Employee Payroll	18.88%	18.38%	17.73%	16.86%	15.93%

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

Community Prep School
(A Component Unit of Colorado Springs School District 11)
Required Supplementary Information
Schedule of Proportionate Share of the Net OPEB Liability and Contributions
Public Employees' Retirement Association of Colorado Health Care Trust Fund
June 30, 2022

	<u>12/31/21</u>	<u>12/31/20</u>	<u>12/31/19</u>	<u>12/31/18</u>	<u>12/31/17</u>	<u>12/31/16</u>
Proportionate Share of the Net OPEB Liability						
School's Proportion of the Net OPEB Liability	0.0122282325%	0.0122282325%	0.0134424526%	0.0180749437%	0.0158481945%	0.0144142042%
School's Proportionate Share of the Net OPEB Liability	\$ 114,073	\$ 116,196	\$ 151,093	\$ 245,917	\$ 205,963	\$ 186,885
School's Covered Payroll	\$ 1,266,238	\$ 1,127,497	\$ 1,208,689	\$ 1,528,720	\$ 1,286,631	\$ 1,138,145
School's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	9%	10%	13%	16%	16%	16%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	39%	33%	24%	17%	18%	17%
	<u>6/30/22</u>	<u>6/30/21</u>	<u>6/30/20</u>	<u>6/30/19</u>	<u>6/30/18</u>	<u>6/30/17</u>
School Contributions						
Statutorily Required Contribution	\$ 14,373	\$ 11,152	\$ 11,621	\$ 15,338	\$ 14,251	\$ 12,431
Contributions in Relation to the Statutorily Required Contribution	<u>(14,373)</u>	<u>(11,152)</u>	<u>(11,621)</u>	<u>(15,338)</u>	<u>(14,251)</u>	<u>(12,431)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's Covered Payroll	\$ 1,409,104	\$ 1,093,380	\$ 1,139,283	\$ 1,503,707	\$ 1,397,194	\$ 1,218,770
Contributions as a Percentage of Covered Payroll	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%

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

Community Prep School
(A Component Unit of Colorado Springs School District 11)
Budget Comparison Schedule
General Fund
For the Year Ended June 30, 2022

	Original Budget	Final Budget	Actual	Variance Positive (Negative)
Revenues				
<i>Local Sources</i>				
Per Pupil Revenue	\$ 1,732,889	\$ 1,866,130	\$ 1,866,130	\$ -
District Mill Levy	638,000	662,507	662,507	-
Contributions and Donations	-	-	8,000	8,000
Investment Income	-	-	1,088	1,088
Other	-	-	6,142	6,142
<i>State Sources</i>				
Capital Construction	84,142	66,989	66,989	-
Special Education	-	-	33,566	33,566
Grants	-	-	134,784	134,784
<i>Federal Sources</i>				
Special Education	53,708	102,253	63,692	(38,561)
Other	183,289	-	59,377	59,377
Total Revenues	<u>2,692,028</u>	<u>2,697,879</u>	<u>2,902,275</u>	<u>204,396</u>
Expenditures				
Salaries	1,449,560	1,361,795	1,463,124	(101,329)
Employee Benefits	614,697	586,774	539,489	47,285
Purchased Services	160,894	170,894	342,953	(172,059)
Supplies and Materials	69,850	120,150	235,237	(115,087)
Property	-	1,056,088	999,784	56,304
Other	162,830	316,379	174,019	142,360
Reserves	352,258	205,936	-	205,936
Total Expenditures	<u>2,810,089</u>	<u>3,818,016</u>	<u>3,754,606</u>	<u>63,410</u>
Net Change in Fund Balance	(118,061)	(1,120,137)	(852,331)	267,806
Fund Balance, Beginning of Year	<u>1,693,903</u>	<u>1,953,960</u>	<u>1,953,960</u>	-
Fund Balance, End of Year	<u>\$ 1,575,842</u>	<u>\$ 833,823</u>	<u>\$ 1,101,629</u>	<u>\$ 267,806</u>

Community Prep School
(A Component Unit of Colorado Springs School District 11)
Notes to Required Supplementary Information
June 30, 2022

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

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

Changes in Assumptions and Other Inputs

For the year ended June 30, 2022, the total pension liability was determined by an actuarial valuation as of December 31, 2020. The following revised economic and demographic assumptions were effective as of December 31, 2020

- Investment rate of return assumption of 7.25% per year, compounded annually. This assumption did not change from the prior year.
- Price inflation assumption of 2.3% per year. This assumption decreased from 2.4% from the prior year.
- Real rate of investment return assumption of 4.85% per year, net of investment expenses. The rate reflected in the roll-forward calculation of the collective total pension liability to the measurement date was 7.25%. This assumption did not change from prior year.
- Wage inflation assumption of 3.0% per year. This assumption decreased from 3.5% in the prior year.
- Healthy and disabled mortality assumptions are based on the PubT-2010 Employee Tables.

Note 2: Stewardship, Compliance and Accountability

Budgetary Information

Budgets are required by State statutes for all funds and are adopted on a basis consistent with generally accepted accounting principles.

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

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