



## FINANCIAL REPORT

Year Ended June 30, 2023



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## Independent Auditors' Report

Board of Directors  
Cardinal Community Academy  
Keenesburg, Colorado

### **Opinions**

We have audited the financial statements of the governmental activities and the major fund of Cardinal Community Academy (the Academy), a component unit of Weld County School District RE-3(J) as of and for the year ended June 30, 2023, and the related notes to the financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the governmental activities and major fund of Cardinal Community Academy as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### **Basis for Opinions**

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Academy 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 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 Academy's ability to continue as a going concern within one year after the date that the financial statements are issued or available to be issued.

### **Auditor's Responsibilities for the Audit of the Financial Statements**

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

In performing an audit in accordance with GAAS we:

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

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

**Other Matters**

Accounting principles generally accepted in the United States require that management discussion and analysis, budgetary comparisons, and pension and OPEB information be presented to supplement the basic financial statements. Such information, 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 evidence sufficient to express an opinion or provide any assurance.

*Anderson & Whitney, P.C.*

January 18, 2024

## MANAGEMENT'S DISCUSSION AND ANALYSIS

This section of the report provides readers with a narrative overview and analysis of the financial activities of Cardinal Community Academy for the year ended June 30, 2023. 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.

### FINANCIAL HIGHLIGHTS

- Cardinal Community Academy's assets exceeded liabilities by \$3,169,814 at June 30, 2023.
- The General Fund balance was \$2,121,948 as of June 30, 2023.
- The June 30, 2023 General Fund balance is \$171,096 more than the previous year from increased enrollment and per-pupil revenue rates. The total fund balance is 103% of 2023 General Fund operating expenditures.

### OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the School's basic financial statements. The basic financial statements contain three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. In addition to the basic statements, this report also contains other supplementary information.

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide readers with a broad overview of the School's finances in a manner similar to a private sector business.

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

The *statement of activities* presents information showing how the School's net position changed during the 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 the statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected fees).

**Fund Financial Statements.** A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Cardinal Community Academy, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of Cardinal Community Academy are recorded in a General Fund.

**Governmental Funds.** *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources, as well as on balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government’s near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

Cardinal Community Academy maintains one individual governmental fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund.

The basic governmental fund financial statements can be found on pages 11 and 13 of this report.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 15 through 40 of this report.

**Budgetary Comparisons.** Cardinal Community Academy adopts an annual appropriated budget for the General Fund. A budgetary comparison statement has been provided for the General Fund 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, 2023, assets exceeded liabilities by \$3,169,814.

The following table provides a summary of the School’s net position for 2023 and 2022.

June 30	Governmental Activities	
	2023	2022
Assets:		
Current and other assets	\$ 2,229,174	\$ 2,026,233
Capital assets	3,106,670	3,119,901
Total Assets	5,335,844	5,146,134
Deferred Outflows of Resources	430,011	273,729
Liabilities:		
Current and other liabilities	138,124	104,702
Long-term liabilities	2,178,451	1,723,290
Total Liabilities	2,316,575	1,827,992
Deferred Inflows of Resources	279,466	807,915
Net Position:		
Net investment in capital assets	2,973,845	2,957,755
Restricted	70,791	64,832
Unassigned	125,178	(238,631)
Total Net Position	\$ 3,169,814	\$ 2,783,956

A significant portion of Cardinal Community Academy’s net position represents an unrestricted net asset of \$125,178 which may be used to meet the School’s ongoing obligations to students and creditors.

An additional \$70,791 of the School’s net position represents resources that are subject to external restriction on how they may be used. Included in this category is the TABOR emergency reserve of \$70,791.

Another significant portion of the School’s net position reflects its investment in capital assets. These assets include land, buildings, and equipment. These capital assets are used to provide services to students; consequently, they are not available for future spending. Although the investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities. The only long-term debt is the loan issued for the construction of the school buildings.

The following table indicates the changes in net position:

	<u>Governmental Activities</u>	
	2023	2022
<b>Revenues:</b>		
Program revenues:		
Operating grants and contributions	\$ 214,603	\$ 292,286
Capital grants and contributions	64,197	52,698
General revenues:		
Per Pupil Revenue	1,671,242	1,548,253
Mill Levy override	311,378	227,037
Investment earnings	45,351	2,887
Total Revenues	2,306,771	2,123,161
<b>Expenses:</b>		
Instruction	1,009,635	425,305
Student services	134,425	133,513
General administrative services	463,718	392,842
Operations and maintenance	149,475	122,364
Unallocated depreciation	155,717	170,419
Interest on long-term debt	7,943	9,453
Total Expenses	1,920,913	1,253,896
Increase in Net Position	\$ 385,858	\$ 869,265

**Governmental Activities.** Governmental activities increased Cardinal Community Academy’s net position by \$385,858 in 2023. Key elements of this increase are as follows:

- Total revenues were \$2,306,771, which represents a 8% increase from the prior year. This is primarily due to decrease in grants and mill levy override.
- Expenses totaled \$1,920,913, which is an 53% increase due to pension expense from the financial position of Colorado PERA.

## FINANCIAL ANALYSIS OF THE SCHOOLS FUNDS

As noted earlier, Cardinal Community Academy uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The School has one major governmental fund, the General Fund.

**General Fund.** This is the primary operating fund of the Cardinal Community Academy. It accounts for the School's core services, such as instruction and student services. The General Fund balance was \$2,121,948 as of June 30, 2023. The 2023 fund balance is \$171,096 more than the previous year primarily due to cost effective budgeting.

### GENERAL FUND BUDGETARY HIGHLIGHTS

The School's budget is prepared according to Colorado statutes. The most significant budgeted fund is the General Fund.

2023 General Fund	Final Budget	Actual
Beginning Fund Balance	\$ 1,950,852	\$ 1,950,852
Revenue	2,323,092	2,359,690
Expenditures	(2,289,565)	(2,188,594)
Ending Fund Balance	\$ 1,984,379	\$ 2,121,948

The ending fund balance is more than the budgeted fund balance as it was not necessary to spend the capital outlay budget.

### CAPITAL ASSET AND DEBT ADMINISTRATION

**Capital Assets.** Cardinal Community Academy's investment in capital assets for its governmental type activities as of June 30, 2023 totals \$3,106,670 (net of accumulated depreciation). This investment includes all land, buildings, and equipment. The total decrease in investment in capital assets for the current year was \$13,231, due to depreciation being more than capital outlay.

The school implemented the straight-line depreciation method under GASB 34 for its capital assets, except for land which is not depreciated.

Additional information on the School's capital assets can be found in Note 2 of this report.

**Long-term Debt.** At June 30, 2023, Cardinal Community Academy had \$132,825 of notes payable, funded from Per Pupil Revenue. It is anticipated to be repaid over approximately five years.

Additional information on Cardinal Community Academy's debt can be found in Note 5.

## **OTHER MATTERS**

The following factors are expected to have a significant effect on the School's financial position and results of operations and were taken into account in developing the 2023-2024 budget:

- Based on the October 1, 2023 student count, the enrollment for 2023-2024 is 180 FTE compared to 178 FTE in 2022-2023.
- CCA intends to make improvements or modifications in the following areas: building/maintenance, technology, student instructional initiatives and staff retention and recruitment.

## **REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of Cardinal Community Academy's finances for all those with an interest in the School's finances. Questions concerning any of the information provided or requests for additional financial information should be addressed to the School, 3101 WCR 65, Keenesburg, Colorado 80643.

# CARDINAL COMMUNITY ACADEMY

## STATEMENT OF NET POSITION

June 30, 2023

### ASSETS

#### Current Assets:

Cash and investments	\$ 2,228,631
Accounts receivable	543

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Total Current Assets	2,229,174
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#### Noncurrent Assets:

Capital assets	4,506,411
Less: accumulated depreciation	(1,399,741)

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Total Noncurrent Assets	3,106,670
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Total Assets	5,335,844
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#### Deferred Outflows of Resources:

Pension plan	423,304
Post employment benefits	6,707

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Total Deferred Outflows of Resources	430,011
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### LIABILITIES

#### Current Liabilities:

Accounts payable	31,111
Accrued salaries and benefits	76,115
Current portion of long-term debt	30,898

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Total Current Liabilities	138,124
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#### Noncurrent Liabilities:

Long-term debt	101,927
Net postemployment benefits liability	73,483
Net pension liability	2,003,041

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Total Liabilities	2,316,575
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#### Deferred Inflows of Resources:

Pension plan	253,585
Post employment benefits	25,881

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Total Deferred Inflows of Resources	279,466
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### NET POSITION

Net investment in capital assets	2,973,845
Restricted for TABOR emergencies	70,791
Unrestricted	125,178

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TOTAL NET POSITION	\$ 3,169,814
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See Accompanying Notes to Financial Statements.

**CARDINAL COMMUNITY ACADEMY**

**STATEMENT OF ACTIVITIES**

Year Ended June 30, 2023	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs:					
Governmental activities:					
Instruction	\$ 1,009,635	\$ -	\$ 214,603	\$ 64,197	\$ (730,835)
Support services:					
Student services	134,425	-	-	-	(134,425)
General administration	463,718	-	-	-	(463,718)
Operations and maintenance	149,475	-	-	-	(149,475)
Unallocated depreciation	155,717	-	-	-	(155,717)
Interest on long-term debt	7,943	-	-	-	(7,943)
Total Support Services	911,278	-	-	-	(911,278)
<b>TOTAL GOVERNMENTAL ACTIVITIES</b>	<b>\$ 1,920,913</b>	<b>\$ -</b>	<b>\$ 214,603</b>	<b>\$ 64,197</b>	<b>\$ (1,642,113)</b>
General Revenues:					
Per pupil revenue				\$ 1,671,242	
Mill levy override				311,378	
Investment earnings				45,351	
Total General Revenue				2,027,971	
Change in Net Position				385,858	
Net Position - Beginning				2,783,956	
<b>NET POSITION - Ending</b>				<b>\$ 3,169,814</b>	

See Accompanying Notes to Financial Statements.

# CARDINAL COMMUNITY ACADEMY

## BALANCE SHEET - GENERAL FUND

June 30, 2023

### ASSETS

Cash and Investments	\$ 2,228,631
Accounts Receivable	543

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<b>TOTAL ASSETS</b>	<b>\$ 2,229,174</b>
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### LIABILITIES

Accrued Salaries and Benefits	\$ 76,115
Accounts Payable	31,111

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Total Liabilities	107,226
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### EQUITY

Fund Balance:	
Reserved for TABOR Emergencies	70,791
Unassigned	2,051,157

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Total Equity	2,121,948
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<b>TOTAL LIABILITIES AND EQUITY</b>	<b>\$ 2,229,174</b>
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See Accompanying Notes to Financial Statements.

# CARDINAL COMMUNITY ACADEMY

## RECONCILIATION OF THE GENERAL FUND BALANCE SHEET WITH THE STATEMENT OF NET POSITION

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June 30, 2023

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

Total General Fund Balance	\$ 2,121,948
Capital assets used in governmental activities are not financial resources and therefore not reported as net assets in the general fund.	
Cost of capital assets	4,506,411
Accumulated depreciation	(1,399,741)
Deferred inflows and outflows of resources related to pensions	150,545
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported as liabilities in the General Fund. Long-term liabilities at year-end consist of:	
Notes payable	(132,825)
Net pension liability	(2,003,041)
Net other postemployment benefits liability	(73,483)
<b>TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES</b>	<b>\$ 3,169,814</b>

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See Accompanying Notes to Financial Statements.

# CARDINAL COMMUNITY ACADEMY

## STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - General Fund

Year Ended June 30, 2023	General Fund
Revenue:	
Local sources	\$ 311,378
State sources	1,798,622
Federal sources	49,636
Contributions and other	154,703
Interest income	45,351
<b>Total Revenue</b>	<b>2,359,690</b>
Expenditures:	
Current:	
Instruction	1,240,922
Supporting services	800,537
Capital outlay	110,000
Debt service	37,135
<b>Total Expenditures</b>	<b>2,188,594</b>
Revenue Over Expenditures	171,096
Fund Balance, Beginning of Year	1,950,852
<b>Fund Balance, End of Year</b>	<b>\$ 2,121,948</b>

See Accompanying Notes to Financial Statements.

## CARDINAL COMMUNITY ACADEMY

### RECONCILIATION OF THE GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE TO THE STATEMENT OF ACTIVITIES

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Year Ended June 30, 2023

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

Total net change in governmental fund fund balance	\$ 171,096
Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as depreciation expense in the statement of activities:	
Capital Outlay	142,486
Depreciation Expense	(155,717)
Net Disposed Assets	-
Repayment of loan principal is an expenditure in the governmental funds, and additional borrowing is an other financing source, but they change long-term debt in the statement of net position and do not affect the statement of activities	29,321
The governmental funds report District pension and OPEB contributions as expenditures. However, in the statement of activities, the cost of pension and OPEB benefits earned, net of employee contributions, is reported as pension and OPEB expense	198,672
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 385,858</b>

See Accompanying Notes to Financial Statements.

# CARDINAL COMMUNITY ACADEMY

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1 - Summary of Significant Accounting Policies:

The accounting and reporting policies of Cardinal Community Academy (the School) conform to generally accepted accounting principles. The following summary of significant accounting policies is presented to assist the reader in evaluating the School's financial statements.

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#### Reporting Entity:

The School was formed as a Colorado nonprofit corporation in 1998 to operate a charter school under the Charter Schools Act (Colorado Revised Statute §22-30.5). As such, the School is a public school within Weld County School District RE-3(J) (Cardinal Community Academy), operating under a charter granted by Cardinal Community Academy's board of education. The charter is effective until June 30, 2025, at which time it may be renewed by Cardinal Community Academy. Under the terms of the charter, the School is responsible for its own operation, including preparation of a budget, contracting for services, and personnel matters. It may not obligate Cardinal Community Academy or pledge the full faith and credit of Cardinal Community Academy.

The School is funded at 100% of per pupil revenue (PPR) as defined by the State of Colorado, reduced by administrative charges incurred by Cardinal Community Academy. As such, future funding is dependent on the level of the PPR set by the State of Colorado Legislature and number of full-time equivalent (FTE) students. As of the designated count day, October 1, 2022, there were 176 funded students enrolled.

The financial report of the School includes all of the integral parts of the School's operations. The School has determined that it has no fiscal accountability for any other agency which would require it to be in the reporting entity. The School is reported as a discretely presented component unit of Cardinal Community Academy.

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#### Basis of Presentation:

##### Government-wide Financial Statements:

The School's basic financial statements consist of government-wide statements, including a statement of net position and a 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 period.

# CARDINAL COMMUNITY ACADEMY

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1 - Summary of Significant Accounting Policies - Continued:

#### Basis of Presentation - Continued:

##### Government-wide Financial Statements – Continued:

The statement of net position and the statement of activities display information about the school as a whole. The government-wide statement of net position is presented on a consolidated basis. These statements include the financial activities of the primary government, except for fiduciary activities. For the most part, the effect of interfund activity has been removed from these statements.

The government-wide statement of activities reflects both the direct expenses and net cost of each function of the School's governmental activities. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include charges paid by the recipient for the goods or services offered by the program. Grants and contributions that are restricted to meeting the operational requirements of a particular program are included in operating grants and contributions. Grants and contributions that are restricted to capital requirements of a particular program are included in capital grants and contributions. Revenues which are not classified as program revenues are presented as general revenues of the School. The comparison of direct expenses with program revenues identifies the extent to which each government function is self-financing or draws from the general revenues of the School.

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#### Fund Financial Statements:

The financial transactions of the School are recorded in individual funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures or expenses, as appropriate. Separate statements for each fund category are presented. The emphasis of fund financial statements is on major governmental funds, each displayed in a separate column. Any remaining governmental funds would be aggregated and presented as non-major funds.

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#### The School reports the following Governmental Fund:

##### General Fund:

The General Fund is a general operating fund of the School and accounts for all financial resources of the School that are not properly accounted for in other funds. It is used to account for the instructional and support services programs of the School. The revenue of the fund consists primarily of funding provided through Cardinal Community Academy.

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# CARDINAL COMMUNITY ACADEMY

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1 - Summary of Significant Accounting Policies - Continued:

#### Measurement Focus:

##### Governmental-wide Statements:

The government-wide statements are reported using the economic resources measurement focus. The government-wide financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the School gives (or receives) value without directly receiving (or giving) equal value in exchange, include per pupil revenue, grants, and donations. Revenue from per pupil revenue is recognized in the fiscal year for which the funding is provided. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Under the terms of grant agreements, the School funds certain programs by a combination of specific grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the School's policy to first apply grant resources (restricted net position) to such programs and then general revenues (unrestricted net position).

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#### Fixed Assets:

Fixed assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available.

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

All reported capital assets, except for land, are depreciated. Depreciation on all assets is provided on the straight-line method over the following estimated useful lives:

Buildings	30 - 40 years
Equipment	3 - 10 years

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# CARDINAL COMMUNITY ACADEMY

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1 - Summary of Significant Accounting Policies - Continued:

#### Estimates:

Accounting estimates are an integral part of the financial statements prepared by management and are based upon management's current judgments. As such, actual results could differ from those estimates.

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#### Budget:

An annual budget and appropriation resolution is adopted by the Board of Directors. The budget is prepared on a basis consistent with generally accepted accounting principles.

Any budget revisions that alter the total appropriation must be approved by the Board of Directors through a supplemental appropriation resolution. The fiscal year 2023 budget was amended.

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#### Employee Leave:

Full-time salaried employees receive eight days of personal leave each school year. Personal leave can be accrued and carried forward, but cannot exceed 20 days in any academic year.

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#### Income Taxes:

The School is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code, and is not classified as a private foundation. Accordingly, no provision is made in these financial statements for income taxes.

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#### Net Position:

Net position represents the difference between assets and liabilities. Net investment in capital assets consists of capital assets, net of accumulated depreciation reduced by the outstanding balances of borrowing used for acquisition and construction of improvements of those assets. Net position is reported as restricted when there are limitations imposed on their use either through enabling legislation adopted by the School or through external restrictions imposed by creditors, grantors, or laws or regulations of other governments.

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# CARDINAL COMMUNITY ACADEMY

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1 - Summary of Significant Accounting Policies - Continued:

#### Deferred Outflows and Inflows of Resources:

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense/expenditures) until then. The School has one item that qualifies for reporting in this category: changes in the net pension and OPEB liability not included in pension expense reported in the government-wide statement of net position.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The School has one type of item that qualifies for reporting in this category: changes in the net pension and OPEB liability not included in pension expense reported in the government-wide statement of net position.

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#### Pensions:

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

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: Concerning Modifications To the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 made changes to certain benefit provisions. Most of these changes were in effect as of June 30, 2021.

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# CARDINAL COMMUNITY ACADEMY

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 1 - Summary of Significant Accounting Policies - Continued:

#### Other Postemployment Benefits (OPEB):

Cardinal Community Academy 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.

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### NOTE 2 - Changes in Capital Assets:

	Balance, 7/1/22	Additions	Deletions	Transfer	Balance, 6/30/23
Land and Improvements	\$ 115,780	\$ --	\$ --		\$ 115,780
Construction in Progress	15,856	30,000	--	(15,856)	30,000
Building and Improvements	3,688,242	79,189	--	15,856	3,783,287
Furniture and Equipment	583,398	33,296	(39,350)	--	577,344
	4,403,276	142,485	(39,350)	--	4,506,411
Less:					
Accumulated Depreciation	1,283,375	155,716	(39,350)	--	1,399,741
Total Capital Assets	\$ 3,119,901	\$ (13,231)	\$ --	--	\$ 3,106,670

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# CARDINAL COMMUNITY ACADEMY

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 3 – Cash and Investments:

The School's bank accounts are with commercial banks. At June 30, 2023, the School's carrying amount for deposits was \$1,574,065. FDIC insurance covers \$250,000 of the balance, with the remainder being subject to the Public Deposit Protection Act.

At June 30, 2023, the School had invested \$841,129 in the Colorado Local Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds, COLOTRUST operates similarly to a money market fund and each share is valued at the net asset value (NAV) of \$1.00. Investments of COLOTRUST consist of bills, notes, and bonds issued by the U.S. Treasury or a government agency, and repurchase agreements secured by such obligations. COLOTRUST is rated AAA by Standard & Poor's. The School's interest is valued at NAV.

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### NOTE 4 - Accrued Salaries and Benefits:

Salaries of certain personnel are paid over a twelve-month period from August to July, but are earned during a school year of approximately nine months. The salaries and benefits earned, but unpaid, as of June 30, 2023 are estimated to be \$76,115.

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### NOTE 5 - Long-Term Debt:

June 30	2023
Note payable to a bank in monthly installments of \$3,095 with balance due in June 2027, interest of 5.25%, collateralized by property	\$ 132,825

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Changes in long-term debt were as follows:

	Balance, 07/01/22	Additions	Deductions	Balance, 06/30/23
Note payable-bank	\$ 162,146	\$ --	\$ (29,321)	\$ 132,825

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# CARDINAL COMMUNITY ACADEMY

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 5 - Long-Term Debt – Continued:

Future maturities of long-term debt are as follows:

Year Ending June 30	Annual Maturities
2024	\$ 30,898
2025	32,560
2026	34,311
2027	35,056
	<u>\$ 132,825</u>

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### NOTE 6 – Defined Benefit Pension Plan:

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

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

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

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

# CARDINAL COMMUNITY ACADEMY

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 6 – Defined Benefit Pension Plan - Continued:

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

Upon meeting certain criteria, benefit recipients who elect to receive a lifetime retirement benefit generally receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S. Subject to the automatic adjustment provision (AAP) under C.R.S. § 24-51-413, eligible benefit recipients under the PERA benefit structure who began membership before January 1, 2007, and all eligible benefit recipients of the DPS benefit structure will receive the maximum annual increase (AI) or AI cap of 1.00% unless adjusted by the AAP. Eligible benefit recipients under the PERA benefit

structure who began membership on or after January 1, 2007, will receive the lesser of an annual increase of the 1.00% AI cap or the average increase of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed a determined increase that would exhaust 10% of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned AI cap by up to 0.25% based on the parameters specified in C.R.S. § 24-51-413.

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

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

*Contributions provisions as of June 30, 2023* Eligible employees of, Cardinal Community Academy and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 11% of their PERA-includable salary during the period of July 1, 2022 through June 30, 2023. Employer contribution requirements are summarized in the following table:

# CARDINAL COMMUNITY ACADEMY

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 6 – Defined Benefit Pension Plan – Continued:

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

\*\*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 Cardinal Community Academy is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from Cardinal Community Academy were \$181,598 for the year ended June 30, 2023.

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

# CARDINAL COMMUNITY ACADEMY

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 6 – Defined Benefit Pension Plan – Continued:

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

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

At June 30, 2023, the Cardinal Community Academy reported a liability of \$2,003,041 for its proportionate share of the net pension liability that reflected Reduction for support from the State as a nonemployer contributing entity. The amount recognized by the Cardinal Community Academy 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 Cardinal Community Academy were as follows:

Cardinal Community Academy proportionate share of the net pension liability	\$ 2,003,041
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the Cardinal Community Academy	451,991
Total	\$ 2,455,032

At December 31, 2022, the Cardinal Community Academy proportion was .011%, which was a decrease of .002% from its proportion measured as of December 31, 2021.

# CARDINAL COMMUNITY ACADEMY

## NOTES TO FINANCIAL STATEMENTS

### NOTE 6 – Defined Benefit Pension Plan – Continued:

For the year ended June 30, 2023 the Cardinal Community Academy recognized pension expense of \$7,441 or support from the State as a nonemployer contributing entity. At June 30, 2023, Cardinal Community Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

June 30, 2023	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 18,957	\$ --
Net difference between projected and actual earnings on pension plan investments	269,082	--
Changes in assumptions	35,480	--
Change in proportion	--	253,585
Contributions subsequent to the measurement date	99,785	--
<b>Total</b>	<b>\$ 423,304</b>	<b>\$ 253,585</b>

\$99,785 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31	Amount
2024	\$ (115,817)
2025	(50,286)
2026	79,524
2027	156,513
	<b>\$ 69,934</b>

# CARDINAL COMMUNITY ACADEMY

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 6 – Defined Benefit Pension Plan – Continued:

*Actuarial assumptions.* The total pension liability (TPL) in the December 31, 2021 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	3.40%–11.00%
Long-term investment rate of return, net of 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 <sup>1</sup>	Financed by the AIR

<sup>1</sup> 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 mortality tables described below are generational mortality tables developed on a benefit-weighted basis.

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

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

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

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

# CARDINAL COMMUNITY ACADEMY

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 6 – Defined Benefit Pension Plan – 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 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 percentages and then adding expected inflation.

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

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

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%.

# CARDINAL COMMUNITY ACADEMY

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 6 – 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 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 current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- HB 22-1029, effective upon enactment in 2022, required the State treasurer to issue, in addition to the regularly scheduled \$225 million (actual dollars) direct distribution, a warrant to PERA in the amount of \$380 million (actual dollars). The July 1, 2023, direct distribution is reduced by \$190 million (actual dollars) to \$35 million (actual dollars). The July 1, 2024, direct distribution will not be reduced from \$225 million (actual dollars) due to PERA's negative investment return in 2022.

# CARDINAL COMMUNITY ACADEMY

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 6 – Defined Benefit Pension Plan – Continued:

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

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

*Sensitivity of the Cardinal Community Academy’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 net pension liability	\$2,621,292	\$2,003,041	\$1,486,739

*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)

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# CARDINAL COMMUNITY ACADEMY

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 7 – Other Postemployment Benefits:

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

# CARDINAL COMMUNITY ACADEMY

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 7 – Other Postemployment Benefits – 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 or the DPS HCTF on behalf of benefit recipients not covered by Medicare Part A.

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 Cardinal Community Academy is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from Cardinal Community Academy were \$9,207 for the year ended June 30, 2023.

# CARDINAL COMMUNITY ACADEMY

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 7 – Other Postemployment Benefits – Continued:

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

At June 30, 2023, the Cardinal Community Academy reported a liability of \$73,483 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2022, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021. Standard update procedures were used to roll-forward the TOL to December 31, 2022. The Cardinal Community Academy proportion of the net OPEB liability was based on Cardinal Community Academy contributions to the HCTF for the calendar year 2022 relative to the total contributions of participating employers to the HCTF.

At December 31, 2022, the Cardinal Community Academy proportion was .009%, which was approximately the same as its proportion measured as of December 31, 2021.

For the year ended June 30, 2023, the Cardinal Community Academy recognized OPEB revenue of \$428. At June 30, 2023, the Cardinal Community Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

June 30, 2023	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 10	\$ 17,771
Net difference between projected and actual earnings on pension plan investments	4,488	--
Changes in assumptions	1,181	8,110
Contributions subsequent to the measurement date	1,028	--
Total	\$ 6,707	\$ 25,881

\$1,028 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:

# CARDINAL COMMUNITY ACADEMY

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 7 – Other Postemployment Benefits – Continued:

Year Ending December 31	Amount
2024	\$ (7,321)
2025	(6,874)
2026	(3,192)
2027	(478)
2028	(1,903)
2029	(434)
	<u>\$ (20,202)</u>

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

Actuarial cost method	Entry age
Price inflation	2.30%
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 OPEB plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	6.50% in 2022 gradually decreasing to 4.50% in 2030
Medicare Part A premiums	3.75% in 2022, gradually increasing to 4.50% in 2029

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

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

# CARDINAL COMMUNITY ACADEMY

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 7 – Other Postemployment Benefits – Continued:

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

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

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

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

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

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

# CARDINAL COMMUNITY ACADEMY

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 7 – Other Postemployment Benefits – Continued:

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

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

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

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

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

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

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

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

Post-retirement non-disabled mortality assumptions for the School Division were based 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.

# CARDINAL COMMUNITY ACADEMY

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 7 – Other Postemployment Benefits – Continued:

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

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

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

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

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

The following health care costs assumptions were updated and used in the roll-forward calculation for the 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 2022 plan year.
- The December 31, 2021, valuation utilizes premium information as of January 1, 2022, as the initial per capita health care cost. As of that date, PERACare health benefits administration is performed by UnitedHealthcare. In that transition, the costs for the Medicare Advantage Option #2 decreased to a level that is lower than the maximum possible service-related subsidy as described in the plan provisions.
- The health care cost trend rates 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.

# CARDINAL COMMUNITY ACADEMY

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 7 – Other Postemployment Benefits – Continued:

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

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

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

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared 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 in the table as follows:

<b>Asset Class</b>	<b>Target Allocation</b>	<b>30 Year Expected Geometric Real Rate of Return</b>
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	

# CARDINAL COMMUNITY ACADEMY

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 7 – Other Postemployment Benefits – 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 nominal rate of return assumption of 7.25%.

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate <sup>1</sup>	5.25%	6.25%	7.25%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	3.00%	4.00%	5.00%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$85,189	\$73,483	\$63,471

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

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

# CARDINAL COMMUNITY ACADEMY

## NOTES TO FINANCIAL STATEMENTS

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### NOTE 7 – Other Postemployment Benefits – Continued:

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$85,189	\$73,483	\$63,471

*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).

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### NOTE 8 - Contingencies:

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 disasters. The School carries commercial insurance for these and other risks of loss, including workers' compensation, employee fidelity, and director liability. Settled claims have not exceeded this coverage in the past three years.

In 1992 the Colorado voters approved the “Taxpayer’s Bill of Rights” (TABOR). Included in the accompanying financial statements are emergency reserves of at least 3% of fiscal year spending as required. Emergencies exclude economic conditions, revenue shortfalls or salary or fringe benefit increases.

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REQUIRED SUPPLEMENTARY INFORMATION

**CARDINAL COMMUNITY ACADEMY**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND**

Year Ended June 30, 2023	Actual	Original Budget	Amended Budget	Variance
<b>Revenue:</b>				
Weld County School District RE-3(J) PPR	\$ 1,671,242	\$ 1,640,700	\$ 1,674,985	\$ (3,743)
Mill Levy override	311,378	313,059	303,161	8,217
Colorado Department of Education grants	127,380	96,373	101,373	26,007
Federal grants	49,636	24,705	24,705	24,931
Contributions and other	101,784	198,868	198,868	(97,084)
Interest income	45,351	10,000	20,000	25,351
On behalf payment	52,919	-	-	52,919
<b>Total Revenue</b>	<b>2,359,690</b>	<b>2,283,705</b>	<b>2,323,092</b>	<b>36,598</b>
<b>Expenditures:</b>				
<b>Current:</b>				
<b>Instruction:</b>				
Teachers' salaries	550,265	569,635	569,635	19,370
Substitute teachers	24,608	15,000	15,000	(9,608)
Teachers aides	150,348	135,973	135,973	(14,375)
After school staff	10,621	12,339	12,339	1,718
Supplemental contracts	-	8,500	8,500	8,500
Incentives	197,495	186,400	186,400	(11,095)
PERA contributions	148,163	178,207	178,207	30,044
Other benefits	65,147	76,023	76,023	10,876
Special education	10,900	90,000	90,000	79,100
Educational equipment & furniture	27,485	38,000	38,000	10,515
Instructional materials & supplies	55,890	60,000	60,000	4,110
<b>Total Instruction</b>	<b>1,240,922</b>	<b>1,370,077</b>	<b>1,370,077</b>	<b>129,155</b>
<b>Supporting Services:</b>				
RE-3(J) administrative withholding	109,455	95,000	119,000	9,545
Director salary	82,508	75,000	75,000	(7,508)
Office staff salary	89,560	80,313	80,313	(9,247)
Accountability/evaluation	-	4,200	4,200	4,200
PERA contributions	44,865	53,962	53,962	9,097
Custodian	50,719	38,140	38,140	(12,579)
Utilities	51,212	50,000	57,000	5,788
Telephone	3,530	5,000	5,000	1,470
Office expense	12,579	12,000	15,000	2,421
Building expense	19,968	40,000	40,000	20,032
Insurance	45,759	44,000	44,000	(1,759)
Water/wastewater	11,467	12,500	12,500	1,033
Contracted services	51,635	53,000	56,000	4,365
Fundraising expense	61,928	75,000	75,000	13,072
PTO expense	13,627	75,000	75,000	61,373
On behalf payment	52,919	-	-	(52,919)
Miscellaneous expense	98,806	51,373	51,373	(47,433)
<b>Total Supporting Services</b>	<b>800,537</b>	<b>764,488</b>	<b>801,488</b>	<b>951</b>
Capital outlay	110,000	75,000	80,000	(30,000)
Debt service (principal)	29,192	27,000	27,000	(2,192)
Interest expense	7,943	11,000	11,000	3,057
<b>Total Expenditures</b>	<b>2,188,594</b>	<b>2,247,565</b>	<b>2,289,565</b>	<b>100,971</b>
Revenue Over (Under) Expenditures	171,096	36,140	33,527	137,569
Fund Balance, Beginning of Year	1,950,852	1,950,852	1,950,852	-
Fund Balance, End of Year	\$ 2,121,948	\$ 1,986,992	\$ 1,984,379	\$ 137,569

## CARDINAL COMMUNITY ACADEMY

### SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS

Year Ended June 30	Statutorily Required Contributions	Contributions Made	Covered Payroll	% of Covered Payroll
2023	\$ 181,597	\$ 181,597	\$ 908,911	20.0%
2022	189,296	189,296	919,215	20.6%
2021	176,709	176,709	838,086	21.1%
2020	169,316	169,316	855,282	19.8%
2019	146,979	146,979	768,317	19.1%
2018	150,643	150,643	784,936	19.2%
2017	130,184	130,184	725,567	17.9%
2016	125,837	125,837	683,636	18.4%
2015	115,288	115,288	669,194	17.2%

Until a full 10-year trend is compiled, the School will present information for those years for which information is available.

### SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS

Year Ended June 30	Statutorily Required Contributions	Contributions Made	Covered Payroll	% of Covered Payroll
2023	\$ 9,207	\$ 9,207	\$ 908,911	1.0%
2022	9,332	9,332	919,215	1.0%
2021	8,517	8,517	838,086	1.0%
2020	8,278	8,278	855,282	1.0%
2019	7,837	7,837	768,317	1.0%
2018	7,179	7,179	784,936	1.0%
2017	6,844	6,844	725,567	1.0%

Until a full 10-year trend is compiled, the School will present information for those years for which information is available.

## CARDINAL COMMUNITY ACADEMY

### SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF NET PENSION LIABILITY

Year Ended June 30	Cumulative Proportion of Net Pension Liability	Cumulative Proportionate Share	Covered Payroll	% of Covered Payroll	Plan Net Position as a % of Net Pension Liability
2023	0.011%	\$ 2,003,041	\$ 908,911	220%	61.8%
2022	0.013%	1,512,858	919,215	165%	74.9%
2021	0.016%	2,418,877	838,086	289%	67.0%
2020	0.015%	2,240,967	855,282	262%	65.0%
2019	0.015%	2,656,058	768,317	333%	57.0%
2018	0.015%	4,850,467	784,936	618%	44.0%
2017	0.015%	4,466,080	725,567	615%	43.1%
2016	0.015%	2,295,674	672,599	341%	59.2%
2015	0.015%	2,030,293	669,194	308%	62.8%

Until a full 10-year trend is compiled, the School will present information for those years for which information is available.

### SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF NET OPEB LIABILITY

Year Ended June 30	Cumulative Proportion of Net OPEB Liability	Cumulative Proportionate Share	Covered Payroll	% of Covered Payroll	Plan Net Position as a % of Net OPEB Liability
2023	0.009%	\$ 73,483	\$ 908,911	8.1%	38.6%
2022	0.009%	77,607	919,215	8.4%	39.4%
2021	0.009%	101,160	838,086	12.1%	32.8%
2020	0.009%	101,158	855,282	11.8%	24.5%
2019	0.009%	118,367	768,317	15.4%	17.0%
2018	0.009%	113,065	784,936	14.4%	17.5%
2017	0.009%	112,798	725,567	15.5%	16.7%

Until a full 10-year trend is compiled, the School will present information for those years for which information is available.