

**Prospect Academy of Colorado  
State Charter School**  
*dba Prospect Academy*

**Financial Statements**  
with Supplementary Information

**June 30, 2023**



# Prospect Academy of Colorado State Charter School

*dba Prospect Academy*

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June 30, 2023

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**HINKLE &  
COMPANY**  
Strategic <sup>PC</sup>  
Business Advisors

## Independent Auditor's Report

Board of Directors  
Prospect Academy of Colorado State Charter School  
Arvada, Colorado

### Report on the Audit of the Financial Statements

#### ***Opinions***

We have audited the financial statements of the governmental activities and the General Fund of Prospect Academy of Colorado State Charter School (the School), as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

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

#### ***Basis for Opinions***

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

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

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

#### Office Locations:

Colorado Springs, CO  
Denver, CO  
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Tulsa, OK

#### Denver Office:

750 W. Hampden Avenue,  
Suite 400  
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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for one year after the date that the financial statements are issued.

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

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

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

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



**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the required supplementary information listed in the table of contents, such as management’s discussion and analysis and budgetary comparison information as noted in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with Government Auditing Standards, we have also issued our report dated October 16, 2023 on our consideration of the School’s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the School’s internal control over financial reporting and compliance.

*Hick & Company, PC*

Englewood, Colorado  
October 16, 2023



# Prospect Academy of Colorado State Charter School

## Management's Discussion and Analysis

### Year Ended June 30, 2023

Following is a summary and analysis of Prospect Academy's (PA) financial activities for the year ending June 30, 2023.

#### **Financial Highlights**

The year ending June 30, 2023, is the first year of operations for Prospect Academy (PA). As of June 30, 2023, PA's government-wide net financial position was a deficit of \$451,654. The negative net position is the result of the implementation of regulations under the Governmental Accounting Standards Board Statement (GASB) Numbers 68, 75, and 87. Further information about GASB 68, 75, and 87 is provided in Notes 3 through 6 of the financial statements. PA operations are funded primarily by tax revenue received under the Colorado School Finance Act in Per Pupil Revenue, as well as State and Federal grants. PA's Per Pupil Revenue for the year ending June 30, 2023, was \$551,636. At the close of the fiscal year, PA's governmental fund reported an ending fund balance of \$253,560.

#### **Overview of Financial Statements**

The following analysis is intended to serve as an introduction to PA's financial statements. The statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

##### *Governmental Financial Statements*

The Governmental Financial Statements are designed to provide a broad overview of PA's finances in a manner similar to a private-sector business.

The statement of net position presents information on all PA's assets, liabilities, and deferred inflows and outflows, 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 PA is improving or deteriorating.

The statement of activities presents information showing how PA's net position changed during the year. All changes in net position are reported as soon as the event occurs, regardless of the timing of the related cash flows. As a result, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected grant expenses and earned but unpaid salary and benefits).

##### *Fund Financial Statements*

A fund is a grouping of related accounts that are used to maintain control over resources that have been segregated for specific activities or objectives. PA, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Governmental funds are used to account for its general fund.

PA adopts an annual budget for its general fund. As part of the basic financial statements, budgetary comparison has been provided for the general fund on page 40 of the audit.

# Prospect Academy of Colorado State Charter School

## Management's Discussion and Analysis

Year Ended June 30, 2023

### Notes to Financial Statements

Additional information is provided via notes to the financial statements.

### Governmental-Wide Financial Analysis

As noted previously, net position may serve as a useful indicator of PA's financial position over time. For the year ending June 30, 2023, PA's liabilities and deferred inflows were more than its assets and deferred outflows by \$451,654. Approximately \$50,876 of total net position is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment.

### Net Position as of June 30, 2023

The year ending June 30, 2023, is the first year of operations for PA. As of June 30, 2023, PA's net financial position was a deficit of \$451,654.

### Statement of Net Position

	Governmental Activities As of June 30, 2023	Governmental Activities As of June 30, 2022 *Unaudited
Cash	\$ 206,843	\$ 7,385
Other Assets	280,578	42,021
Capital Assets, Net	8,557,444	107,850
Total Assets	<u>9,044,865</u>	<u>157,256</u>
Deferred Outflow of Resources	<u>1,187,873</u>	<u>-</u>
Current Liabilities	117,861	39,744
Noncurrent Liabilities	10,549,282	-
Total Liabilities	<u>10,667,143</u>	<u>39,744</u>
Deferred Inflow of Resources	<u>17,249</u>	<u>-</u>
Net Position		
Net Investment in Capital Assets	(487,874)	107,850
Restricted	50,876	3,437
Unrestricted	(14,656)	6,225
Total Net Position (Deficit)	<u>\$ (451,654)</u>	<u>\$ 117,512</u>

# Prospect Academy of Colorado State Charter School

## Management's Discussion and Analysis

Year Ended June 30, 2023

### Statement of Activities

	Governmental Activities Year Ending June 30, 2023	Governmental Activities Year Ending June 30, 2022 *Unaudited
Program Revenue		
Charges for Services	\$5,677	\$-
Capital Grants and Contributions	-	50,000
Operating Grants and Contributions	1,424,426	144,706
Total Program Revenue	1,430,103	194,706
General Revenue		
Per Pupil Operating Revenue	551,636	-
Mill Levy Funding	103,902	-
Additional At-Risk Funding	278	-
Capital Construction	20,801	-
Grants and Contributions not Restricted to Specific Programs	410,913	114,280
Investment Income	20	2
Other	19,900	275
Total General Revenue	1,107,450	114,557
Total Revenue	2,537,553	309,263
Expenses		
Instruction	1,883,203	-
Supporting Services	880,366	211,220
Interest on Long-Term Debt	343,150	-
Total Expenses	3,106,719	211,220
Increase (Decrease) in Net Position	<u>(569,166)</u>	<u>98,043</u>
Beginning Net Position	117,512	19,469
Ending Net Position (Deficit)	<u>\$ (451,654)</u>	<u>\$ 117,512</u>

# **Prospect Academy of Colorado State Charter School**

Management's Discussion and Analysis

Year Ended June 30, 2023

## **Financial Analysis of PA's Funds**

PA has one governmental fund, which is the general fund. The general fund is considered a major fund and is used to account for PA's general operations. The general fund had a fund balance of \$253,560 for the year ending June 30, 2023. In addition, a reserve of approximately \$50,876 on June 30, 2023, was made to satisfy the requirements of the TABOR Amendment. PA has a positive unassigned fund balance of \$189,805.

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 activities in the government-wide financial statements. This comparison illustrates the long-term impact of PA'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.

## **General Fund Budgetary Highlights**

PA approves an adopted general fund budget in June of each year based on enrollment projections for the new school year. The school began operations in the Fall of 2022. Each January, after enrollment is confirmed, adjustments may be made to the budget if needed.

## **Capital Assets Administration**

As of June 30, 2023, capital assets consist primarily of equipment and furniture, leasehold improvements, and the right-to-use asset for the building leased by PA. Capital assets, net of accumulated depreciation on June 30, 2023, were \$8,557,444. See Note 4 for more information.

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

The primary factor in future budget development for PA is student enrollment. PA's enrollment is expected to be 81 students for the 2023-2024 school year, which is a 33% increase since the school inception. PA also considers stability in PPR levels to be an important factor in developing its budget for fiscal year 2024.

## **Requests for Information**

This financial report is designed to provide a general overview of PA's finances. Questions concerning any of the information provided in this report or requests for additional information should be addressed to:

Prospect Academy  
Attention: Mia Coffing, Executive Director  
5592 Independence St, Arvada, CO 80002

## **Basic Financial Statements**

**Prospect Academy of Colorado State Charter School**  
*dba Prospect Academy*  
**Statement of Net Position**  
June 30, 2023

	<u>Governmental Activities</u>
<b>Assets</b>	
Cash	\$ 206,843
Accounts Receivable	11,541
Grants Receivable	256,158
Prepaid Expenses	12,879
Capital Assets, <i>Net of Accumulated Depreciation</i>	<u>8,557,444</u>
Total Assets	<u>9,044,865</u>
<b>Deferred Outflows of Resources</b>	
Pensions, <i>Net of Accumulated Amortization</i>	1,136,696
OPEB, <i>Net of Accumulated Amortization</i>	<u>51,177</u>
Total Deferred Outflows of Resources	<u>1,187,873</u>
<b>Liabilities</b>	
Accounts Payable	52,460
Accrued Liabilities	1,500
Accrued Salaries and Benefits	56,961
Unearned Revenues	6,940
Noncurrent Liabilities	
Due In More Than One Year	9,045,318
Net Pension Liability	1,454,981
Net OPEB Liability	<u>48,983</u>
Total Liabilities	<u>10,667,143</u>
<b>Deferred Inflows of Resources</b>	
OPEB, <i>Net of Accumulated Amortization</i>	17,249
<b>Net Position</b>	
Net Investment in Capital Assets	(487,874)
Restricted for:	
Emergencies	50,876
Unrestricted	<u>(14,656)</u>
Total Net Position (Deficit)	<u>\$ (451,654)</u>

**Prospect Academy of Colorado State Charter School**  
*dba Prospect Academy*  
**Statement of Activities**  
**For the Year Ended June 30, 2023**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Change in Net Position
		Charges for Services	Operating Grants and Contributions	Governmental Activities
<b>Primary Government</b>				
<i>Governmental Activities</i>				
Instruction	\$ 1,883,203	\$ 5,677	\$ 1,349,115	\$ (528,411)
Supporting Services	880,366	-	75,311	(805,055)
Interest on Long-Term Debt	343,150	-	-	(343,150)
 Total Primary Government	 \$ <u>3,106,719</u>	 \$ <u>5,677</u>	 \$ <u>1,424,426</u>	 <u>(1,676,616)</u>
<b>General Revenues</b>				
Per Pupil Revenue				551,636
Mill Levy Funding				103,902
Additional At-Risk Funding				278
Capital Construction				20,801
Grants and Contributions not Restricted to Specific Programs				410,913
Investment Income				20
Other				<u>19,900</u>
 Total General Revenues				 <u>1,107,450</u>
 Change in Net Position				 (569,166)
<b>Net Position (Deficit), Beginning of Year</b>				<u>117,512</u>
<b>Net Position (Deficit), End of Year</b>				<u>\$ (451,654)</u>

**Prospect Academy of Colorado State Charter School**  
*dba Prospect Academy*  
**Balance Sheet**  
**Governmental Fund**  
**June 30, 2023**

	General
<b>Assets</b>	
Cash	\$ 206,843
Accounts Receivable	11,541
Grants Receivable	256,158
Prepaid Expenditures	12,879
Total Assets	\$ 487,421
<b>Liabilities and Fund Balance</b>	
<i>Liabilities</i>	
Accounts Payable	\$ 52,460
Accrued Liabilities	1,500
Accrued Salaries and Benefits	56,961
Unearned Revenues	6,940
Right-to-use Lease Obligations Matured	116,000
Total Liabilities	233,861
<i>Fund Balance</i>	
Nonspendable	
Prepaid Expenditures	12,879
Restricted for:	
Emergencies	50,876
Unrestricted, Unassigned	189,805
Total Fund Balance	253,560
Total Liabilities and Fund Balance	\$ 487,421
<b>Amounts Reported for Governmental Activities in the Statement of Net Position are Different Because:</b>	
Total Fund Balance of the Governmental Fund	\$ 253,560
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	8,557,444
Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds.	
Right-to-use Lease Liability	(8,929,318)
Net pension liability	(1,454,981)
Pension-related deferred outflows of resources	1,136,696
Net OPEB liability	(48,983)
OPEB-related deferred outflows of resources	51,177
OPEB-related deferred inflows of resources	(17,249)
Total Net Position (Deficit) of Governmental Activities	\$ (451,654)

**Prospect Academy of Colorado State Charter School**  
*dba Prospect Academy*  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Governmental Fund  
For the Year Ended June 30, 2023

	General
<b>Revenues</b>	
Local Sources	\$ 436,510
State Sources	1,256,458
Federal Sources	830,881
Total Revenues	2,523,849
<b>Expenditures</b>	
Instruction	1,488,776
Supporting Services	533,410
Capital Outlay	8,843,933
Debt Service	
Interest	116,000
Total Expenditures	10,982,119
<b>Excess of Revenues Over (Under) Expenditures</b>	(8,458,270)
<b>Other Financing Sources</b>	
Right-to-use Lease Proceeds	8,702,168
<b>Net Change in Fund Balance</b>	243,898
<b>Fund Balance, Beginning of Year</b>	9,662
<b>Fund Balance, End of Year</b>	\$ 253,560

**Prospect Academy of Colorado State Charter School**  
*dba Prospect Academy*  
 Reconciliation of the Statement of Revenues, Expenditures and Changes in  
 Fund Balance of the Governmental Fund to the Statement of Activities  
 For the Year Ended June 30, 2023

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

Net Change in Fund Balance of the Governmental Fund	\$	243,898
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation or amortization expense.</p>		
Capital Outlay		8,757,273
Depreciation and Amortization Expense		(307,679)
<p>Entering into new leases provides current financial resources to governmental funds, but new leases increase long-term liabilities in the statement of net position and does not affect the statement of activities. Scheduled lease payments are expenditures in governmental funds but they reduce the lease liability in the statement of net position and do not affect the statement of activities.</p>		
Right-to-use Lease Proceeds and Adjustments		(8,929,318)
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds. This includes changes in the following:</p>		
Net pension liability		(1,454,981)
Pension-related deferred outflows of resources		1,136,696
Net OPEB liability		(48,983)
OPEB-related deferred outflows of resources		51,177
OPEB-related deferred inflows of resources		(17,249)
		(569,166)
Change in Net Position of Governmental Activities	\$	(569,166)

# Prospect Academy of Colorado State Charter School

*dba Prospect Academy*

Notes to Financial Statements

June 30, 2023

## **Note 1: Summary of Significant Accounting Policies**

Prospect Academy of Colorado State Charter School (the School) was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school. Effective July 1, 2021, the School entered into a contract with the Colorado Charter School Institute (the Institute) to authorize the School for an additional term of three years, through June 30, 2024. The School began operations in the Fall of 2022.

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 School is governed by a Board of Directors and is organized and operates in accordance with Colorado Statutes. The Board selects the executive director. The Board is solely responsible for the School's budget adoption process.

### **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 normally are 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*.

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

**Prospect Academy of Colorado State Charter School**  
*dba Prospect Academy*  
Notes to Financial Statements  
June 30, 2023

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

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

The School reports the following major 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**

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

*Deposits* - The School has received a security deposit for the sublease of a portion of their leased building.

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

# Prospect Academy of Colorado State Charter School

*dba Prospect Academy*

Notes to Financial Statements

June 30, 2023

## **Note 1: Summary of Significant Accounting Policies** (Continued)

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

Capital assets are amortized or depreciated using the straight-line method over the life of the related lease agreement or the estimated useful lives, as follows:

Equipment and Furniture	5 - 15 years
Leasehold Improvements	10 - 20 years
Right-to-use Building Lease	25 years

*Accrued Salaries and Benefits* - Salaries and benefits of certain contractually employed personnel are paid over a twelve-month period from August to July but are earned during a school year of approximately nine to ten months. The salaries and benefits earned, but unpaid, are reported as a liability of the General Fund.

*Unearned Revenues* - Unearned revenues include grants received before eligibility requirements established by the provider have been met.

*Long-Term Debt* - In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources. Issuance costs are reported as current expenses or expenditures.

*Leases* - The School is a lessee for noncancellable leases of their building. The School recognizes a lease liability and an intangible right-to-use lease asset (lease asset) in the government-wide financial statements. The School recognizes lease assets and liabilities with an initial value of \$5,000 or more.

At the commencement of a lease, the School initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgments related to leases include how the School determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The School uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the School generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancellable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the School is reasonably certain to exercise.

# Prospect Academy of Colorado State Charter School

*dba Prospect Academy*

Notes to Financial Statements

June 30, 2023

## **Note 1: Summary of Significant Accounting Policies** (Continued)

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

The School monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term debt on the statement of net position.

*Deferred Outflows/Inflows of Resources* - In addition to assets, the statement of net position and/or balance sheet will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to future periods and will not be recognized as an outflow of resources (expense/expenditure) until then.

The School reports deferred outflows related to deferred charges on pension and OPEB plan costs.

In addition to liabilities, the statement of net position and/or balance sheet will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to future periods and will not be recognized as an inflow of resources (revenue) until that time.

The School reports deferred inflows related to deferred OPEB plan cost reductions.

*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.

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**Note 1: Summary of Significant Accounting Policies (Continued)**

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

*Net Position* - Net position of the School is classified in three components. Net investment in capital assets consists of capital assets net of accumulated depreciation and is reduced by the current balances of any outstanding borrowings used to finance the purchase or construction of those assets. The restricted component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Unrestricted net position is the remaining net position that does not meet the definition of invested in capital or restricted.

*Net Position Flow Assumption* - The School will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources. In order to calculate the amounts to report as restricted net position and unrestricted net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School's policy to consider restricted net position to have been depleted before unrestricted net position is applied.

*Fund Balance Flow Assumptions* - The School will sometimes fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the School's policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance. Furthermore, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

*Fund Balance Policies* - Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The nonspendable fund balance component represents amounts that are not in spendable form or are legally or contractually required to be maintained intact. Restricted fund balance represents amounts that are legally restricted by outside parties, constitutional provisions, or enabling legislation for use for a specific purpose. The School itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the School's highest level of decision-making authority. The Board of Directors is the highest level of decision-making authority for the School that can, by passing a resolution prior to the end of the fiscal year, commit fund balance. Once passed, the limitation imposed by the resolution remains in place until a similar action is taken (the passing of another resolution) to remove or revise the limitation.

**Prospect Academy of Colorado State Charter School**  
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**Note 1: Summary of Significant Accounting Policies** (Continued)

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

Amounts in the assigned fund balance classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. Only the Board of Directors have been authorized to assign fund balance. The Board of Directors may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally exist only temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

**Risk Management**

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

**Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Actual results could differ from those estimates.

**Subsequent Events**

The School has evaluated subsequent events through October 16, 2023, the date the financial statements were available to be issued.

**Note 2: Cash 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 financial institution is allowed 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.

# Prospect Academy of Colorado State Charter School

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Notes to Financial Statements

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## **Note 2: Cash and Investments** (Continued)

### **Investments**

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

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

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

*Credit Risk* - State statutes limit certain investments to those with specified ratings from nationally recognized statistical rating organizations, depending on the type of investment.

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

The School has no investments at June 30, 2023.

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**Note 3: Capital Assets**

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

<b>Governmental Activities</b>	<b>Balance 6/30/22</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 6/30/23</b>
<i>Capital Assets, Being Depreciated</i>				
Right-to-use Building Lease	\$ -	\$ 8,702,168	\$ -	\$ 8,702,168
Leasehold Improvements	-	50,002	-	50,002
Equipment and Furniture	114,545	5,103	-	119,648
<b>Total Capital Assets, <i>Being Depreciated</i></b>	<b>114,545</b>	<b>8,757,273</b>	<b>-</b>	<b>8,871,818</b>
<i>Less: Accumulated Amortization and Depreciation:</i>				
Right-to-use Building Lease	-	(292,019)	-	(292,019)
Leasehold Improvements	-	(1,905)	-	(1,905)
Equipment and Furniture	(6,695)	(13,755)	-	(20,450)
<b>Total Accumulated Depreciation</b>	<b>(6,695)</b>	<b>(307,679)</b>	<b>-</b>	<b>(314,374)</b>
<b>Total Capital Assets, <i>Being Depreciated</i></b>	<b>\$ 107,850</b>	<b>\$ 8,449,594</b>	<b>\$ -</b>	<b>\$ 8,557,444</b>

Depreciation expense was charged to the supporting services program.

**Note 4: Long-Term Debt**

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

<b>Governmental Activities</b>	<b>Balance 6/30/22</b>	<b>Additions</b>	<b>Payments</b>	<b>Balance 6/30/23</b>	<b>Due Within One Year</b>
Right-to-use Lease Liability	\$ -	\$ 9,045,318	\$ -	\$ 9,045,318	\$ -

In September 2022, the School entered into a lease agreement with CSDCPC Prospect, LLC for a lease of the building utilized by the School. The lease contains two options of five years each for renewal of the lease. The school is obligated to make monthly lease payments to CSDCPC Prospect, LLC for using the facilities.

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**Note 4: Long-Term Debt** (Continued)

Future debt service requirements for the lease are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ (52,780)	\$ 418,780	\$ 366,000
2025	63,450	421,722	485,172
2026	81,334	418,393	499,727
2027	100,513	414,206	514,719
2028	121,063	409,098	530,161
2029-2033	967,290	1,931,845	2,899,135
2034-2038	1,737,233	1,623,659	3,360,892
2039-2043	2,790,573	1,105,622	3,896,195
2044-2047	3,236,642	322,677	3,559,319
Total	<u>\$ 9,045,318</u>	<u>\$ 7,066,002</u>	<u>\$ 16,111,320</u>

**Note 5: Defined Benefit Pension Plan**

**General Information**

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

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**Note 5: Defined Benefit Pension Plan (Continued)**

**General Information** (Continued)

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

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

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

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

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

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

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

**Prospect Academy of Colorado State Charter School**  
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**Note 5: Defined Benefit Pension Plan (Continued)**

**General Information** (Continued)

*Contributions provisions as of June 30, 2023* - Eligible employees of the School and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 11.00% of their PERA-includable salary during the period of July 01, 2022 through June 30, 2023. The School's contribution rate was 21.40% of covered salaries for July 01, 2022 through June 30, 2023. However, a portion of the School's contribution (1.02% of covered salaries) is allocated to the Health Care Trust Fund (See Note 6). Contribution rates for the SCHDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the School were \$140,976, for the year ended June 30, 2023.

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

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

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

# Prospect Academy of Colorado State Charter School

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Notes to Financial Statements

June 30, 2023

## Note 5: Defined Benefit Pension Plan (Continued)

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

At June 30, 2023, the School reported a liability of \$1,454,981, for its proportionate share of the net pension liability that reflected an increase for support from the State as a nonemployer contributing entity. The amount recognized by the School as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the School were as follows:

Proportionate share of the net pension liability	\$ 1,878,976
The State's proportionate share of net pension liability as a nonemployer contributing entity associated with the School	<u>(423,995)</u>
School Proportionate share of net pension liability	<u>\$ 1,454,981</u>

At December 31, 2022, the School's proportion was 0.0079902430% compared to 0.0000000000% at December 31, 2021.

For the year ended June 30, 2023, the School recognized pension expense of \$521,206 and benefit of \$49,859 for support from the State as a nonemployer contributing entity. At June 30, 2023, the School reported deferred outflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>
Differences between expected and actual experience	\$ 13,771
Changes of assumptions and other inputs	25,772
Net difference between projected and actual earnings on plan investments	195,458
Changes in proportion	822,756
Contributions subsequent to the measurement date	<u>78,939</u>
Total	<u>\$ 1,136,696</u>

# Prospect Academy of Colorado State Charter School

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Notes to Financial Statements

June 30, 2023

## Note 5: Defined Benefit Pension Plan (Continued)

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

\$78,939 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized as pension expense as follows:

<u>Year Ended June 30,</u>			
2024	\$	368,479	
2025		381,399	
2026		194,190	
2027		113,689	
Total	\$	<u>1,057,757</u>	

*Actuarial Assumptions* - The TPL in the December 31, 2022, actuarial valuation was determined using the following actuarial assumptions and other inputs.

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.

Actuarial cost method	Entry Age
Price inflation	2.3%
Real wage growth	0.7%
Wage inflation	3.0%
Salary increases, including wage inflation	3.4% - 11.0%
Long-term investment rate of return, net of plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Future post-employment benefit increases:	
Hired prior to 1/1/2007	1.00%
Hired after 12/31/2006	Financed by AIR

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.

**Prospect Academy of Colorado State Charter School**  
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**Note 5: Defined Benefit Pension Plan** (Continued)

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

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.

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

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

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

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

# Prospect Academy of Colorado State Charter School

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Notes to Financial Statements

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## Note 5: Defined Benefit Pension Plan (Continued)

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

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

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

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in Senate Bill (SB) 18-200 and required adjustments resulting from the 2018 and 2020 AAP assessments. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.

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**Note 5: Defined Benefit Pension Plan (Continued)**

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

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200, required adjustments resulting from the 2018 and 2020 AAP assessments. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- HB 22-1029, effective upon enactment in 2022, required the State treasurer to issue, in addition to the regularly scheduled \$225 million (actual dollars) direct distribution, a warrant to PERA in the amount of \$380 million (actual dollars). The July 1, 2023, direct distribution is reduced by \$190 million (actual dollars) to \$35 million (actual dollars). The July 1, 2024, direct distribution will not be reduced from \$225 million (actual dollars) due to PERA's negative investment return in 2022.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

# Prospect Academy of Colorado State Charter School

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## Note 5: Defined Benefit Pension Plan (Continued)

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

*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:

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Proportionate share of the net pension liability	\$ <u>1,904,069</u>	\$ <u>1,454,981</u>	\$ <u>1,079,946</u>

*Pension plan fiduciary net position* - Detailed information about the SCHDTF's FNP is available in PERA's ACFR which can be obtained at [www.copera.org/investments/pera-financial-reports](http://www.copera.org/investments/pera-financial-reports).

## Note 6: Postemployment Healthcare Benefits

### General Information

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

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Notes to Financial Statements  
June 30, 2023

**Note 6: Postemployment Healthcare Benefits** (Continued)

**General Information** (Continued)

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

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

*PERA Benefit Structure*

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

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.

# Prospect Academy of Colorado State Charter School

*dba Prospect Academy*

Notes to Financial Statements

June 30, 2023

## **Note 6: Postemployment Healthcare Benefits (Continued)**

### **General Information** (Continued)

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the School was \$7,056, for the year ended June 30, 2023.

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

At June 30, 2023, the School reported a liability of \$48,983 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured at December 31, 2022, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2022. The School's proportion of the net OPEB liability was based on the School's contributions to the HCTF for the calendar year ended December 31, 2022, relative to the contributions of all participating employers to the HCTF.

At December 31, 2022, the School's proportion was 0.0059993410% compared to 0.0000000000% at December 31, 2021.

**Prospect Academy of Colorado State Charter School**  
*dba Prospect Academy*  
 Notes to Financial Statements  
 June 30, 2023

**Note 6: Postemployment Healthcare Benefits (Continued)**

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

For the year ended June 30, 2023, the School recognized OPEB expense of \$8,112. At June 30, 2023, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 9	\$ 11,842
Changes of assumptions and other inputs	783	5,407
Net difference between projected and actual earnings on plan investments	2,992	-
Changes in proportion	43,442	-
Contributions subsequent to the measurement date	3,951	-
<b>Total</b>	<b>\$ 51,177</b>	<b>\$ 17,249</b>

\$3,951 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:

<b><u>Year Ended June 30,</u></b>			
2024		\$	3,416
2025			3,706
2026			6,164
2027			7,972
2028			7,017
Thereafter			1,702
<b>Total</b>		<b>\$</b>	<b>29,977</b>

# Prospect Academy of Colorado State Charter School

*dba Prospect Academy*

Notes to Financial Statements

June 30, 2023

## Note 6: Postemployment Healthcare Benefits (Continued)

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

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

The TOL for the HCTF, as of the December 31, 2022, measurement date, was adjusted to reflect the disaffiliation, allowable under C.R.S. § 24-51-313, of Tri-County Health Department (TriCounty Health), effective December 31, 2022. As of the close of the 2022 fiscal year, no disaffiliation payment associated with Tri-County Health was received, and therefore no disaffiliation dollars were reflected in the FNP as of the December 31, 2022, measurement date.

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:	
<i>PERA Benefit Structure</i>	
Service-based premium subsidy	0.0%
PERACare Medicare plans	
6.50% in 2022 gradually decreasing to 4.50% in 2030	
Medicare Part A premiums:	
3.75% for 2021, gradually increasing to 4.50% in 2029	
<i>DPS Benefit Structure</i>	
Service-based premium subsidy	0.0%
PERACare Medicare plans	N/A
Medicare Part A premiums:	N/A

Beginning January 1, 2022, the per capita health care costs are developed by plan option; based on 2022 premium rates for the UnitedHealthcare Medicare Advantage Prescription Drug (MAPD) PPO plan #1, the UnitedHealthcare MAPD PPO plan #2, and the Kaiser Permanente MAPD HMO plan. Actuarial morbidity factors are then applied to estimate individual retiree and spouse costs by age, gender, and health care cost trend. This approach applies for all members and is adjusted accordingly for those not eligible for premium-free Medicare Part A for the PERA benefit structure.

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

# Prospect Academy of Colorado State Charter School

*dba Prospect Academy*

Notes to Financial Statements

June 30, 2023

## Note 6: Postemployment Healthcare Benefits (Continued)

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

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

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

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

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

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

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

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

# Prospect Academy of Colorado State Charter School

*dba Prospect Academy*

Notes to Financial Statements

June 30, 2023

## **Note 6: Postemployment Healthcare Benefits (Continued)**

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

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

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

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

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

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

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

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

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

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

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

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

**Prospect Academy of Colorado State Charter School**  
*dba Prospect Academy*  
Notes to Financial Statements  
June 30, 2023

**Note 6: Postemployment Healthcare Benefits** (Continued)

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

Disabled mortality assumptions for 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 HCTF:

- Per capita health care costs in effect as of the December 31, 2021, valuation date for those PERACare enrollees under the PERA benefit structure who are expected to be age 65 and older ages and are not eligible for premium-free Medicare Part A benefits have been updated to reflect costs for the 2022 plan year.
- The December 31, 2021, valuation utilizes premium information as of January 1, 2022, as the initial per capita health care cost. As of that date, PERACare health benefits administration is performed by UnitedHealthcare. In that transition, the costs for the Medicare Advantage Option #2 decreased to a level that is lower than the maximum possible service-related subsidy as described in the plan provisions.
- The health care cost trend rates applicable to health care premiums were revised to reflect the then-current expectation of future increases in those premiums. Medicare Part A premiums continued with the prior valuation trend pattern.

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

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

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

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

**Prospect Academy of Colorado State Charter School**  
*dba Prospect Academy*  
Notes to Financial Statements  
June 30, 2023

**Note 6: Postemployment Healthcare Benefits (Continued)**

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

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

As of the most recent reaffirmation of the long-term rate of return, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized, as presented previously (See Note 5).

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

*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.

# Prospect Academy of Colorado State Charter School

*dba Prospect Academy*

Notes to Financial Statements

June 30, 2023

## Note 6: Postemployment Healthcare Benefits (Continued)

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

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 56,786	\$ 48,983	\$ 42,309

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

	1% Decrease	Current Healthcare Cost Trend Rates	1% Increase
Proportionate share of the net OPEB liability	\$ 47,597	\$ 48,983	\$ 50,492

*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).

**Prospect Academy of Colorado State Charter School**  
*dba Prospect Academy*  
Notes to Financial Statements  
June 30, 2023

**Note 7: Commitments and Contingencies**

**Claims and Judgments**

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

**TABOR Amendment**

In November 1992, Colorado voters passed the TABOR Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The Amendment is subject to many interpretations, but the School believes it is in substantial compliance with the Amendment. In accordance with the Amendment, the School has established an emergency reserve representing 3% of qualifying expenditures. At June 30, 2023, the reserve was reported as restricted fund balance in the General Fund, in the amount of \$50,876.

## **Required Supplementary Information**

**Prospect Academy of Colorado State Charter School**  
*dba Prospect Academy*  
 Required Supplementary Information  
 Schedule of Proportionate Share of the Net Pension Liability and Contributions  
 Public Employees' Retirement Association of Colorado School Division Trust Fund  
 June 30, 2023

Measurement Date	12/31/22
<b>Proportionate Share of the Net Pension Liability</b>	
School's Proportion of the Net Pension Liability	0.0079902430%
Net Pension Liability	
School's Proportionate Share	\$ 1,454,981
State's Proportionate Share	423,995
Total Proportionate Share of the Net Pension Liability	\$ 1,878,976
School's Covered-Employee Payroll	\$ 304,396
School's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll	478%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62%
Reporting Date	6/30/23
<b>School Contributions</b>	
Statutorily Required Contribution	\$ 140,976
Contributions in Relation to the Statutorily Required Contribution	(140,976)
Contribution Deficiency (Excess)	\$ -
School's Covered-Employee Payroll	\$ 691,733
Contributions as a Percentage of Covered-Employee Payroll	20.38%

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

**Prospect Academy of Colorado State Charter School**  
*dba Prospect Academy*  
 Required Supplementary Information  
 Schedule of Proportionate Share of the Net OPEB Liability and Contributions  
 Public Employees' Retirement Association of Colorado Health Care Trust Fund  
 June 30, 2023

Measurement Date	12/31/22
<b>Proportionate Share of the Net OPEB Liability</b>	
School's Proportion of the Net OPEB Liability	0.0059993410%
School's Proportionate Share of the Net OPEB Liability	\$ 48,983
School's Covered Payroll	\$ 304,396
School's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	16%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	39%
Reporting Date	6/30/23
<b>School Contributions</b>	
Statutorily Required Contribution	\$ 7,056
Contributions in Relation to the Statutorily Required Contribution	(7,056)
Contribution Deficiency (Excess)	\$ -
School's Covered Payroll	\$ 691,733
Contributions as a Percentage of Covered Payroll	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.

# Prospect Academy of Colorado State Charter School

*dba Prospect Academy*  
 Budgetary Comparison Schedule  
 General Fund  
 For the Year Ended June 30, 2023

	Budget	Actual	Variance Positive (Negative)
<b>Revenues</b>			
<i>Local Sources</i>			
Tuition and Fees	\$ -	\$ 5,677	\$ 5,677
Contributions	30,000	410,913	380,913
Investment Income	-	20	20
Other	-	19,900	19,900
	30,000	436,510	406,510
<i>State Sources</i>			
Per Pupil Revenue	931,994	551,636	(380,358)
Mill Levy Funding	140,740	103,902	(36,838)
Supplemental At-Risk Aid	-	278	278
Capital Construction	39,500	20,801	(18,699)
Grants	1,117,263	579,841	(537,422)
	2,229,497	1,256,458	(973,039)
<i>Federal Sources</i>			
Grants	221,000	830,881	609,881
	2,480,497	2,523,849	43,352
<b>Expenditures</b>			
Salaries	916,750	927,057	(10,307)
Employee Benefits	352,677	284,682	67,995
Purchased Services	855,260	649,271	205,989
Supplies	84,124	141,985	(57,861)
Other	800	19,191	(18,391)
Capital Outlay	215,383	8,843,933	(8,628,550)
Debt Service	-	116,000	(116,000)
Contingency	55,503	-	55,503
	2,480,497	10,982,119	(8,501,622)
<b>Excess of Revenues Over (Under) Expenditures</b>	-	(8,458,270)	(8,458,270)
<b>Other Financing Sources</b>			
Right-to-use Lease Proceeds	-	8,702,168	8,702,168
<b>Net Change in Fund Balance</b>	-	243,898	243,898
<b>Fund Balance, Beginning of Year</b>	1,788,984	9,662	(1,779,322)
<b>Fund Balance, End of Year</b>	\$ 1,788,984	\$ 253,560	\$ (1,535,424)

**Prospect Academy of Colorado State Charter School**  
*dba Prospect Academy*  
Notes to Financial Statements  
June 30, 2023

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

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

**Note 2: Stewardship, Compliance and Accountability**

**Budgets and Budgetary Accounting**

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

During the year ended June 30, 2023, General Fund expenditures exceeded appropriations which may be a violation of state budget statute. This is due solely to the recording of \$8.7M in capital outlay expenditures related to the application of GASB 87 to a new lease the school entered into September 2022.



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**Independent Auditor's Report on Internal Control Over  
Financial Reporting and On Compliance and Other Matters  
Based on An Audit of Financial Statements Performed  
In Accordance with *Government Auditing Standards***

Board of Directors  
Prospect Academy of Colorado State Charter School  
Arvada, Colorado

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Prospect Academy of Colorado State Charter School (the School) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the basic financial statements of the School, and have issued our report thereon dated October 16, 2023.

***Report on Internal Control over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the School's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the School's internal control. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over financial reporting.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Office Locations:

Colorado Springs, CO  
Denver, CO  
Frisco, CO  
Tulsa, OK

Denver Office:

750 W. Hampden Avenue,  
Suite 400  
Englewood,  
Colorado 80110  
TEL: 303.796.1000  
FAX: 303.796.1001  
[www.HinkleCPAs.com](http://www.HinkleCPAs.com)

Our consideration of the School's internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the School's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

**Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

Hick & Company, PC

Englewood, Colorado  
October 16, 2023

