

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

Financial Statements

June 30, 2022



World Compass Academy
(A Component Unit of Douglas County School District RE.1)
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June 30, 2022

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Business Advisors

Independent Auditor's Report

Board of Directors
World Compass Academy
Castle Rock, Colorado

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities and each major fund of World Compass Academy (the Academy), as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Academy'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, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the Academy, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

The Academy'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.

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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 Academy's ability to continue as a going concern for one year after the date that the financial statements are issued.

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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



Required Supplementary Information

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

Hick & Company PC

Englewood, Colorado
October 31, 2022



World Compass Academy
(A Component Unit of the Douglas County School District RE.1)
Management's Discussion and Analysis (Unaudited)
June 30, 2022

As management of the World Compass Academy (WCA/the School), we offer readers of the World Compass Academy financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2022.

Financial Highlights

The period ending June 30, 2022 was the seventh year of operations for the School. Liabilities and deferred inflows of the School exceeded its assets and deferred outflows at June 30, 2022 by \$8,157,480. This negative net position is being driven by the net pension and post-employment benefit liabilities or GASB Statements 68 and 75 disclosures.

At the close of the fiscal year the School's General fund reported an ending fund balance of \$2,405,750 reflecting an increase of \$239,788 or 11.1%. 85.9% of the Fund Balance is currently unrestricted or unassigned.

Overview of Financial Statements

This discussion and analysis are intended to serve as an introduction to the School's basic financial statements. The School's basic financial statements are comprised of three components: 1) government-wide financial statements; 2) fund financial statements; and 3) notes to the financial statements.

Government-wide Financial Statements

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

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

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

The government-wide financial statement of activities identifies functions/programs of the School, which will be supported primarily by per pupil revenue (PPR) passed through from the District (Douglas County School District). The governmental activities of the School include instruction and supporting expenses.

The government-wide financial statements can be found on pages 4-5 of this report.

World Compass Academy
(A Component Unit of the Douglas County School District RE.1)
Management's Discussion and Analysis (Unaudited)
June 30, 2022

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other governmental units or charter schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The two funds of the School, General and Building, are both governmental funds. In past years, the Building Fund was reported as a proprietary fund but will now follow GASB Statements 80 and 90 and be reported as a Special Revenue or governmental fund.

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

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the School'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.

The School maintains two governmental funds, the General Fund and a Special Revenue Fund or Building Fund. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund and Building Fund.

The School adopts an annual appropriations budget for its General Fund. A budgetary comparison statement has been provided for the General Fund on page 38.

Notes to the Financial Statements - The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This information is provided in pages 9 - 34.

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of an entities' financial condition. In the case of the School, liabilities and deferred inflows exceeded assets and deferred outflows by \$8,157,480 for all government funds and business type activities at the close of the most recent fiscal year. \$223,100 of this total is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. Accordingly, these funds are not available to satisfy general operating expenses of the School. The net position improved by \$1,871,528 primarily due to the pension and post-employment benefit liability declining. Overall, the net pension and OPEB liability declined \$1,784,093 from the prior year. In addition, the General Fund balance increase by \$239,788.

World Compass Academy
(A Component Unit of the Douglas County School District RE.1)
Management's Discussion and Analysis (Unaudited)
June 30, 2022

WCA's Net Position for the Year Ended June 30, 2022 and June 30, 2021

| | Governmental Activities <u>30-Jun-22</u> | Governmental Activities <u>30-Jun-21</u> |
|--|--|--|
| ASSETS | | |
| Cash and Investments | \$ 2,601,773 | \$ 2,430,566 |
| Restricted Investments | 2,222,004 | 2,332,842 |
| Receivables and Prepaid Items | 253,279 | 46,608 |
| Capital Net of Accumulated Depreciation | 17,602,362 | 17,947,774 |
| Total Assets | 22,679,418 | 22,757,790 |
| Deferred outflow of resources- Pensions/OPEB | 1,974,344 | 3,147,082 |
| LIABILITIES | | |
| Accounts Payable | 75,074 | 38,165 |
| Accrued Salaries and Benefits | 119,560 | 148,479 |
| Accrued Interest | 310,827 | 312,562 |
| Deferred Revenue | 254,668 | 126,730 |
| Noncurrent – Due in One Year | 322,500 | 300,000 |
| Noncurrent - Due in more than One Year | 22,587,500 | 22,910,000 |
| Noncurrent – Pension | 6,031,700 | 8,345,565 |
| Noncurrent – OPEB | 291,815 | 303,296 |
| Total Liabilities | 29,993,644 | 32,484,797 |
| Deferred Inflows – Pensions/OPEB | \$ 2,817,598 | \$ 3,449,083 |
| Investment in Capital Assets, Net Restricted for Debt Service | (5,307,638) | (5,262,226) |
| Restricted for Emergencies | 1,911,177 | 2,020,280 |
| Unrestricted | 223,100 | 218,600 |
| Total Net Position | \$ (8,157,480) | \$ (10,029,008) |

The majority of the School's Government Wide assets (77.6%) are in net capital assets. 21.3% percent of total assets represent cash, restricted cash and investments. The School's net position is a negative \$8,157,480 which reflects an improvement in net position of \$1,871,528 or 18.7%.

World Compass Academy
(A Component Unit of the Douglas County School District RE.1)
 Management's Discussion and Analysis (Unaudited)
 June 30, 2022

WCA's Change in Net Position
For the Year Ended June 30, 2022 and June 30, 2021

| | <u>June 30, 2022</u> | <u>June 30, 2021</u> |
|-------------------------------------|----------------------|----------------------|
| Program Revenue: | | |
| Charges for Services | 653,353 | 394,138 |
| Grants and Contributions | 66,218 | 482,281 |
| Total Program Revenue | 719,571 | 876,419 |
| General Revenue: | | |
| Per Pupil Revenue | 5,837,544 | 5,214,776 |
| Mill Levy Override | 809,713 | 786,307 |
| Capital Construction Funding | 197,990 | 201,204 |
| Investment Earnings | 5,351 | 3,494 |
| Other | 43,251 | 2,301,809 |
| Total General Revenue | 6,893,849 | 8,507,590 |
| Total Revenue | 7,613,420 | 9,384,009 |
| Expenses: | | |
| Current: | | |
| Instruction | 1,110,332 | 3,371,101 |
| Supporting Services | 3,383,054 | 3,202,067 |
| Interest on Long-Term Debt | 1,248,506 | 1,255,447 |
| Total Expenses | 5,741,892 | 7,828,615 |
| Increase (Decrease) in Net Position | 1,871,528 | 1,555,394 |
| Beginning Net Position | (10,029,008) | (11,584,402) |
| Ending Net Position | \$ (8,157,480) | \$ (10,029,008) |

Financial Analysis of the Government's Funds

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

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

World Compass Academy
(A Component Unit of the Douglas County School District RE.1)
Management's Discussion and Analysis (Unaudited)
June 30, 2022

As of the end of the current fiscal year, June 30, 2022, the School's General Fund reported an ending fund balance of \$2,405,750, reflecting an increase of \$239,788 or 11.1%. Overall, General Fund revenue increased \$263,098 or 3.4% over the prior year. Total General Fund revenue, loan proceeds, and transfers were \$7,933,682 in FY22 as compared to \$7,670,584 for FY21.

General Fund Budgetary Highlights

The School approves a budget prior to June 30th based on enrollment projections or Full Time Equivalent (FTE) for the upcoming school year. In October after enrollment stabilizes, adjustments are made to the budget. The first year of operations supported enrollment of 410 students for grades K through 5th. FY22, the seventh year of operations supported 679 students in grades K through 8th grade as noted in the following table:

| YEAR | HD - K | K | 1st | 2nd | 3rd | 4th | 5th | 6th | 7th | 8th | K-8 Count |
|------|--------|-----|-----|-----|-----|-----|-----|-----|-----|-----|-----------|
| FY16 | 49 | 46 | 90 | 49 | 67 | 57 | 52 | 0 | 0 | 0 | 410 |
| FY17 | 40 | 41 | 93 | 98 | 53 | 78 | 58 | 53 | 0 | 0 | 514 |
| FY18 | 47 | 50 | 96 | 97 | 96 | 58 | 77 | 55 | 20 | 0 | 596 |
| FY19 | 29 | 63 | 89 | 86 | 87 | 88 | 52 | 73 | 46 | 25 | 638 |
| FY20 | 5 | 73 | 81 | 75 | 82 | 83 | 78 | 53 | 50 | 39 | 619 |
| FY21 | 3 | 102 | 84 | 82 | 77 | 86 | 80 | 79 | 34 | 46 | 673 |
| FY22 | 2 | 98 | 99 | 70 | 75 | 77 | 89 | 76 | 68 | 25 | 679 |

The total General Fund revised appropriations were \$7,965,000 for FY22. Actual expenditures were \$7,693,894 resulting in a positive variance of \$271,106.

The Building Fund posted revenue mirroring the lease payments from the General Fund. Expenditures included debt service interest and principal, along with fees and supplies. The expenditures were in line with the intended budget.

Capital Asset and Debt Administration

Capital Assets The School's investment in capital assets totaled \$19,202,166 at June 30, 2022. Depreciation taken for FY22 was \$355,275 and capital additions were \$9,863. Net capital assets were \$17,602,362. Please see Note 3 on page 15 for a breakdown of total assets.

Long-Term Lease Agreement

The School entered into a lease agreement with the Building Corporation in October, 2017. The lease will be renewed annually and expire each June 30th. Debt was issued in the amount of \$23,210,000 to refund outstanding facility debt and fund a project account with \$8,028,000 for an expansion. Interest rates on the debt range from 4.625% to 5.625%. \$300,000 in principal was paid in FY22 resulting in a balance of \$22,910,000 outstanding at June 30, 2022.

World Compass Academy
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Management's Discussion and Analysis (Unaudited)
June 30, 2022

The School has agreed to maintain a Debt Service reserve of one year of maximum annual debt service. In addition, the School is required to meet a Debt Service Coverage Ratio (DSCR) of 1.10X measured on June 30th of each year in addition to maintaining 75 days of cash on hand. Currently, WCA had approximately 123 days of operating cash on hand at June 30, 2022. The DSCR for FY22 was 1.15X.

Economic Factors and Next Year's Budget

In November of 2000 voters in Colorado approved a provision to the Colorado constitution providing that K-12 funding would increase at pupil growth, plus inflation, plus 1% for 10 years and thereafter, growth plus inflation. This provision expired in FY 11 and continues without the 1% increase.

The Per Pupil Revenue (PPR) for FY21 decreased on average 5.4% State wide due to the pandemic. Douglas County School District PPR declined from \$8,217 to \$7,763 or 5.5%. The Per Pupil Revenue for FY22 increased on average 10.6% State wide. Colorado's economy, is rebounding. With the additional tax collections and Federal support, PPR will likely increase in line with inflation for the next few years. PPR for FY23 has increased 6% on average statewide. Indications on K-12 funding for FY24 will be available with the Governor's budget due to be released in November.

The School currently projects expenditures of \$8,684,519 based on an enrollment of 707.5 students for FY23.

Requests for Information

This financial report is designed to provide a general overview of the WCA's finances for those with an interest. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to World Compass Academy, Attn: Business Office, 2490 S Perry Street, Castle Rock, CO 80104.

Basic Financial Statements

World Compass Academy
(A Component Unit of Douglas County School District RE.1)
Statement of Net Position
June 30, 2022

| | <u>Governmental Activities</u> |
|--|------------------------------------|
| Assets | |
| Cash and Investments | \$ 2,601,773 |
| Restricted Cash and Investments | 2,222,004 |
| Account Receivables | 137,195 |
| Prepaid Expenses | 116,084 |
| Capital Assets, <i>Not Being Depreciated</i> | 2,009,863 |
| Capital Assets, <i>Net of Accumulated Depreciation</i> | <u>15,592,499</u> |
| Total Assets | <u>22,679,418</u> |
| Deferred Outflows of Resources | |
| Pensions, <i>Net of Accumulated Amortization</i> | 1,904,818 |
| OPEB, <i>Net of Accumulated Amortization</i> | <u>69,526</u> |
| Total Deferred Outflows of Resources | <u>1,974,344</u> |
| Liabilities | |
| Accounts Payable | 75,076 |
| Accrued Liabilities | 119,560 |
| Unearned Revenues | 254,668 |
| Accrued Interest Payable | 310,827 |
| Noncurrent Liabilities | |
| Due in One Year | 322,500 |
| Due in More Than One Year | 22,587,500 |
| Net Pension Liability | 6,031,700 |
| Net OPEB Liability | <u>291,815</u> |
| Total Liabilities | <u>29,993,646</u> |
| Deferred Inflows of Resources | |
| Pensions, <i>Net of Accumulated Amortization</i> | 2,708,480 |
| OPEB, <i>Net of Accumulated Amortization</i> | <u>109,118</u> |
| Total Deferred Inflows of Resources | <u>2,817,598</u> |
| Net Position | |
| Net Investment in Capital Assets | (5,307,638) |
| Restricted for: | |
| Debt Service | 1,911,177 |
| Emergencies | 223,100 |
| Unrestricted | <u>(4,984,121)</u> |
| Total Net Position | <u>\$ (8,157,482)</u> |

World Compass Academy
 (A Component Unit of Douglas County School District RE.1)
 Statement of Activities
 For the Year Ended June 30, 2022

| Functions/Programs | Expenses | Program Revenues | | Net (Expense) |
|--------------------------------------|---------------------|-------------------|------------------|-----------------------|
| | | Charges for | Operating | Revenue and |
| | | Services | Grants and | Change in |
| | | | Contributions | Net Position |
| Primary Government | | | | |
| <i>Governmental Activities</i> | | | | |
| Instruction | \$ 1,110,335 | \$ 653,353 | \$ 103,269 | \$ (353,713) |
| Supporting Services | 3,383,053 | - | (37,051) | (3,420,104) |
| Interest in Long-Term Debt | 1,248,506 | - | - | (1,248,506) |
| Total Governmental Activities | \$ 5,741,894 | \$ 653,353 | \$ 66,218 | \$ (5,022,323) |
| General Revenues | | | | |
| | | | | 5,837,544 |
| Per Pupil Revenue | | | | 809,713 |
| District Mill Levy | | | | 197,990 |
| Capital Construction | | | | |
| Contributions not Restricted to | | | | |
| Specific Programs | | | | 38,051 |
| Investment Income | | | | 5,351 |
| Other | | | | 5,200 |
| | | | | <u>6,893,849</u> |
| | | | | 1,871,526 |
| | | | | (10,029,008) |
| | | | | <u>\$ (8,157,482)</u> |

World Compass Academy
(A Component Unit of Douglas County School District RE.1)
Balance Sheet
Governmental Fund
June 30, 2022

| | General | Building | Total |
|--|------------------|------------------|------------------|
| Assets | | | |
| Cash and Investments | \$ 2,601,773 | \$ - | \$ 2,601,773 |
| Restricted Cash and Investments | - | 2,222,004 | 2,222,004 |
| Accounting Receivables | 137,195 | - | 137,195 |
| Interfund Receivables | - | - | - |
| Prepaid Expenses | 116,084 | - | 116,084 |
| Total Assets | \$ 2,855,052 | \$ 2,222,004 | \$ 5,077,056 |
| Liabilities and Fund Balance | | | |
| <i>Liabilities</i> | | | |
| Accounts Payable | \$ 75,076 | \$ - | \$ 75,076 |
| Interfund Payables | - | - | - |
| Accrued Liabilities | 119,560 | - | 119,560 |
| Unearned Revenues | 254,668 | - | 254,668 |
| Total Liabilities | 449,304 | - | 449,304 |
| <i>Fund Balance</i> | | | |
| Nonspendable Prepaid Expenditures | 116,084 | - | 116,084 |
| Restricted for: | | | |
| Emergencies | 223,100 | - | 223,100 |
| Debt Service | | 2,222,004 | 2,222,004 |
| Unrestricted, Unassigned | 2,066,564 | - | 2,066,564 |
| Total Fund Balance | 2,405,748 | 2,222,004 | 4,627,752 |
| Total Liabilities and Fund Balance | \$ 2,855,052 | \$ 2,222,004 | \$ 5,077,056 |

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

| | |
|---|--------------------|
| Total Fund Balance of the Governmental Fund | \$ 4,627,752 |
| Capital assets used in governmental activities are not financial resources and, therefore, not report in governmental funds | 17,602,362 |
| Long-term liabilities and related items are not due and payable in the current year and, therefore, are not reported in governmental funds: | |
| Accrued Interest Payable | (310,827) |
| Long Term Debt | (22,910,000) |
| Net pension liability | (6,031,700) |
| Pension-related deferred outflows of resources | 1,904,818 |
| Pension-related deferred inflows of resources | (2,708,480) |
| Net OPEB liability | (291,815) |
| OPEB-related deferred outflows of resources | 69,526 |
| OPEB-related deferred inflows of resources | (109,118) |
| Total Net Position of Governmental Activities | \$ (8,157,482) |

World Compass Academy
(A Component Unit of Douglas County School District RE.1)
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Fund
For the Year Ended June 30, 2022

| | General | Building | Total |
|--|--------------|--------------|--------------|
| Revenues | | | |
| Local Sources | \$ 7,338,661 | \$ 1,568,826 | \$ 8,907,487 |
| State Sources | 321,094 | - | 321,094 |
| Federal Sources | 165,141 | - | 165,141 |
| | 7,824,896 | 1,568,826 | 9,393,722 |
| Total Revenues | | | |
| Expenditures | | | |
| Instruction | 4,183,046 | 18,475 | 4,201,521 |
| Supporting Services | 3,510,850 | - | 3,510,850 |
| Debt Service | | | |
| Principal | - | 305,201 | 305,201 |
| Interest | - | 1,245,040 | 1,245,040 |
| | 7,693,896 | 1,568,716 | 9,262,612 |
| Total Expenditures | | | |
| Excess Revenues Over Expenditures | 131,000 | 110 | 131,110 |
| Other Financing Sources (Uses) | | | |
| Transfers In (Out) | 108,786 | (108,786) | - |
| | 108,786 | (108,786) | - |
| Total Other Financing Sources (Uses) | | | |
| Net Change in Fund Balance | 239,786 | (108,676) | 131,110 |
| Fund Balance, Beginning of year | 2,165,962 | 2,330,680 | 4,496,642 |
| Fund Balance, End of year | \$ 2,405,748 | \$ 2,222,004 | \$ 4,627,752 |

World Compass Academy
(A Component Unit of Douglas County School District RE.1)
**Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balance
of the Governmental Fund to the Statement of Activities
For the Year Ended June 30, 2022**

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

| | | |
|---|----|-------------|
| Net Change in Fund Balance of the Governmental Fund | \$ | 131,110 |
| <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 expense.</p> | | |
| Capital Outlay | | 9,863 |
| Depreciation expense | | (355,275) |
| <p>Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities. Repayments of debt principal are expenditures in governmental funds, but they reduce long-term liabilities in the statement of net position and do not affect the statement of activities.</p> | | |
| Principal Payments | | 300,000 |
| <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> | | |
| Accrued Interest Payable | | 1,735 |
| Net pension liability | | 2,313,865 |
| Pension-related deferred outflows of resources | | (1,179,332) |
| Pension-related deferred inflows of resources | | 633,939 |
| Net OPEB liability | | 11,481 |
| OPEB-related deferred outflows of resources | | 6,595 |
| OPEB-related deferred inflows of resources | | (2,455) |
| | | (2,455) |
| Change in Net Position of Governmental Activities | \$ | 1,871,526 |

World Compass Academy
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2022

Note 1: Summary of Significant Accounting Policies

The World Compass Academy (the Academy) was formed pursuant to the Colorado Charter Schools Act to form and operate a charter school in the Douglas County School District (the District). The Academy began operations in the Fall of 2015.

The financial statements of the Academy have been prepared in conformity with generally accepted accounting principles (GAAP) 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. The more significant of the Academy's accounting policies are described below.

Reporting Entity

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

The Academy includes the World Compass Academy Building Corporation, Inc. (the Corporation), a Colorado non-profit corporation, within its reporting entity. The specific purpose of the Corporation is to manage the development and use of the facilities and surrounding properties of the Academy, through consistently upholding the vision and mission of the Academy. The Corporation is blended into the Academy's financial statements as a Special Revenue Fund and does not issue separate financial statements.

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

Government-wide and Fund Financial Statements

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

World Compass Academy
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Government-wide and Fund Financial Statements (Continued)

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

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

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, not to exceed 60 days. Intergovernmental revenues, grants, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the Academy. 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 Academy's policy to use restricted resources first, and the unrestricted resources as they are needed.

The Academy reports the following major governmental funds:

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

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

World Compass Academy
(A Component Unit of Douglas County School District RE.1)
Notes to Financial Statements
June 30, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Assets, Liabilities and Net Position/Fund Balance

Cash Equivalents - Cash equivalents include investments with an original maturity of three months or less.

Prepaid Expenses - Certain payments to vendors reflect costs applicable to future years and are reported as prepaid expenses.

Capital Assets - Capital assets, which include land, buildings, and equipment, 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. The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend the asset lives are not capitalized.

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

| | |
|----------------------------|--------------|
| Buildings and Improvements | 50 years |
| Equipment | 5 - 15 years |

Unearned Revenues - Unearned revenues represent resources received by the Academy before it has a legal claim to them, including tuition and fees.

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

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

Pensions - The Academy participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees' Retirement Association of Colorado (PERA). The net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position (FNP), and additions to and 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. Employer contributions are recognized when the compensation is payable to the employees. Investments are reported at fair value.

World Compass Academy
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Notes to Financial Statements
June 30, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

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

The Colorado General Assembly passed significant pension reform through Senate Bill (SB) 18-200: *Concerning Modifications to the Public Employees' Retirement Association Hybrid Defined Benefit Plan Necessary to Eliminate with a High Probability the Unfunded Liability of the Plan Within the Next Thirty Years*. The bill was signed into law by Governor Hickenlooper on June 4, 2018. SB 18-200 makes changes to certain benefit provisions. Most of these changes were in effect as of 2022.

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

Net Position/Fund Balance - In the government-wide and fund financial statements, net position and fund balance are restricted when constraints placed on the use of resources are externally imposed. The Board of Directors is authorized to establish a fund balance commitment through passage of a resolution and may assign fund balances to a specific purpose through an informal action.

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

Risk Management

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

Implementation of New Accounting Pronouncements

For the year ended June 30, 2021, the Academy implemented GASB Statement No. 90 – Majority Equity Interests. This Statement changes the Building Corporation of the Academy from a Proprietary to a Special Revenue fund and will be a blended component unit of the Academy.

World Compass Academy
 (A Component Unit of Douglas County School District RE.1)
 Notes to Financial Statements
 June 30, 2022

Note 1: Summary of Significant Accounting Policies (Continued)

Subsequent Events

The Academy has evaluated subsequent events through October 31, 2022, the date the financial statements were available to be issued.

Note 2: Cash and Investments

A summary of cash and investments at June 30, 2022, follows:

| | |
|-------------|---------------------|
| Deposits | \$ 2,601,773 |
| Investments | <u>2,222,004</u> |
| Total | <u>\$ 4,823,777</u> |

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

| | |
|---------------------------------|---------------------|
| Cash and Investments | \$ 2,601,773 |
| Restricted Cash and Investments | <u>2,222,004</u> |
| Total | <u>\$ 4,823,777</u> |

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits. At June 30, 2022, the Academy had bank deposits of \$1,400,566 collateralized with securities held by the financial institution's agent but not in the Academy's name.

Investments

The Academy 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

World Compass Academy
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Notes to Financial Statements
June 30, 2022

Note 2: Cash and Investments

Investments (Continued)

- 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 Academy may invest in a single issuer, except for corporate securities.

Local Government Investment Pool - At June 30, 2022, the Corporation had \$2,222,004 invested in the Colorado Local Government Liquid Asset Trust (Colotrust), an investment vehicle established for local government entities in Colorado to pool surplus funds for investment purposes. The Colorado Division of Securities administers and enforces the requirements of creating and operating Colotrust. Colotrust operates in conformity with the Securities and Exchange Commission's Rule 2a-7. Colotrust is measured at the net asset value per share, with each share valued at \$1. Colotrust is rated AAAM by Standard and Poor's. Investments of Colotrust are limited to those allowed by State statutes. A designated custodial bank provides safekeeping and depository services in connection with the direct investment and withdrawal functions. The custodian's internal records identify the investments owned by the participating governments.

Restricted Cash and Investments

At June 30, 2022, the Corporation had investments of \$2,222,004 restricted for capital projects and future debt service.

World Compass Academy
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 Notes to Financial Statements
 June 30, 2022

Note 3: Capital Assets

Capital asset activity for the year ended June 30, 2022, is summarized below.

| Governmental Activities | Balance 06/30/21 | Additions | Deletions | Balance 06/30/22 |
|---|-----------------------------|---------------------|------------------|-----------------------------|
| <i>Capital Assets, Not Being Depreciated</i> | | | | |
| Land | \$ 2,000,000 | \$ 9,863 | \$ - | \$ 2,009,863 |
| <i>Capital Assets, Being Depreciated</i> | | | | |
| Building | 9,215,781 | - | - | 9,215,781 |
| Building and Improvements | 7,850,825 | - | - | 7,850,825 |
| Equipment | 125,697 | - | - | 125,697 |
| <i>Total Capital Assets, Being Depreciated</i> | <u>17,192,303</u> | <u>-</u> | <u>-</u> | <u>17,192,303</u> |
| <i>Less Accumulated Depreciation</i> | | | | |
| Building | (813,604) | (184,316) | - | (997,920) |
| Building and Improvements | (389,640) | (157,730) | - | (547,370) |
| Equipment | (41,285) | (13,229) | - | (54,514) |
| <i>Total Accumulated Depreciation</i> | <u>(1,244,529)</u> | <u>(355,275)</u> | <u>-</u> | <u>(1,599,804)</u> |
| <i>Total Capital Assets, Being Depreciated, net</i> | <u>15,947,774</u> | <u>(355,275)</u> | <u>-</u> | <u>15,592,499</u> |
| <i>Governmental Activities Capital Assets, net</i> | <u>\$ 17,947,774</u> | <u>\$ (345,412)</u> | <u>\$ -</u> | <u>\$ 17,602,362</u> |

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

Note 4: Long-Term Debt

The following is a summary of the Academy's long-term transactions for the year ended June 30, 2022:

| Governmental Activities | Balance 06/30/21 | Additions | Deletions | Balance 06/30/22 | Due Within One Year |
|--------------------------------|-----------------------------|------------------|------------------|-----------------------------|--------------------------------|
| 2017 CECFA Loan | \$ 23,210,000 | \$ - | \$ (300,000) | \$ 22,910,000 | \$ 322,500 |

On May 20, 2020, the Academy obtained a loan from a local bank under the Paycheck Protection Plan (PPP) program administered by the Small Business Administration (SBA) in the amount of \$780,000. The terms of the loan require the academy to begin repayment on December 4, 2020 with payments of \$43,904, including interest at 1%. Subsequent to the date of the loan, the SBA made revisions to the PPP program that allowed modifications to some of the terms that would allow a borrower to extend the repayment term.

The Academy filed an application under SBA guidance for forgiveness for the entire amount of the indebtedness. In April 2021, the PPP loan has been forgiven.

World Compass Academy
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 Notes to Financial Statements
 June 30, 2022

Note 4: Long-Term Debt (Continued)

In October 2017, Colorado Educational and Cultural Facilities Authority issued \$23,210,000 Charter School Revenue Bonds, Series 2017. Proceeds in the amount of \$12,818,869 were used to pay in full the outstanding Charter School Revenue Bond Anticipation Notes, originally issued to purchase the Academy's educational facilities. This refunding resulted in an accounting loss of \$173,869, which was reported as a component of interest expense in the year ended June 30, 2018. Additional proceeds of \$8,028,000 were loaned to the Corporation to finance the construction and equipping of a middle school addition to the existing facility.

The Academy is obligated under a lease agreement to make monthly payments to the Corporation for using the facilities. The Corporation is required to make equal loan payments to the Trustee, for payment of the bonds. Interest accrues on the bonds at rates ranging from 4.625% to 5.625% per annum and is payable semi-annually on April 1 and October 1. Principal payments are due annually on October 1, from 2021 through 2052.

Future debt service requirements for the bonds are as follows:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|----------------------------|----------------------|----------------------|----------------------|
| 2022 | \$ 315,000 | \$ 1,236,022 | \$ 1,551,022 |
| 2023 | 325,000 | 1,221,222 | 1,546,222 |
| 2024 | 345,000 | 1,205,728 | 1,550,728 |
| 2025 | 360,000 | 1,189,425 | 1,549,425 |
| 2026 | 375,000 | 1,172,428 | 1,547,428 |
| 2027-2031 | 2,170,000 | 5,552,444 | 7,722,444 |
| 2032-2036 | 2,815,000 | 4,887,809 | 7,702,809 |
| 2037-2041 | 3,665,000 | 4,015,159 | 7,680,159 |
| 2042-2046 | 4,795,000 | 2,858,919 | 7,653,919 |
| 2047-2051 | 6,270,000 | 1,334,394 | 7,604,394 |
| 2052-2053 | 1,475,000 | 41,484 | 1,516,484 |
| Total | <u>\$ 22,910,000</u> | <u>\$ 24,715,034</u> | <u>\$ 47,625,034</u> |

Note 5: Defined Benefit Pension Plan

General Information

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

World Compass Academy
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Notes to Financial Statements
June 30, 2022

Note 5: Defined Benefit Pension Plan (Continued)

General Information (Continued)

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

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

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

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

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

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

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

World Compass Academy
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Notes to Financial Statements
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Note 5: Defined Benefit Pension Plan (Continued)

General Information (Continued)

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

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

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

Contributions Provisions as of 2022 - Eligible employees, the Academy and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 10.50% of their PERA-includable salary during the period of July 01, 2021 through June 30, 2022. The Academy's contribution rate was 20.90% of covered salaries for July 01, 2021 through June 30, 2022. However, a portion of the Academy'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 (420).

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the Academy is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the Academy were \$706,528 for the year ended June 30, 2022.

World Compass Academy
 (A Component Unit of Douglas County School District RE.1)
 Notes to Financial Statements
 June 30, 2022

Note 5: Defined Benefit Pension Plan (Continued)

General Information (Continued)

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

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

The net pension liability for the SCHDTF was measured at December 31, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll forward the total pension liability to December 31, 2021. The Academy proportion of the net pension liability was based on the Academy contributions to the SCHDTF for the calendar year 2021 relative to the total contributions of participating employers and State as a nonemployer contributing entity.

At June 30, 2022, the Academy reported a liability of 6,031,700 for its proportionate share of the net pension liability. The amount recognized by the Academy as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the Academy were as follows:

| | |
|--|---------------------|
| Academy's proportionate share of net pension liability | \$ 6,723,159 |
| The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the Academy | <u>(691,459)</u> |
| Proportionate share of the net pension liability | <u>\$ 6,031,700</u> |

At December 31, 2021, the Academy's proportion was 0.0518304609%, which was a decrease of 0.0033724399% from its proportion measured at December 31, 2020.

For the year ended June 30, 2022, the Academy recognized a pension benefit of \$1,292,821 and expense of \$352,651 for support from the State as a nonemployer contributing entity.

World Compass Academy
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Notes to Financial Statements
June 30, 2022

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, 2022, the Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 230,920 | \$ - |
| Changes of assumptions and other inputs | 460,475 | - |
| Net difference between projected and actual earnings on plan investments | - | 2,267,739 |
| Changes in proportion | 816,075 | 440,741 |
| Contributions subsequent to the measurement date | 397,348 | - |
| Total | \$ 1,904,818 | \$ 2,708,480 |

Academy contributions subsequent to the measurement date of \$397,348 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> | | | |
|-----------------------------------|--|----|-------------|
| 2022 | | \$ | 227,692 |
| 2023 | | | (550,818) |
| 2024 | | | (602,629) |
| 2025 | | | (275,255) |
| Total | | \$ | (1,201,010) |

Actuarial Assumptions - The actuarial valuation as of December 31, 2020, determined the total pension liability using the following actuarial assumptions and other inputs.

World Compass Academy
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 Notes to Financial Statements
 June 30, 2022

Note 5: Defined Benefit Pension Plan (Continued)

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

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

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

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

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

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

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

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

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

World Compass Academy
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 Notes to Financial Statements
 June 30, 2022

Note 5: Defined Benefit Pension Plan (Continued)

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

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

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

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

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

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> | |

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

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Note 5: Defined Benefit Pension Plan (Continued)

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in Senate Bill (SB) 18-200, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. Employee contributions for future plan members were used to reduce the estimated amount of total service costs for future plan members.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200, required adjustments resulting from the 2018 AAP assessment, and the additional 0.50% resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point, the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered AI cap, from 1.25% to 1.00%, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.

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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)

- Benefit payments and contributions were assumed to be made at the middle of the year.

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

Sensitivity of the Academy's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate - The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|---|--------------------------------|--|--------------------------------|
| Proportionate share of the net pension liability | \$ 8,878,170 | \$ 6,031,700 | \$ 3,656,428 |

Pension Plan Fiduciary Net Position - Detailed information about the SCHDTF's FNP is available in PERA's Annual Report which can be obtained at www.copera.org/investments/pera-financial-reports.

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Note 6: Postemployment Healthcare Benefits

General Information

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

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

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

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

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Note 6: Postemployment Healthcare Benefits (Continued)

General Information (Continued)

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

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

Contributions - Pursuant to Title 24, Article 51, Section 208(1)(f) of the CRS, as amended, certain contributions are apportioned to the HCTF. PERA-affiliated employers of the School Division 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 Academy is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the Academy was \$34,481 for the year ended June 30, 2022.

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Note 6: Postemployment Healthcare Benefits (Continued)

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

At 2022, the Academy reported a liability of \$291,815 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured at December 31, 2021, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll forward the total OPEB liability to December 31, 2021.

The Academy's proportion of the net OPEB liability was based on the Academy's contributions to the HCTF for the calendar year ended December 31, 2021, relative to the contributions of all participating employers to the HCTF. At December 31, 2021, the Academy's proportion was 0.0338413228%, which was an increase of 0.0019229895% from its proportion measured at December 31, 2020.

For the year ended June 30, 2022, the Academy recognized OPEB expense of \$13,600. At June 30, 2022, the Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|--|---|--|
| Differences between expected and actual experience | \$ 444 | \$ 69,193 |
| Changes of assumptions and other inputs | 6,042 | 15,829 |
| Net difference between projected and actual earnings on plan investments | - | 18,063 |
| Changes in proportion | 42,727 | 6,033 |
| Contributions subsequent to the measurement date | 20,313 | - |
| | <hr/> | <hr/> |
| Total | \$ 69,526 | \$ 109,118 |

World Compass Academy
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 Notes to Financial Statements
 June 30, 2022

Note 6: Postemployment Healthcare Benefits (Continued)

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

Academy contributions subsequent to the measurement date of \$20,313 will be recognized as a reduction of the net OPEB liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

| <u>Year Ended June 30,</u> | |
|----------------------------|--------------------|
| 2022 | \$ (12,006) |
| 2023 | (22,016) |
| 2024 | (18,248) |
| 2025 | (8,258) |
| 2026 | 461 |
| Thereafter | <u>162</u> |
| Total | <u>\$ (59,905)</u> |

Actuarial Assumptions - The total OPEB liability in the December 31, 2020 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

| | |
|---|--------------|
| Actuarial cost method | Entry Age |
| Price inflation | 2.3% |
| Real wage growth | 0.7% |
| Wage inflation | 0.3% |
| Salary increases, including wage inflation | 3.4% - 11.0% |
| Long-term investment rate of return, net of plan investment expenses, including price inflation | 7.25% |
| Discount rate | 7.25% |
| Health care cost trend rates: | |
| PERA Benefit Structure | |
| Service-based premium subsidy | 0.0% |
| PERACare Medicare plans | |
| 8.1% in 2020, gradually decreasing to 4.5% in 2029 | |
| Medicare Part A premiums: | |
| 3.5% in 2020, gradually increasing to 4.5% in 2029 | |
| DPS Benefit Structure | |
| Service-based premium subsidy | 0.0% |
| PERACare Medicare plans | N/A |
| Medicare Part A premiums: | N/A |

World Compass Academy
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Note 6: Postemployment Healthcare Benefits (Continued)

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

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

- Medicare Advantage/Self-Insured Rx - Monthly Cost of \$558, Monthly Premium of \$227, Monthly Costs Adjusted to Age 65 of \$550.
- Kaiser Permanente Medicare Advantage HMO - Monthly Cost of \$621, Monthly Premium of \$232, Monthly Costs Adjusted to Age 65 of \$586.

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

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

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

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

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Note 6: Postemployment Healthcare Benefits (Continued)

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

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

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

Mortality assumptions used in the December 31, 2020, valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

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

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

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

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

- Males: 97% of the rates for all ages, with generational projection using scale MP-2019.
- Females: 105% of the rates for all ages, with generational projection using scale MP-2019. The mortality assumption for disabled retirees was based on 90 percent of the RP-2014 Disabled Retiree Mortality Table.

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

World Compass Academy
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Note 6: Postemployment Healthcare Benefits (Continued)

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

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:

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

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

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

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

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

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

World Compass Academy
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Notes to Financial Statements
June 30, 2022

Note 6: Postemployment Healthcare Benefits (Continued)

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

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

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2021 measurement date.
- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

Sensitivity of the Academy'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:

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 Notes to Financial Statements
 June 30, 2022

Note 6: Postemployment Healthcare Benefits (Continued)

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

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|--|--------------------------------|--|--------------------------------|
| Proportionate share of the net OPEB liability | \$ <u>338,913</u> | \$ <u>291,815</u> | \$ <u>251,586</u> |

Sensitivity of the Academy'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, ranging from 2.5% to 9.1%, 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 | \$ <u>313,257</u> | \$ <u>291,815</u> | \$ <u>331,244</u> |

OPEB Plan Fiduciary Net Position - Detailed information about the HCTF's fiduciary net position is available in PERA's Annual report which can be obtained at www.copera.org/investments/pera-financial-reports.

Note 7: Commitments and Contingencies

Claims and Judgments

The Academy 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 Academy may be required to reimburse the other government. At June 30, 2022, 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 Academy.

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Notes to Financial Statements
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Note 7: Commitments and Contingencies (Continued)

TABOR Amendment

In November 1992, Colorado voters passed the TABOR Amendment to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The Amendment is subject to interpretation, but the Academy believes it is in substantial compliance with the requirements of the Amendment. In accordance with the Amendment, the Academy has established an emergency reserve, representing 3% of qualifying expenditures. At June 30, 2022, the reserve was reported as restricted fund balance in the General Fund, in the amount of \$223,100.

Required Supplementary Information

World Compass Academy
(A Component Unit of Douglas County School District RE.1)
 Required Supplementary Information
 Schedule of Proportionate Share of the Net Pension Liability and Contributions
 Public Employees' Retirement Association of Colorado School Division Trust Fund
 June 30, 2022

| | 12/31/21 | 12/31/20 |
|--|---------------|---------------|
| Proportionate Share of the Net Pension Liability | | |
| Academy's Proportion of the Net Pension Liability | 0.0518304609% | 0.0552029008% |
| Net Pension Liability | | |
| Academy's Proportionate Share | \$ 8,878,170 | \$ 8,345,565 |
| State's Proportionate Share | 691,458 | - |
| Total Proportionate Share of the Net Pension Liability | 9,569,628 | 8,345,565 |
| Academy's Covered-Employee Payroll | \$ 3,239,235 | \$ 2,951,635 |
| Academy's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll | 274% | 283% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 75% | 67% |
| Academy Contributions | 6/30/22 | 6/30/21 |
| Statutorily Required Contribution | \$ 672,047 | \$ 609,840 |
| Contributions in Relation to the Statutorily Required Contribution | (672,047) | (609,840) |
| Contribution Deficiency (Excess) | \$ - | \$ - |
| Academy's Covered-Employee Payroll | \$ 3,380,510 | \$ 3,064,158 |
| Contributions as a Percentage of Covered-Employee Payroll | 19.88% | 19.90% |

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.

World Compass Academy
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 Required Supplementary Information
 Schedule of Proportionate Share of the Net Pension Liability and Contributions
 Public Employees' Retirement Association of Colorado School Division Trust Fund
 June 30, 2022

| | <u>12/31/19</u> | <u>12/31/18</u> | <u>12/31/17</u> | <u>12/31/16</u> | <u>12/31/15</u> |
|--|------------------|------------------|------------------|------------------|------------------|
| Proportionate Share of the Net Pension Liability | | | | | |
| Academy's Proportion of the Net Pension Liability | 0.0477472205% | 0.0451118490% | 0.0475921847% | 0.0372321548% | 0.0221946627% |
| Net Pension Liability | | | | | |
| Academy's Proportionate Share | \$ 7,133,331 | \$ 7,987,979 | \$ 15,389,621 | \$ 11,085,452 | \$ 3,394,517 |
| State's Proportionate Share | <u>904,772</u> | <u>1,092,250</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total Proportionate Share of the Net Pension Liability | 8,038,103 | 9,080,229 | 15,389,621 | 11,085,452 | 3,394,517 |
| Academy's Covered-Employee Payroll | \$ 2,792,248 | \$ 2,480,040 | \$ 2,195,371 | \$ 1,636,269 | \$ 695,574 |
| Academy's Proportionate Share of the Net Pension Liability as a Percentage of Covered-Employee Payroll | 255% | 322% | 701% | 677% | 488% |
| Plan Fiduciary Net Position as a Percentage of the Total Pension Liability | 65% | 57% | 44% | 43% | 59% |
| | <u>6/30/20</u> | <u>6/30/19</u> | <u>6/30/18</u> | <u>6/30/17</u> | <u>6/30/16</u> |
| Academy Contributions | | | | | |
| Statutorily Required Contribution | \$ 554,223 | \$ 510,839 | \$ 451,068 | \$ 377,240 | \$ 267,890 |
| Contributions in Relation to the Statutorily Required Contribution | <u>(554,223)</u> | <u>(510,839)</u> | <u>(451,068)</u> | <u>(377,240)</u> | <u>(267,890)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Academy's Covered-Employee Payroll | \$ 2,859,762 | \$ 2,670,360 | \$ 2,379,805 | \$ 1,942,831 | \$ 1,427,962 |
| Contributions as a Percentage of Covered-Employee Payroll | 19.38% | 19.13% | 18.95% | 19.42% | 18.76% |

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.

World Compass Academy
(A Component Unit of Douglas County School District RE.1)
 Required Supplementary Information
 Schedule of Proportionate Share of the Net OPEB Liability and Contributions
 Public Employees' Retirement Association of Colorado Health Care Trust Fund
 June 30, 2022

| | <u>12/31/21</u> | <u>12/31/20</u> | <u>12/31/19</u> | <u>12/31/18</u> | <u>12/31/17</u> |
|--|-----------------|-----------------|-----------------|-----------------|-----------------|
| Proportionate Share of the Net OPEB Liability | | | | | |
| Academy's Proportion of the Net OPEB Liability | 0.0338413228% | 0.0319183333% | 0.0312048933% | 0.0293229431% | 0.0270417021% |
| Academy's Proportionate Share of the Net OPEB Liability | \$ 291,815 | \$ 291,815 | \$ 350,742 | \$ 398,951 | \$ 351,434 |
| Academy's Covered Payroll | \$ - | \$ 3,239,235 | \$ 2,951,635 | \$ 2,480,040 | \$ 2,195,371 |
| Academy's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll | #DIV/0! | 9% | 12% | 16% | 16% |
| Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability | 33% | 33% | 24% | 18% | 18% |
| | <u>6/30/22</u> | <u>6/30/21</u> | <u>6/30/20</u> | <u>6/30/19</u> | <u>6/30/18</u> |
| Academy Contributions | | | | | |
| Statutorily Required Contribution | \$ 34,481 | \$ 31,254 | \$ 29,170 | \$ 27,238 | \$ 24,274 |
| Contributions in Relation to the Statutorily Required Contribution | <u>(34,481)</u> | <u>(31,254)</u> | <u>(29,170)</u> | <u>(27,238)</u> | <u>(24,274)</u> |
| Contribution Deficiency (Excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Academy's Covered Payroll | \$ 3,380,510 | \$ 3,064,158 | \$ 2,859,762 | \$ 2,670,360 | \$ 2,379,805 |
| Contributions as a Percentage of Covered Payroll | 1.02% | 1.02% | 1.02% | 1.02% | 1.02% |

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

World Compass Academy
(A Component Unit of Douglas County School District RE.1)
Budgetary Comparison Schedule
General Fund
For the Year Ended June 30, 2022

| | Original Budget | Final Budget | Actual | Variance Positive (Negative) |
|---|---------------------|---------------------|---------------------|------------------------------------|
| Revenues | | | | |
| <i>Local Sources</i> | | | | |
| Per Pupil Revenue | \$ 6,183,870 | \$ 5,814,215 | \$ 5,837,544 | \$ 23,329 |
| District Mill Levy | 854,002 | 812,328 | 809,713 | (2,615) |
| Tuition and Fees | 548,200 | 804,798 | 653,353 | (151,445) |
| Contributions | - | - | 38,051 | 38,051 |
| Other | 20,000 | 21,938 | - | (21,938) |
| <i>State Sources</i> | | | | |
| Capital Construction | 216,750 | 216,750 | 197,990 | (18,760) |
| Grants | 24,500 | 25,330 | 123,104 | 97,774 |
| <i>Federal Sources</i> | | | | |
| Grants | 111,000 | 161,641 | 165,141 | 3,500 |
| Total Revenues | <u>7,958,322</u> | <u>7,857,000</u> | <u>7,824,896</u> | <u>(32,104)</u> |
| Expenditures | | | | |
| <i>Operating Expenditures</i> | | | | |
| Salaries | 3,815,001 | 3,758,894 | 3,584,032 | 174,862 |
| Employee Benefits | 1,079,208 | 1,117,708 | 1,109,997 | 7,711 |
| Purchased Services | 2,533,656 | 2,454,086 | 2,691,714 | (237,628) |
| Supplies | 287,700 | 259,535 | 262,307 | (2,772) |
| Property | 5,000 | 5,000 | 29,963 | (24,963) |
| Other | 11,000 | 171,057 | 15,883 | 155,174 |
| Operating Reserve | 226,757 | 198,720 | - | 198,720 |
| Total Expenditures | <u>7,958,322</u> | <u>7,965,000</u> | <u>7,693,896</u> | <u>271,104</u> |
| Excess Revenues Over Expenditures | - | (108,000) | 131,000 | 239,000 |
| Other Financing Sources (Uses) | | | | |
| Transfers In (Out) | - | - | 108,786 | 108,786 |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>108,786</u> | <u>108,786</u> |
| Net Change in Fund Balance | - | (108,000) | 239,786 | 347,786 |
| Fund Balance, Beginning of year | <u>2,165,962</u> | <u>2,165,962</u> | <u>2,165,962</u> | <u>-</u> |
| Fund Balance, End of year | <u>\$ 2,165,962</u> | <u>\$ 2,057,962</u> | <u>\$ 2,405,748</u> | <u>\$ 347,786</u> |

World Compass Academy
(A Component Unit of Douglas County School District RE.1)
Notes to Required Supplementary Information
June 30, 2022

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

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

Changes in Assumptions and Other Inputs

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

- Investment rate of return assumption of 7.25% per year, compounded annually. This assumption did not change from the prior year.
- Price inflation assumption of 2.4% per year. This assumption did not change from the prior year.
- Real rate of investment return assumption of 4.85% per year, net of investment expenses. The rate reflected in the roll-forward calculation of the collective total pension liability to the measurement date was 7.25%. This assumption did not change from prior year.
- Wage inflation assumption of 3.5% per year. This assumption did not change from the prior year.
- Healthy and disabled mortality assumptions are based on the RP-2014 Mortality Tables.

Note 2: Stewardship, Compliance and Accountability

Budgets and Budgetary Accounting

An annual budget is adopted for the Academy on a basis consistent with generally accepted accounting principles.

Management submits to the Board of Directors a proposed budget for the fiscal year commencing the following July 1, for their approval. The budget includes proposed expenditures and the means of financing them.

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.