



FINANCIAL STATEMENTS

Year Ended June 30, 2022



TABLE OF CONTENTS

Independent Auditors' Report	1
MANAGEMENT'S DISCUSSION AND ANALYSIS	4
BASIC FINANCIAL STATEMENTS:	
GOVERNMENT-WIDE FINANCIAL STATEMENTS:	
STATEMENT OF NET POSITION	10
STATEMENT OF ACTIVITIES	11
FUND FINANCIAL STATEMENTS:	
GOVERNMENTAL FUNDS:	
BALANCE SHEET	12
RECONCILIATION OF THE GENERAL FUND BALANCE SHEET TO THE STATEMENT OF NET POSITION.....	13
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES	14
RECONCILIATION OF THE GENERAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES	15
NOTES TO FINANCIAL STATEMENTS.....	16
Required Supplementary Information	
Budgetary Comparison Schedule - General Fund	45
Schedule of Employer Contributions	46
Schedule of School's Proportionate Share of Net Pension Liability.....	47
Other Supplementary Information.....	48



Independent Auditors' Report

Board of Directors
Knowledge Quest Academy
Milliken, Colorado

Opinions

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Knowledge Quest Academy (the Academy), a component unit of Weld County School District RE-5(J), as of and for the year ended June 30, 2022, and the related notes to the financial statements (collectively, the financial statements).

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of Knowledge Quest Academy as of June 30, 2022, and the results of its operations and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, we:

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

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

Other Matters

Required Supplementary Information

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

Other Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Academy's basic financial statements. The accompanying budgetary comparisons are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Anderson & Whitney, P.C.

December 9, 2022

**KNOWLEDGE QUEST ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022**

As management of Knowledge Quest Academy (the Academy), we offer readers of the Academy's basic financial statements this narrative and analysis of the financial activities of the Academy as of and for the year ended June 30, 2022. We encourage readers to consider the information presented here in conjunction with additional information provided in the basic financial statements.

FINANCIAL HIGHLIGHTS

The year ended June 30, 2022, was the twentieth year of operations for the Academy. As of June 30, 2022, the net position was \$1,497,026. The net position is being impacted by GASB 68 and GASB 75. Both GASB Statements of Position require the Academy to disclose their proportionate share of PERA's (Public Employers Retirement Association) unfunded pension and post-employment benefit liability which calculated at net liability of \$3,606,857 for the period ending June 30, 2022. Without that impact, the Academy's net position would be a positive \$5,103,883.

The operations of the Academy are funded primarily by tax revenue received under the State Academy Finance Act (the Act). State categorical revenue for the year was \$3,470,729. The General Fund ending fund balance was \$3,290,204 at June 30, 2022, reflecting an increase of \$468,059 or 16.59%.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

**KNOWLEDGE QUEST ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED 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. Knowledge Quest Academy, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

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

Knowledge Quest Academy maintains four governmental funds, the General Fund, KQA Building Corporation Fund, Building Fund and a Pupil Activity 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, KQA Building Corporation Fund, and the Building Fund. The basic governmental fund financial statements can be found on pages 12 through 14 of this report.

Notes to the Financial Statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 16 through 43 of this report.

Budgetary Comparisons. Knowledge Quest Academy adopts an annual appropriated budget for the General Fund, KQA Building Corporation Fund, and the Pupil Activity Fund. A budgetary comparison statement has been provided for the General Fund on page 45 of this report.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net Position. As noted previously, net position may serve over time as a useful indicator of the Academy's financial condition. As of June 30, 2022, the Academy's assets and deferred outflows exceeded liabilities and deferred inflows by \$1,497,026. \$132,437 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 Academy. The unrestricted net position balance was a negative (\$411,074) or a 78.3% improvement over FY21.

**KNOWLEDGE QUEST ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022**

The following table provides a summary of the Academy's net position for 2022 and 2021.

June 30	Governmental Activities	
	2022	2021
Assets:		
Current and other assets	\$ 4,819,693	\$ 3,646,926
Capital assets	4,964,836	4,090,609
Total assets	9,784,529	7,737,535
Deferred Outflows of Resources	864,660	1,559,750
Liabilities:		
Current and other liabilities	1,129,518	211,566
Long-term liabilities	6,803,377	8,423,579
Total liabilities	7,932,895	8,635,145
Deferred Inflows of Resources	1,219,268	1,712,821
Net Position:		
Net investment in capital assets	1,191,336	142,346
Restricted	716,764	704,862
Unassigned	(411,074)	(1,897,889)
Total net position	\$ 1,497,026	(1,050,681)

A significant portion of Knowledge Quest Academy's net position represents an unrestricted net deficit of \$411,074 which should improve over the coming years as contributions to PERA and the State direct support continue to mitigate the unfunded pension and benefits obligation.

An additional \$716,364 of the Academy's net position represents resources that are subject to external restriction on how they may be used. Included in this category is the TABOR emergency reserve of \$132,437.

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

**KNOWLEDGE QUEST ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022**

The following table indicates the changes in net position for 2022 and 2021:

	<u>Governmental Activities</u>	
	2022	2021
Revenues:		
Program revenues:		
Charges for services	\$ 26,159	\$ 2,103
Operating grants and contributions	283,485	348,710
Capital grants and contributions	1,143,092	121,025
General revenues:		
Per pupil revenue	3,470,729	3,085,876
Mill levy override	477,477	452,465
On behalf payment	38,336	--
Miscellaneous	62,646	61,771
Total Revenues	5,501,924	4,071,950
Expenses:		
Instruction	1,571,387	1,353,142
Student services	62,149	43,343
Instructional staff	54,492	61,867
General administrative services	5,306	4,072
School administration	386,916	132,633
Business services	90,756	53,504
Operations and maintenance	423,945	297,041
Central support services	133,843	55,233
Food Service operations	19	65
Unallocated depreciation	--	109,947
Interest and fiscal charges	151,780	136,308
Debt issuance cost	73,624	--
Total Expenses	2,954,217	2,247,155
Increase in Net Position	\$ 2,547,707	\$ 1,824,795

Governmental Activities. Governmental activities increased Knowledge Quest Academy's net position by \$2,547,707 in 2022. Key elements of this increase are as follows:

- Total revenues were \$5,501,924, which represents a 35% increase from the prior year. This is primarily due to increase in grants and mill levy override, per pupil revenue, capital contribution and the supplemental budget passed by the Legislature in April 2022.
- Expenses totaled \$2,954,217, which was a 31% increase. This was primarily due to salary increases and capital improvements.

**KNOWLEDGE QUEST ACADEMY
MANAGEMENT'S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022**

FINANCIAL ANALYSIS OF THE ACADEMYS FUNDS

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

The Academy has three major governmental funds, the General Fund, KQA Building Corporation Fund and the Building Fund.

General Fund. This is the primary operating fund of the Knowledge Quest Academy. It accounts for the Academy's core services, such as instruction and student services. The General Fund balance was \$3,290,204 as of June 30, 2022. The 2022 fund balance is \$468,059 more than the previous year primarily due to planned capital contributions rolling into FY23.

Capital Lease/Building Corporation Fund. This is a special revenue fund used to account for specific revenue sources and the related expenditures of the KQA Building Corporation that are restricted to capital expenditures and debt service. The Capital Lease/Building Corporation fund balance was \$584,327 as of June 30, 2022. The 2022 fund balance is \$63,945 less than the previous year.

Building Fund. This fund accounts for the Academy's revenue and related expenses related to The building expansion and other future construction. As of June 30, 2022 the fund balance was \$22,617. The 2022 fund balance was \$22,617 more than the prior year.

GENERAL FUND BUDGETARY HIGHLIGHTS

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

2022 General Fund	Final Budget	Actual
Beginning Fund Balance	\$ 2,822,145	\$ 2,822,145
Revenue	4,331,679	4,414,578
Expenditures	(3,572,590)	(3,619,027)
Transfers	(1,708,205)	(327,492)
Ending Fund Balance	\$ 1,873,029	\$ 3,290,204

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

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets. Knowledge Quest Academy's investment in capital assets for its governmental type activities as of June 30, 2022 totals \$4,964,836 (net of accumulated depreciation). This investment includes all land, buildings, and equipment. The total increase in investment in capital assets for the current year was \$874,227 due to construction of the building expansion.

**KNOWLEDGE QUEST ACADEMY
MANAGEMENT’S DISCUSSION AND ANALYSIS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2022**

The Academy implemented the straight-line depreciation method under GASB 34 for its capital assets, except for land which is not depreciated. Additional information on the Academy’s capital assets can be found in Note 2 of this report.

Long-term Debt. At June 30, 2022, Knowledge Quest Academy had \$3,773,500 of notes payable, funded by lease payments from the General Fund. The debt was refinanced and closed April 15, 2022 at a new rate of 3.26%. The debt is now fully amortized and will be paid off by July 1, 2036. Additional information on Knowledge Quest Academy’s debt can be found in Note 5.

ECONOMIC FACTORS, NEXT YEAR’S BUDGET, AND STUDENT COUNTS

Knowledge Quest Academy Historical Student Count (10 YRS)

	Half- Day K	Full- Day K	1st	2nd	3rd	4th	5th	6th	7th	8th	K-8 Count
FY13	35	5	37	39	35	30	32	36	19	29	297
FY14	45	5	48	43	44	44	31	38	46	17	361
FY15	42	5	47	46	47	48	48	42	44	41	410
FY16	41	6	48	49	44	48	47	47	40	40	410
FY17	25	23	47	48	48	41	47	46	44	35	404
FY18	47	0	46	46	46	47	40	49	45	40	406
FY19	44	0	45	46	47	46	50	41	47	42	408
FY20	0	46	43	44	47	44	46	48	40	44	402
FY21	0	48	47	45	48	47	44	41	43	37	400
FY22	0	48	46	46	47	49	48	39	46	38	407

The primary factor driving the budget for the Academy is student enrollment. Funded Pupil Count (FPC) or pupil count is shown above (taken from CDE’s website) for the Academy’s past ten years of operations. The FPC used to create the FY23 budget was 400. Currently the Academy is projecting 399 enrolled students and FPC.

As the Colorado economy continues to excel KQA anticipates PPR increases will continue in line with Colorado’s population and tax base growth. The Governor’s budget was release in early November and calls for an 8.5% increase in PPR in line with inflation. The building renovation will impact Fund Balance in FY23 but will likely bounce back to a growth mode in FY24 and prospectively.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of Knowledge Quest Academy’s finances for all those with an interest in the Academy’s finances. Questions concerning any of the information provided or requests for additional financial information should be addressed to the Academy, 705 S School House Drive, Milliken, Colorado 80543.

KNOWLEDGE QUEST ACADEMY

STATEMENT OF NET POSITION

June 30, 2022

ASSETS

Current Assets:

Cash	\$ 3,987,191
Accounts receivable	699,076
Grants receivable	24,000
Due from school district	108,932
Prepaid expenses and other current assets	494

Total Current Assets	4,819,693
----------------------	-----------

Noncurrent Assets:

Capital assets	6,696,398
Less: Accumulated depreciation	(1,731,562)

Total Noncurrent Assets	4,964,836
-------------------------	-----------

Total Assets	9,784,529
--------------	-----------

Deferred Outflows of Resources:

Pension plan	842,150
Post employment benefits	22,510

Total Deferred Outflows of Resources	864,660
--------------------------------------	---------

LIABILITIES

Current Liabilities:

Accounts payable	671,566
Accrued salaries and benefits	199,176
Accrued interest payable	10,251
Unearned revenue	26,153
Current portion of long-term debt	222,372

Total Current Liabilities	1,129,518
---------------------------	-----------

Noncurrent Liabilities:

Long-term debt	3,551,128
Net postemployment benefits liability	153,102
Net pension liability	3,099,147

Total Liabilities	7,932,895
-------------------	-----------

Deferred Inflows of Resources:

Pension Plan	1,165,187
Post employment benefits	54,081

Total Deferred Inflows of Resources	1,219,268
-------------------------------------	-----------

NET POSITION

Net investment in capital assets	1,191,336
Restricted for TABOR emergencies	132,437
Restricted for debt service	584,327
Unrestricted	(411,074)

TOTAL NET POSITION	\$ 1,497,026
--------------------	--------------

See Accompanying Notes to Financial Statements.

KNOWLEDGE QUEST ACADEMY

STATEMENT OF ACTIVITIES

Year Ended June 30, 2022	Expenses	Program Revenues			Net Revenue (Expense) and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs:					
Governmental activities:					
Instruction	\$ 1,571,387	\$ 26,159	\$ 283,485	\$ 24,000	\$ (1,237,743)
Support services:					
Students	62,149	-	-	-	(62,149)
Instructional staff	54,492	-	-	-	(54,492)
General administration	5,306	-	-	-	(5,306)
School administration	386,916	-	-	-	(386,916)
Business services	90,756	-	-	-	(90,756)
Operations and maintenance	423,945	-	-	1,119,092	695,147
Central support services	133,843	-	-	-	(133,843)
Food service operations	19	-	-	-	(19)
Debt issuance costs	73,624	-	-	-	(73,624)
Interest and fiscal Charges	151,780	-	-	-	(151,780)
Total Support Services	1,382,830	-	-	1,119,092	(263,738)
TOTAL GOVERNMENTAL ACTIVITIES	\$ 2,954,217	\$ 26,159	\$ 283,485	\$ 1,143,092	\$ (1,501,481)
General Revenues:					
Per pupil revenue				\$ 3,470,729	
District pass through mill levy override				477,477	
On behalf payment				38,336	
Miscellaneous income				62,646	
Total General Revenue				4,049,188	
Change in Net Position				2,547,707	
Net Position - Beginning				(1,050,681)	
NET POSITION - Ending				\$ 1,497,026	

See Accompanying Notes to Financial Statements.

KNOWLEDGE QUEST ACADEMY

BALANCE SHEET - Governmental Funds

June 30, 2022	General Fund	KQA Building Corporation	Building Fund	Non-Major Pupil Activity Fund	Total Governmental Funds
<u>ASSETS</u>					
Cash and investments	\$ 3,369,052	\$ 584,327	\$ 6,573	\$ 27,239	\$ 3,987,191
Accounts receivable	20,476	-	678,526	74	699,076
Grants receivable	24,000	-	-	-	24,000
Due from school district	108,932	-	-	-	108,932
Other current assets	493	-	-	-	493
Total assets	3,522,953	\$ 584,327	\$ 685,099	\$ 27,313	4,819,692
<u>LIABILITIES AND FUND BALANCES</u>					
Liabilities:					
Accounts payable	7,421	-	662,482	1,663	671,566
Accrued salaries and benefits	199,175	-	-	-	199,175
Unearned grant revenue	26,153	-	-	-	26,153
Total liabilities	232,749	-	662,482	1,663	896,894
Fund Balances:					
Restricted:					
TABOR emergencies	132,437	-	-	-	132,437
Debt service	-	584,327	-	-	584,327
Capital outlay	-	-	22,617	-	22,617
Assigned:					
Student activities	-	-	-	25,650	25,650
Unassigned	3,157,767	-	-	-	3,157,767
Total Fund Balances	3,290,204	584,327	22,617	25,650	3,922,798
Total Liabilities and Fund Balances	\$ 3,522,953	\$ 584,327	\$ 685,099	\$ 27,313	\$ 4,819,692

See Accompanying Notes to Financial Statements.

KNOWLEDGE QUEST ACADEMY

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

June 30, 2022

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

Total Governmental Fund Balance	\$ 3,922,798
Capital assets used in governmental activities are not financial resources and therefore not reported as net assets in the general fund.	
Cost of capital assets	6,696,398
Accumulated depreciation	(1,731,562)
Deferred inflows and outflows of resources related to pensions and other postemployment benefits	(354,608)
Long-term liabilities, including notes payable, are not due and payable in the current period and therefore are not reported as liabilities in the General Fund. Long-term liabilities at year-end consist of:	
Debt payable	(3,773,500)
Accrued interest payable	(10,251)
Net pension liability	(3,099,147)
Net other postemployment benefits liability	(153,102)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES	\$ 1,497,026

See Accompanying Notes to Financial Statements.

KNOWLEDGE QUEST ACADEMY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - Governmental Funds

Year Ended June 30, 2022	General Fund	KQA Building Corporation	Building Fund	Non-Major Pupil Fund	Total
Revenue:					
Local sources	\$ 549,586	\$ -	\$ -	\$ 24,700	\$ 574,286
State sources	3,732,060	-	-	-	3,732,060
Federal sources	132,932	-	-	-	132,932
Capital contribution - RE-5(J)	-	-	1,000,000	-	1,000,000
Other	-	62,646	-	-	62,646
Total Revenue	4,414,578	62,646	1,000,000	24,700	5,501,924
Expenditures:					
Current:					
Instruction	2,478,333	-	-	-	2,478,333
Supporting services	1,101,075	36,887	-	22,753	1,160,715
Capital outlay	38,453	-	983,956	-	1,022,409
Debt service:					
Principal	-	211,500	-	-	211,500
Interest and fiscal charges	1,166	199,123	-	-	200,289
Total Expenditures	3,619,027	447,510	983,956	22,753	5,073,246
Other Financing Sources (Uses):					
Proceeds of bond refunding	-	3,790,000	-	-	3,790,000
Payment to refunding agent	-	(3,790,000)	-	-	(3,790,000)
Operating Transfers In (Out):					
Operating transfers in	-	320,919	6,573	-	327,492
Operating transfers out	(327,492)	-	-	-	(327,492)
Total Other Financing Sources (Uses)	(327,492)	320,919	6,573	-	-
Revenue Over Expenditures	468,059	(63,945)	22,617	1,947	428,678
Fund Balance, Beginning of Year	2,822,145	648,272	-	23,703	3,494,120
Fund Balance, End of Year	\$3,290,204	\$ 584,327	\$ 22,617	\$ 25,650	\$3,922,798

See Accompanying Notes to Financial Statements.

KNOWLEDGE QUEST ACADEMY

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

Year Ended June 30, 2022

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

Total net change in governmental fund balance	\$ 428,678
Capital outlay to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities, those costs are shown in the statement of net assets and allocated over their estimated useful lives as depreciation expense in the statement of activities:	
Capital Outlay	988,811
Depreciation Expense	(114,584)
Repayment of loan principal is an expenditure in the governmental funds, and additional borrowing is an other financing source, but they change long-term debt in the statement of net position and do not affect the statement of activities	4,001,500
Bond refunding proceeds are reported as financing sources in governmental funds and thus contribute to the change in fund balances. In the government-wide statements, however, issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities.	(3,790,000)
Decrease in accrued interest payable reflected as interest expense on the statement of activities and not reflected on the governmental fund statement of revenues, expenditures and changes in fund balance	48,509
Decrease of deferred loss on refunding is included in the statement of activities as interest expense but is not reflected on the statement of revenues, expenditures and changes in fund balance.	(36,737)
The governmental funds report District pension and OPEB contributions as expenditures. However, in the statement of activities, the cost of pension and OPEB benefits earned, net of employee contributions, is reported as pension and OPEB expense	1,021,530
<hr/>	
Change in Net Position of Governmental Activities	<hr/> <hr/> \$2,547,707

See Accompanying Notes to Financial Statements.

KNOWLEDGE QUEST ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies:

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

Reporting Entity:

The Academy was organized in 2001 pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Weld County School District RE-5J (the District) of the State of Colorado. The financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The reporting entity's financial statements should present the funds of the primary government (including its blended component units, which are, in substance, part of the primary government) and provide an overview of the discretely presented component units. Blended component units, although legally separate entities, are, in substance, part of the Academy's operations. Discretely presented component units, if any, are reported in a separate column in the government-wide financial statements to emphasize that they are legally separate from the Academy.

Basis of Presentation:

Government-wide Financial Statements:

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

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

KNOWLEDGE QUEST ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Basis of Presentation - Continued:

Government-wide Financial Statements – Continued:

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

Fund Financial Statements:

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

Funds are classified into three categories: Government, proprietary and fiduciary. Each category, in turn, is divided into separate "fund types." The Academy does not have any proprietary or fiduciary funds.

Governmental funds are used to account for all or most of a government's general activities, including the collections and disbursement of earmarked funds (special revenue funds).

The following are the Academy's major governmental funds:

General Fund – The General Fund is the operating fund of the Academy. It is used to account for all financial resources except those required to be accounted for in another fund. Major revenue sources include per pupil operating funds passed through from the Weld County School District RE-5J and grants and contributions. Expenditures include all costs associated with the daily operation of the Academy, except for certain capital outlay expenditures.

KNOWLEDGE QUEST ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Fund Financial Statements – continued:

KQA Building Corporation – This fund is a special revenue fund used to account for specific revenue sources and the related expenditures of the KQA Building Corporation that are restricted to capital expenditures and debt service.

KQA Building Fund – This fund is a capital projects fund that accounts for the receipt and spending of the proceeds of bonds and other sources for capital projects.

The following is the Academy’s nonmajor governmental fund:

Pupil Activity Fund – This fund is a special revenue fund used to record transactions related to school-sponsored pupil organizations and activities.

Measurement Focus:

Governmental-wide Statements:

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

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

Fixed Assets:

Fixed assets, which include property and equipment, are reported in the governmental activities column in the government-wide financial statements. All fixed assets are valued at historical cost or estimated historical cost if actual historical cost is not available. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

KNOWLEDGE QUEST ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Fixed Assets – continued:

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

Buildings	50 years
Building Improvements	10 - 50 years
Equipment	7 - 10 years

Estimates:

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

Budget:

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

Any budget revisions that alter the total appropriation must be approved by the Board of Directors through a supplemental appropriation resolution. The Academy over-expended budget appropriations in the KQA Building Corporation Fund.

Compensated Absences:

Each employee shall have six (6) paid time off ("PTO") days. PTO days are granted August 1st of each school year and expire July 31st of the following school year. PTO days do not roll over. Employees may elect to have a maximum of three (3) PTO days paid out at \$100 per day. The election must be communicated by May 15th of the school year. PTO days may be used at the employee's discretion for events such as: sickness (self or family), funeral, doctor appointments, or professional development (note: this list is not all inclusive). PTO days will be taken in either half or full day increments, unless the employee receives written communication from the school principal.

Income Taxes:

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

KNOWLEDGE QUEST ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Net Position:

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

Deferred Outflows and Inflows of Resources:

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

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

Pensions:

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

KNOWLEDGE QUEST ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - Summary of Significant Accounting Policies - Continued:

Other Postemployment Benefits (OPEB):

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

NOTE 2 - Changes in Capital Assets:

Capital asset activity for the year was as follows:

Governmental Activities:	Balance, June 30, 2021	Additions	Deletions/ Transfers	Balance, June 30, 2022
Capital Assets Not Being Depreciated:				
CIP	\$ --	\$ 978,824	\$ --	\$ 978,824
Land	260,000	--	--	260,000
Total Non-Depreciated Assets	260,000	978,824	--	1,238,824
Capital Assets Being Depreciated:				
Buildings and improvements	5,244,796	9,987	--	5,254,783
Equipment	202,791	--	--	202,791
Total Depreciated Assets	5,447,587	9,987	--	5,457,574
Total Capital Assets	5,707,587	988,811	--	6,696,398
Accumulated Depreciation:				
Buildings and improvements	(1,482,030)	(107,434)	--	(1,589,464)
Equipment	(134,948)	(7,150)	--	(142,098)
Less Total Accumulated Depreciation	(1,616,978)	(114,584)	--	(1,731,562)
Total Capital Assets	\$ 4,090,609	\$ 874,227	\$ --	\$ 4,964,836

KNOWLEDGE QUEST ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – Cash and Investments:

The Academy's bank accounts are with commercial banks. At June 30, 2022, the Academy's carrying amount for deposits was \$2,496,354. FDIC insurance covers \$527,141 of the balance, with the remainder being subject to the Public Deposit Protection Act.

Colorado State statutes govern the Academy's deposit of cash. The Public Deposit Protection Act (PDPA) for banks and savings and loans requires state regulators to certify eligible depositories for public deposits. The PDPA require eligible depositories with public deposits in excess of federal insurance levels to create a single institution collateral pool of defined eligible assets. Eligible collateral includes obligations of the United States, obligations of the State of Colorado or Colorado local governments and obligations secured by first lien mortgages on real property located in the state. The pool is to be maintained by another institution or held in trust for all uninsured public deposits as a group and not held in any individual government's name. The fair value of the assets in the pool must be at least equal to 102% of the aggregate uninsured deposits.

Custodial credit risk - deposits - Custodial credit risk is the risk that in the event of a bank failure, the Academy's deposits may not be returned to it. The Academy does not have a deposit policy for custodial credit risk. As of year-end, the Academy had total deposits of \$2,496,354, of which \$527,141 was insured and \$1,969,214 was collateralized with securities held by the pledging institution's trust department or agent in the Academy's name.

Authorized investments - Investment policies are governed by Colorado State Statutes and the Academy's own investment policies and procedures. Investments of the Academy may include:

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

KNOWLEDGE QUEST ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – Cash and Investments - Continued:

At June 30, 2022, the Academy had invested \$1,504,018 in the Colorado Local Government Liquid Asset Trust (COLOTRUST), an investment vehicle established for local government entities in Colorado to pool surplus funds, COLOTRUST operates similarly to a money market fund and each share is valued at the net asset value (NAV) of \$1.00. Investments of COLOTRUST consist of bills, notes, and bonds issued by the U.S. Treasury or a government agency, and repurchase agreements secured by such obligations. COLOTRUST is rated AAA by Standard & Poor's. The Academy's interest is valued at NAV.

NOTE 4 - Accrued Salaries and Benefits:

Salaries of certain personnel are paid over a twelve-month period from August to July, but are earned during a school year of approximately nine months. The salaries and benefits earned, but unpaid, as of June 30, 2022 are estimated to be \$199,175.

NOTE 5 - Long-Term Debt:

The following is a summary of the changes in long-term debt for the year:

	Beginning Balance	Additions	Reductions/ Amortizations	Ending Balance	Due Within One Year
2016 Charter School Refunding Revenue Bond	\$ 3,985,000	\$ --	\$ 3,985,000	\$ --	\$ --
2022 Refunding Revenue Bond	--	3,790,000	16,500	3,773,500	222,372
Total long-term obligations	\$ 3,985,000	\$ 3,790,000	\$ 4,001,500	\$3,773,500	\$ 222,372

The bonds payable will be liquidated by the KQA Building Corporation.

Charter School Revenue Bonds

In August 2005, the Colorado Educational and Cultural Facilities Authority (CECFA) issued \$5,840,000 in Charter School Revenue Bonds, Series 2005.

The proceeds from the bonds were loaned to the KQA Building Corporation under a lease agreement to construct the Academy's school facility. The Academy is obligated under a lease agreement to make monthly lease payments to the KQA Building Corporation for use of the building. The KQA Building Corporation is required to make semi-annual payments to the Trustee for payment of the bonds.

KNOWLEDGE QUEST ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 5 - Long-Term Debt – Continued:

In June 2016, CECFA issued \$4,715,000 in Charter School Refunding Revenue Bonds, Series 2016, due in annual installments beginning in the fiscal year 2020 ranging from \$175,000 to \$310,000, bearing a variable interest rate starting at 2.99% and currently 3.63%, payable semi-annually on January 1st and July 1st.

On April 15, 2022, KQA refinanced this debt and issued \$3,790,000 of CECFA Revenue Bond Series 2022 Reissuance. This debt requires monthly payments ranging from \$5,491 to \$29,262 ending July 2036 with a base coupon rate of 3.26% through maturity.

The following schedule represents the KQA Building Corporation's debt service requirements to maturity for all outstanding bonded indebtedness:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2023	\$ 222,372	\$ 121,395	\$ 343,768
2024	228,980	114,226	343,206
2025	233,686	106,278	339,964
2026	243,041	98,419	341,460
2027	248,124	90,303	338,426
2028-2032	1,353,650	322,006	1,675,657
2033-2037	1,243,647	87,334	1,330,981
Total	\$ 3,773,500	\$ 939,961	\$ 4,713,462

Prior-year defeasance of debt:

In prior years, the Academy defeased certain general obligation bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Academy's' financial statements. At year-end, \$4,540,000 of bonds outstanding are considered defeased.

NOTE 6 – Defined Benefit Pension Plan:

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

KNOWLEDGE QUEST ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – Defined Benefit Pension Plan - Continued:

Benefits provided as of December 31, 2021. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

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

In all cases the service retirement benefit is limited to 100% 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% or 100% on eligible amounts depending on when contributions were remitted to PERA, the date employment was terminated, whether 5 years of service credit has been obtained and the benefit structure under which contributions were made.

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

KNOWLEDGE QUEST ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – Defined Benefit Pension Plan – Continued:

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

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

Contributions provisions as of June 30, 2022 Eligible employees of, Knowledge Quest 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 1, 2021 through June 30, 2022. Employer contribution requirements are summarized in the table below:

	July 1, 2021 Through June 30, 2022
Employer contribution rate	10.90%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	(1.02)%
Amount apportioned to the SCHDTF	9.88%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.50%
Total employer contribution rate to the SCHDTF	19.88%

**Contribution rates for the SCHDTF are expressed as a percentage of salary as defined in C.R.S. § 24-51-101(42).

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the Knowledge Quest Academy is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from Knowledge Quest Academy were \$362,020 for the year ended June 30, 2022.

KNOWLEDGE QUEST ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – Defined Benefit Pension Plan – 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 as of December 31, 2021, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll-forward the TPL to December 31, 2021. The Knowledge Quest Academy proportion of the net pension liability was based Knowledge Quest Academy contributions to the SCHDTF for the calendar year 2021 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2022, the Knowledge Quest Academy reported a liability of \$3,099,147 for its proportionate share of the net pension liability that reflected Reduction for support from the State as a nonemployer contributing entity. The amount recognized by the Knowledge Quest 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 Knowledge Quest Academy were as follows:

Knowledge Quest Academy proportionate share of the net pension liability	\$ 3,099,147
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the Knowledge Quest Academy	318,738
Total	\$ 3,417,885

KNOWLEDGE QUEST ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – Defined Benefit Pension Plan – Continued:

At December 31, 2021, the Knowledge Quest Academy proportion was .02692%, which was a decrease of .001414% from its proportion measured as of December 31, 2020.

For the year ended June 30, 2022 the Knowledge Quest Academy recognized pension revenue of \$740,849 or support from the State as a nonemployer contributing entity. At June 30, 2022, Knowledge Quest Academy reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

June 30, 2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 118,648	\$ --
Net difference between projected and actual earnings on pension plan investments	--	1,165,187
Changes in assumptions	236,597	--
Change in proportion	297,626	--
Contributions subsequent to the measurement date	189,279	--
Total	\$ 842,150	\$ 1,165,187

\$189,279 reported as deferred outflows of resources related to pensions, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net pension liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ending December 31	Amount
2023	\$ 59,256
2024	(141,864)
2025	(241,242)
2026	(188,466)
	\$ (512,316)

KNOWLEDGE QUEST ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – Defined Benefit Pension Plan – Continued:

Actuarial assumptions. The total pension liability (TPL) in the December 31, 2020 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	3.40%–11.00%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (compounded annually)	1.00%
PERA benefit structure hired after 12/31/06 ¹	Financed by the AIR

¹ Post-retirement benefit increases are provided by the AIR, accounted separately within each Division Trust Fund, and subject to moneys being available; therefore, liabilities related to increases for members of these benefit tiers can never exceed available assets.

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

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

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.

KNOWLEDGE QUEST ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – Defined Benefit Pension Plan – Continued:

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

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

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

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

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

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

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

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

KNOWLEDGE QUEST ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – Defined Benefit Pension Plan – Continued:

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

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

KNOWLEDGE QUEST ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 6 – Defined Benefit Pension Plan – Continued:

- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- The AIR balance was excluded from the initial FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP and the subsequent AIR benefit payments were estimated and included in the projections.
- The projected benefit payments reflect the lowered AI cap, from 1.25% to 1.00%, resulting from the 2020 AAP assessment, statutorily recognized July 1, 2021, and effective July 1, 2022.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the SCHDTF’s FNP was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25% on pension plan investments was applied to all periods of projected benefit payments to determine the TPL. The discount 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 Knowledge Quest Academy’s proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25%, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is one percentage point lower (6.25%) or one percentage point higher (8.25%) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of net pension liability	4,561,691	3,099,147	1,878,709

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

KNOWLEDGE QUEST ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Other Postemployment Benefits:

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

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

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

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

KNOWLEDGE QUEST ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Other Postemployment Benefits – Continued:

PERA Benefit Structure

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

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

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 service-based subsidy, in each case, is for retirees with retirement benefits based on 20 or more years of service credit. There is a 5% reduction in the subsidy for each year less than 20. The retiree pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

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

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

KNOWLEDGE QUEST ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Other Postemployment Benefits – Continued:

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the Knowledge Quest Academy is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from Knowledge Quest Academy were \$3,692 for the year ended June 30, 2022.

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

At June 30, 2022, the Knowledge Quest Academy reported a liability of \$153,102 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2021, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2020. Standard update procedures were used to roll-forward the TOL to December 31, 2021. The Knowledge Quest Academy proportion of the net OPEB liability was based on Knowledge Quest Academy contributions to the HCTF for the calendar year 2021 relative to the total contributions of participating employers to the HCTF

At December 31, 2021, the Knowledge Quest Academy proportion was .01757%, which is an increase of .001174% from its proportion measured as of December 31, 2020 of .01640.

For the year ended June 30, 2022, the Knowledge Quest Academy recognized OPEB Revenue of \$155. At June 30, 2022, the Knowledge Quest Academy reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

June 30, 2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 233	\$ 36,300
Net difference between projected and actual earnings on pension plan investments	--	9,477
Changes in assumptions	3,170	8,304
Change in proportionate share	17,176	--
Contributions subsequent to the measurement date	1,931	--
Total	\$ 22,510	\$ 54,081

KNOWLEDGE QUEST ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Other Postemployment Benefits – Continued:

\$1,931 reported as deferred outflows of resources related to OPEB, resulting from contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2023. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ending December 31	Amount
2023	\$ (9,530)
2024	(10,796)
2025	(10,401)
2026	(4,210)
2027	1,435
	<u>\$ (33,502)</u>

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

Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	3.40%-11.00%
Long-term investment rate of return, net of OPEB plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	4.50% in 2021 6.00% in 2022 gradually decreasing to 4.50% in 2029
Medicare Part A premiums	3.75% in 2021, gradually increasing to 4.50% in 2029

KNOWLEDGE QUEST ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Other Postemployment Benefits – Continued:

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

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

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

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

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

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.

KNOWLEDGE QUEST ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Other Postemployment Benefits – Continued:

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

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

Mortality assumptions used in the December 31, 2020, valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below, reflect generational mortality and were applied, as applicable, in the determination of the TOL for the HCTF, but developed using a headcount-weighted basis. Affiliated employers of the State, School, Local Government and Judicial Divisions participate in the HCTF.

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

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

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

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

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

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

KNOWLEDGE QUEST ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Other Postemployment Benefits – Continued:

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

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

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

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

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

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

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

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

The following health care costs assumptions were updated and used in the roll-forward calculation for the Trust Fund:

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

KNOWLEDGE QUEST ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Other Postemployment Benefits – Continued:

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

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

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

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

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

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

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%.

KNOWLEDGE QUEST ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Other Postemployment Benefits – Continued:

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

	1% Decrease in Trend Rates	Current Trend Rates	1% Increase in Trend Rates
Initial PERACare Medicare trend rate	3.50%	4.50%	5.50%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.75%	3.75%	4.75%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$177,802	\$153,893	\$131,988

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.

KNOWLEDGE QUEST ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Other Postemployment Benefits – Continued:

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$177,802	\$153,893	\$131,988

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

NOTE 8 – Defined Contribution Pension Plan:

Voluntary Investment Program

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

Funding Policy - The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended.

KNOWLEDGE QUEST ACADEMY

NOTES TO FINANCIAL STATEMENTS

NOTE 9 - Contingencies:

The Academy is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Academy carries commercial insurance for these and other risks of loss, including workers' compensation, employee fidelity, and director liability. Settled claims have not exceeded this coverage in the past three years.

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

REQUIRED SUPPLEMENTARY INFORMATION

**KNOWLEDGE QUEST ACADEMY
GENERAL FUND**

BUDGETARY COMPARISON SCHEDULE

Year Ended June 30, 2022	General Fund			
	Actual	Original Budget	Final Budget	Variance
Revenue:				
Local sources	\$ 549,586	\$ 477,618	\$ 498,377	\$ 51,209
State sources	3,732,060	3,552,720	3,648,037	84,023
Federal sources	132,932	201,831	185,265	(52,333)
Total Revenue	4,414,578	4,232,169	4,331,679	82,899
Expenditures:				
Instruction	2,478,333	2,294,143	2,309,882	(168,451)
Supporting services	1,101,056	1,338,070	1,235,308	134,252
Food service operation	19	1,200	1,200	1,181
Capital outlay	38,453	55,591	25,000	(13,453)
Debt service:				
Fiscal charges	1,166	1,200	1,200	34
Appropriated reserves	-	-	-	-
Total Expenditures	3,619,027	3,690,204	3,572,590	(46,437)
Revenue Over (Under) Expenditures	795,551	541,965	759,089	36,462
Other Financing Sources (Uses):				
Emergency connectivity fund	-	-	-	-
Operating transfers in (out)	(327,492)	(415,000)	(1,708,205)	1,380,713
Total Other Financing Sources (Uses)	(327,492)	(415,000)	(1,708,205)	1,380,713
Revenue and Other Financing Sources Over (Under)				
Expenditures and Other Financing Uses	468,059	126,965	(949,116)	1,417,175
Fund Balance, Beginning of Year	2,822,145	2,822,145	2,822,145	-
Fund Balance, End of Year	\$ 3,290,204	\$ 2,949,110	\$ 1,873,029	\$ 1,417,175

KNOWLEDGE QUEST ACADEMY

SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS

Year Ended June 30	Statutorily Required Contributions	Contributions Made	Covered Payroll	% of Covered Payroll
2022	\$ 358,227	\$ 340,849	\$ 1,703,695	20.0%
2021	324,803	324,803	1,633,820	19.9%
2020	289,204	289,204	1,492,282	19.4%
2019	255,897	255,897	1,337,672	19.1%
2018	246,369	246,369	1,304,476	18.9%
2017	218,604	218,604	1,189,010	18.4%
2016	200,489	200,489	1,130,520	17.7%
2015	176,624	176,624	1,045,603	17.2%
2014	139,361	139,361	871,727	16.0%

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

SCHEDULE OF EMPLOYER OPEB CONTRIBUTIONS

Year Ended June 30	Statutorily Required Contributions	Contributions Made	Covered Payroll	% of Covered Payroll
2022	\$ 16,954	\$ 17,378	\$ 1,703,695	1.02%
2021	16,665	16,665	1,633,820	1.00%
2020	15,221	15,221	1,492,282	1.00%
2019	13,644	13,644	1,337,672	1.00%
2018	13,306	13,306	1,304,476	1.00%
2017	12,128	12,128	1,189,010	1.00%

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

KNOWLEDGE QUEST ACADEMY

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

Year Ended June 30	Cumulative Proportion of Net Pension Liability	Cumulative Proportionate Share	Covered Payroll	% of Covered Payroll	Plan Net Position as a % of Net Pension Liability
2022	0.027%	\$ 3,099,147	1,703,695	182%	74.86
2021	0.028%	4,282,979	1,515,706	283%	67.0%
2020	0.024%	3,557,627	1,399,099	254%	65.0%
2019	0.024%	4,288,577	1,283,700	334%	57.0%
2018	0.027%	8,712,338	1,242,839	701%	44.0%
2017	0.026%	7,648,465	1,152,946	663%	43.1%
2016	0.025%	3,846,823	1,096,118	351%	59.2%
2015	0.020%	3,077,326	669,194	460%	62.8%

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

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

Year Ended June 30	Cumulative Proportion of Net OPEB Liability	Cumulative Proportionate Share	Covered Payroll	% of Covered Payroll	Plan Net Position as a % of Net OPEB Liability
2022	0.016%	\$ 153,102	\$1,703,695	9.0%	39.4%
2021	0.016%	155,600	1,515,706	10.3%	32.8%
2020	0.016%	174,915	1,399,099	12.5%	24.5%
2019	0.016%	214,188	1,283,700	16.7%	17.0%
2018	0.015%	198,953	1,242,839	16.0%	17.5%
2017	0.015%	189,315	1,152,946	16.4%	16.7%

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

OTHER SUPPLEMENTARY INFORMATION

**KNOWLEDGE QUEST ACADEMY
GENERAL FUND**

Schedule of Revenue Compared with Budget

Year Ended June 30, 2022	Actual	Original Budget	Amended Budget	Variance
Revenue:				
Local Sources:				
District pass-through mill levy override funds	\$ 477,477	\$ 477,618	\$ 477,477	\$ -
Pupil activities	1,459	-	500	959
Other local revenue	70,650	-	20,400	50,250
Total Local Sources	549,586	477,618	498,377	51,209
State Sources:				
Per pupil operating revenue	3,470,729	3,368,440	3,441,148	29,581
Capital contributions	119,092	100,000	119,987	(895)
On-behalf payment	38,336	-	-	38,336
District pass-through	103,903	84,280	86,902	17,001
Total State Sources	3,732,060	3,552,720	3,648,037	84,023
Federal Sources:				
District pass-through	108,932	201,831	185,265	(76,333)
Emergency connectivity fund	24,000	-	-	24,000
Total Federal Sources	132,932	201,831	185,265	(52,333)
Total Revenue	\$ 4,414,578	\$ 4,232,169	\$ 4,331,679	\$ 82,899

**KNOWLEDGE QUEST ACADEMY
GENERAL FUND**

Schedule of Expenditures Compared with Budget

Year Ended June 30, 2022	Actual	Original Budget	Amended Budget	Variance
Expenditures:				
Instruction:				
Salaries	\$ 1,537,132	\$ 1,417,968	\$ 1,413,235	\$ (123,897)
Employee benefits	620,227	648,415	580,861	(39,366)
Purchased services	141,840	71,669	65,195	(76,645)
Supplies and materials	179,134	156,091	250,591	71,457
Total Instruction	2,478,333	2,294,143	2,309,882	(168,451)
Supporting Services:				
Students:				
Salaries	32,333	23,680	26,040	(6,293)
Employee benefits	7,052	5,820	5,820	(1,232)
Supplies and materials	11	200	200	189
Instructional staff:				
Salaries	29,342	17,783	18,041	(11,301)
Employee benefits	4,913	3,975	4,032	(881)
Supplies and materials	20,237	5,000	14,250	(5,987)
General administration:				
Purchased services	2,389	7,500	9,000	6,611
Supplies and materials	2,917	600	1,700	(1,217)
School administration:				
Salaries	210,643	233,147	234,117	23,474
Employee benefits	82,393	94,908	96,728	14,335
Purchased services	44,598	1,800	24,000	(20,598)
Supplies and materials	7,103	1,000	7,500	397
Other	3,843	3,400	4,500	657
On-behalf payment	38,336	-	-	(38,336)
Business services:				
Purchased services	90,756	110,473	67,495	(23,261)
Supplies and materials	-	100	100	100
Operations and maintenance:				
Salaries	81,416	88,561	86,217	4,801
Employee benefits	29,033	30,493	33,576	4,543
Purchased services	208,988	189,000	189,000	(19,988)
Supplies and materials	70,910	364,605	256,967	186,057
Central support services:				
Purchased services	97,220	106,025	106,025	8,805
Supplies and materials	36,623	50,000	50,000	13,377
Total Supporting Services	1,101,056	1,338,070	1,235,308	134,252

Continued On Next Page

**KNOWLEDGE QUEST ACADEMY
GENERAL FUND**

Schedule of Expenditures Compared with Budget - Continued

Year Ended June 30, 2022	Actual	Original Budget	Amended Budget	Variance
Food Service Operation:				
Purchased services	\$ 19	\$ 1,200	\$ 1,200	\$ 1,181
Total Food Service Operation	19	1,200	1,200	1,181
Capital Outlay:				
Property	-	-	-	-
Equipment	7,613	-	15,000	7,387
Non-capital equipment	30,840	55,591	10,000	(20,840)
Total Capital Outlay	38,453	55,591	25,000	(13,453)
Debt Service:				
Fiscal charges	1,166	1,200	1,200	34
Total Debt Service	1,166	1,200	1,200	34
Appropriated reserves	-	-	-	-
Total Expenditures	3,619,027	3,690,204	3,572,590	(46,437)
Operating Transfers Out:				
Transfers in	-	-	-	-
Transfers out	(327,492)	(415,000)	(1,708,205)	1,380,713
Total Transfers	(327,492)	(415,000)	(1,708,205)	1,380,713
Excess of revenues over (under) expenditures	468,059	126,965	(949,116)	1,417,175
Fund Balance, Beginning of Year	2,822,145	2,211,931	2,822,145	-
Fund Balance, End of Year	\$ 3,290,204	\$ 2,338,896	\$ 1,873,029	\$ 1,417,175

KNOWLEDGE QUEST ACADEMY

BUDGETARY COMPARISON SCHEDULE - KQA BUILDING CORPORATION FUND

Year Ended June 30, 2022	Actual	Original Budget	Amended Budget	Variance
Revenue:				
Other income	\$ 62,646	\$ 30,000	\$ 30,000	\$ 32,646
Total Revenue	62,646	30,000	30,000	32,646
Expenditures:				
Other purchased services	36,887	-	-	(36,887)
Debt service:				
Principal payments	211,500	195,000	195,000	(16,500)
Interest payments	199,123	143,205	143,205	(55,918)
Total Debt Service	410,623	338,205	338,205	(72,418)
Total Expenditures	447,510	338,205	338,205	(109,305)
Other Financing Sources (Uses)				
Proceeds of bond refunding	3,790,000	-	-	3,790,000
Payment to refunding agent	(3,790,000)	-	-	(3,790,000)
Operating Transfers In:				
General fund	320,919	315,000	308,205	12,714
Total Other Financing Sources (Uses)	320,919	315,000	308,205	12,714
Excess of revenues over (under) expenditures	(63,945)	6,795	-	(63,945)
Fund Balance, Beginning of Year	648,272	648,272	648,272	-
Fund Balance, End of Year	\$ 584,327	\$ 655,067	\$ 648,272	\$ (63,945)

KNOWLEDGE QUEST ACADEMY

BUDGETARY COMPARISON SCHEDULE - BUILDING FUND

Year Ended June 30, 2022	Actual	Original Budget	Amended Budget	Variance
Revenue:				
Local sources:				
Other local revenue	\$ -	\$ -	\$ -	\$ -
Capital contribution	1,000,000	1,000,000	1,000,000	-
Total Revenue	1,000,000	1,000,000	1,000,000	-
Expenditures:				
Capital Outlay:				
KQA renovation	983,956	1,100,000	2,400,000	1,416,044
Total Capital Outlay	983,956	1,100,000	2,400,000	1,416,044
Total Expenditures	983,956	1,100,000	2,400,000	1,416,044
Other Financing Sources (Uses)				
Operating Transfers In (Out):				
General fund	6,573	100,000	1,400,000	(1,393,427)
Total Other Financing Sources (Uses)	6,573	100,000	1,400,000	(1,393,427)
Excess of revenues over (under) expenditures	22,617	-	-	22,617
Fund Balance, Beginning of Year	648,272	648,272	648,272	-
Fund Balance, End of Year	\$ 670,889	\$ 648,272	\$ 648,272	\$ 22,617

KNOWLEDGE QUEST ACADEMY

BUDGETARY COMPARISON SCHEDULE - PUPIL ACTIVITY FUND

Year Ended June 30, 2022	Actual	Original Budget	Amended Budget	Variance
Revenue:				
Local sources:				
Other local revenue	\$ 24,700	\$ 30,000	\$ 40,000	\$ (15,300)
Total Revenue	24,700	30,000	40,000	(15,300)
Expenditures:				
Student activities	22,753	55,000	40,000	17,247
Total Capital Outlay	22,753	55,000	40,000	17,247
Total Expenditures	22,753	55,000	40,000	17,247
Excess of revenues over (under) expenditures	1,947	(25,000)	-	1,947
Fund Balance, Beginning of Year	23,703	23,703	23,703	-
Fund Balance, End of Year	\$ 25,650	\$ (1,297)	\$ 23,703	\$ 1,947