

**PAGOSA PEAK OPEN SCHOOL
PAGOSA SPRINGS, COLORADO**

FINANCIAL STATEMENTS

June 30, 2021



Wall,
Smith,
Bateman Inc.
Certified Public Accountants

PAGOSA PEAK OPEN SCHOOL

TABLE OF CONTENTS

June 30, 2021

	<u>Page</u>
Independent Auditors' Report	1
Management's Discussion and Analysis	3
Basic Financial Statements:	
Government-wide Financial Statements:	
Statement of Net Position	8
Statement of Activities	9
Governmental Funds Financial Statements:	
Balance Sheet	10
Reconciliation of Total Governmental Fund Balances to the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balances	12
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of the Governmental Funds to the Statement of Activities	13
Proprietary Fund Financial Statements:	
Statement of Net Position	14
Statement of Revenues, Expenses, and Changes in Net Position	15
Statement of Cash Flows	16
Notes to the Basic Financial Statements	17
Required Supplementary Information	
Schedules of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual:	
General Fund	42
Designated Grants Fund	43
Schedule of the School's Proportionate Share of the Net Pension Liability - PERA SCHDTF Pension Plan	44
Schedule of the School's Contributions - PERA SCHDTF Pension Plan	45
Schedule of the School's Proportionate Share of the Net OPEB Liability- PERA Healthcare Trust Fund	46
Schedule of the School's Contributions - PERA Healthcare Trust Fund	47
Notes to the Required Supplementary Information	48
Supplementary Information	
Governmental NonMajor Funds	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual Activity Fund	50

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Pagosa Peak Open School
Pagosa Springs, Colorado



Wall,
Smith,
Bateman Inc.

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Pagosa Peak Open School (the School), as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements 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 entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School, as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Certified Public Accountants

3001 Adcock Circle PO Box 809 Alamosa, CO 81101 | 719-589-3619 | f 719-589-5492 | www.wsbcpa.com

Other Matters

Required Supplementary Information

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

Wall, Smith, Bateman Inc.

Wall, Smith, Bateman Inc.
Alamosa, Colorado

November 08, 2021

**PAGOSA PEAK OPEN SCHOOL
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Management’s Discussion and Analysis

As management of the Pagosa Peak Open School (the “School”) we offer readers of the School’s financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information provided in the basic financial statements.

Financial Highlights

At the close of its 4th year of operation, the assets and deferred outflows of the School exceeded its liabilities and deferred inflows by \$490,133 (net position) a decrease of \$28,276.

The School’s unrestricted net position shows a deficit of \$971,755 and is primarily the result of GASB Statements 68 and 75, which require the School to report its proportionate share of the PERA School Division Statewide Defined Benefit Pension Plan and Post Employment Benefit Plan Other Than Pensions (“OPEB”) net pension liabilities and related deferred inflows and outflows of resources. Over time, PERA is expected to eliminate its unfunded pension obligation through increased contribution rates and additional funding from the State of Colorado.

The effect of the PERA pension and OPEB liabilities on the School’s net position is summarized below.

	Governmental Activities	
	6/30/2021	6/30/2020
Net Position (GAAP Basis)	\$ 490,133	\$ 518,409
Net Pension Liability	1,776,859	1,411,165
Net OPEB Liability	64,611	69,365
Deferred Outflow of Resources		
related to pensions and OPEB	(1,076,996)	(913,829)
Deferred Inflows of Resources		
related to Pensions and OPEB	717,793	839,229
Net Position Excluding Pensions:	<u>\$ 1,972,400</u>	<u>\$ 1,924,339</u>

At the close of the fiscal year the School’s governmental funds reported a combined ending fund balance of \$416,428, an increase of \$96,543.

The School’s operations are funded primarily through tax revenue received under Colorado’s School Finance Act (Per Pupil Revenue, or PPR).

Overview of Financial Statements

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

Government-wide Financial Statements

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

**PAGOSA PEAK OPEN SCHOOL
MANAGEMENT’S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

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

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

The government-wide financial statement of activities distinguishes functions/programs of the School supported primarily by per pupil revenue (PPR) or property, income, and sales taxes passed through from the School’s chartering district (Archuleta County School District 50JT) received from the County and State. The governmental activities of the School include instruction and supporting expenses as well as interest and fiscal charges.

The government-wide financial statements can be found on pages 8-9 of this report.

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other governmental units or charter schools, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the School can be divided into two categories: governmental funds and proprietary funds.

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

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

School maintains three individual governmental funds. 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 which is considered to be major. Non-major funds include the activity fund.

Proprietary Funds – The School maintains one type of proprietary fund, the Building Corporation Internal Service Fund. The Internal Service Fund is used to report the activities of the School’s Building Corporation. The Building Corporation exists entirely for the benefit of the School and is included in the School’s financial statements as an internal service fund. The Building Corporations statement of net position, statement of revenues, expenses, and changes in net position and statement of cash flows can be found on pages 14-16 of this report.

Budget – School adopts an annual appropriated budget for its general fund, designated grants fund, and activity fund. Budgetary comparison schedules have been provided for these funds to demonstrate compliance with the budget.

**PAGOSA PEAK OPEN SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This information is provided in pages 17-41 of this report.

Government-wide Financial Analysis –As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of School, assets exceeded liabilities by \$490,133 for all government funds as the close of the most recent fiscal year.

Statement of Net Position

	Governmental Activities	
	6/30/2021	6/30/2020
Current and Other Assets	\$ 694,979	\$ 621,609
Capital Assets	4,281,198	4,374,630
Total Assets	4,976,177	4,996,239
Deferred Outflows of Resources	1,076,996	913,829
Current and Other Liabilities	196,590	219,591
Non Current Liabilities	4,648,657	4,332,839
Total Liabilities	4,845,247	4,552,430
Deferred Inflows of Resources	717,793	839,229
Net Positon		
Net Investment in Capital Assets	1,428,888	1,478,255
Restricted	33,000	33,000
Unrestricted	(971,755)	(992,846)
Total Net Position	\$ 490,133	\$ 518,409

**PAGOSA PEAK OPEN SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

The largest portion of the School's assets (86%) is in net capital assets. 10% percent of total assets represent cash and investments.

	Governmental Activities	
	6/30/2021	6/30/2020
Revenues		
Program Revenues		
Operating Grants	\$ 504,001	\$ 458,418
Capital Grants	38,956	1,628,443
General Revenues		
District Mill Levy	109,436	91,617
Per Pupil Revenue	990,467	877,390
Investment Earnings	2,052	2,709
Total Revenues	<u>1,644,912</u>	<u>3,058,577</u>
Expenses		
Instruction	901,275	888,629
Supporting Services	674,615	663,861
Food Service	97,298	-
Total Expenses	<u>1,673,188</u>	<u>1,552,490</u>
Increase (Decrease in Net Position)	(28,276)	1,506,087
Net Position, Beginning	518,409	(987,678)
Net Position Ending	<u>\$ 490,133</u>	<u>\$ 518,409</u>

The School's net position shows a decrease of \$28,276 over the prior year.

Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, June 30, 2021 the School's governmental funds reported a combined ending fund balance of \$416,428, an increase of \$96,543.

General Fund Budgetary Highlights

The School approves a budget in June based on enrollment projections for the following school year. In October after enrollment stabilizes, adjustments are made to the budget. Enrollment for FY 20/21 was 120 funded pupil count. The School initially projected an increase in enrollment for FY 2021-2022 to 133. As of the October 2021 count, actual enrollment was 122 students.

**PAGOSA PEAK OPEN SCHOOL
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021**

Capital Asset and Debt Administration

Capital Assets. School's investment in capital assets was \$4,391,891 for FY21. Total accumulated depreciation for FY 2020-2021 was \$110,693 resulting in net capital assets of \$4,281,198. Detailed information can be found on page 24 of this report.

Long-Term Debt

The School entered into a \$2,900,000 loan agreement with the U.S Department of Agriculture in May 2020. Proceeds of the loan were used to purchase the School's building. The loan carries an interest rate of 2.375%. Monthly principal and interest payments in the amount of \$9,365 are due through April 2060. Detailed information can be found on page 25 of this report.

Economic Factors and Next Year's Budget

The primary factor driving the budget for the School is student enrollment. Funded Pupil Count was 112 for 2020 and 120 for 2021. Funded pupil count for 2022 is 122.

Per Pupil Revenue was initial expected to decline significantly as a result of the COVID-19 pandemic and revenue shortfalls at the state level. However, per pupil revenue for the School increased by \$404.10 from \$7,740.90 in 2020 to \$8,145 in 2021.

Requests for Information

This financial report is designed to provide a general overview of the School's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Pagosa Peak Open School, 7 Parelli Way, Pagosa Springs, CO 81147.

PAGOSA PEAK OPEN SCHOOL
BASIC FINANCIAL STATEMENTS

PAGOSA PEAK OPEN SCHOOL
STATEMENT OF NET POSITION
June 30, 2021

	<u>Primary Government Governmental Activities</u>
ASSETS	
Current Assets	
Cash	\$ 473,777
Intergovernmental Receivable	56,017
Accounts Receivable	165,185
Total Current Assets	<u>694,979</u>
Noncurrent Assets	
Capital Assets	
Land	715,000
Construction in Progress	21,539
Building	3,628,063
Equipment	27,289
Less: Accumulated Depreciation	(110,693)
Total Noncurrent Assets	<u>4,281,198</u>
TOTAL ASSETS	<u>4,976,177</u>
DEFERRED OUTFLOWS OF RESOURCES	
Pension	1,028,019
OPEB	48,977
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>1,076,996</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	32,527
Unearned Grant Revenue	113,293
Accrued Interest Expense	5,647
Note Payable	45,123
Total Current Liabilities	<u>196,590</u>
Noncurrent Liabilities	
Notes Payable	2,807,187
Net Pension Liability	1,776,859
Net OPEB Liability	64,611
Total Noncurrent Liabilities	<u>4,648,657</u>
TOTAL LIABILITIES	<u>4,845,247</u>
DEFERRED INFLOWS OF RESOURCES	
Pension	696,986
OPEB	20,807
DEFERRED INFLOWS OF RESOURCES	<u>717,793</u>
NET POSITION	
Net Investment in Capital Assets	1,428,888
Restricted for TABOR	33,000
Unrestricted	(971,755)
TOTAL NET POSITION	<u>\$ 490,133</u>

The accompanying notes are an integral part of this financial statement.

PAGOSA PEAK OPEN SCHOOL
STATEMENT OF ACTIVITIES
Fiscal Year Ended June 30, 2021

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Primary Government
					Primary Government
Primary Government					
Governmental Activities					
Instructional Program	\$ 901,275	\$ -	\$ 338,146	\$ 38,956	\$ (524,173)
Student Supporting Services	387,802	-	65,276	-	(322,526)
Operations and Maintenance					
of Plant Services	286,813	-	-	-	(286,813)
Food Services	97,298	-	100,579	-	3,281
Total Governmental Activities	<u>\$ 1,673,188</u>	<u>\$ -</u>	<u>\$ 504,001</u>	<u>\$ 38,956</u>	<u>(1,130,231)</u>
General Revenues:					
					990,467
					109,436
					2,052
Total General Revenues					<u>1,101,955</u>
Change in Net Position					(28,276)
Net Position, Beginning of Year					<u>518,409</u>
Net Position, End of Year					<u>\$ 490,133</u>

The accompanying notes are an integral part of this financial statement.

PAGOSA PEAK OPEN SCHOOL
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2021

	GENERAL FUND	DESIGNATED GRANTS FUND	NONMAJOR FUND ACTIVITY FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash	\$ 247,113	\$ 57,276	\$ 35,907	\$ 340,296
Accounts Receivable	165,185	-	-	165,185
Intergovernmental Receivable	-	56,017	-	56,017
TOTAL ASSETS	<u>\$ 412,298</u>	<u>\$ 113,293</u>	<u>\$ 35,907</u>	<u>\$ 561,498</u>
LIABILITIES				
Accounts Payable	\$ 31,777	\$ -	\$ -	\$ 31,777
Unearned Grant Revenue	-	113,293	-	113,293
TOTAL LIABILITIES	<u>31,777</u>	<u>113,293</u>	<u>-</u>	<u>145,070</u>
FUND BALANCE				
Restricted for:				
TABOR 3% Reserve	33,000	-	-	33,000
Assigned for:				
Subsequent Expenditures	110,000	-	-	110,000
Unassigned	237,521	-	35,907	273,428
TOTAL FUND BALANCE	<u>380,521</u>	<u>-</u>	<u>35,907</u>	<u>416,428</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 412,298</u>	<u>\$ 113,293</u>	<u>\$ 35,907</u>	<u>\$ 561,498</u>

The accompanying notes are an integral part of this financial statement.

PAGOSA PEAK OPEN SCHOOL
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO THE STATEMENT OF NET POSITION
June 30, 2021

Total governmental fund balances	\$ 416,428
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	6,999
Deferred results and contributions to pension and OPEB plans made after the measurement date are recorded as expenditures in the governmental funds, but must be deferred in the statement of net position.	1,076,996
Net pension and OPEB liabilities are not due and payable in the current period and are not reported in the funds.	(1,841,470)
Certain amounts related to the net pension and OPEB liabilities are deferred and amortized over time. These are not reported in the funds.	(717,793)
The Internal Service Fund is used by management to account for the activities of the Pagosa Peak Open School Building Corporation. The assets and liabilities of this fund are included in the governmental activities of the statement of net position.	<u>1,548,973</u>
Net position of governmental activities	<u><u>\$ 490,133</u></u>

PAGOSA PEAK OPEN SCHOOL
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES
For the Year Ended June 30, 2021

	GENERAL FUND	DESIGNATED GRANTS FUND	NONMAJOR FUND ACTIVITY FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Local Sources	\$ 149,910	\$ 103,770	\$ 35,826	\$ 289,506
State Sources	50,662	53,940	-	104,602
Federal Sources	100,579	157,109	-	257,688
Other Sources	990,467	-	-	990,467
TOTAL REVENUES	<u>1,291,618</u>	<u>314,819</u>	<u>35,826</u>	<u>1,642,263</u>
EXPENDITURES				
Current Expenditures				
Instructional Program	520,856	312,109	12,286	845,251
Instructional Staff Support Services	2,591	-	-	2,591
General Administration Support Services	43,202	660	-	43,862
School Administration Support Services	192,741	-	-	192,741
Business Support Services	89,353	2,050	-	91,403
Operations and Maintenance of Plant Services	235,682	-	-	235,682
Student Transportation Services	1,675	-	-	1,675
Central Support Services	35,217	-	-	35,217
Food Services	97,298	-	-	97,298
TOTAL EXPENDITURES	<u>1,218,615</u>	<u>314,819</u>	<u>12,286</u>	<u>1,545,720</u>
NET CHANGE IN FUND BALANCE	73,003	-	23,540	96,543
Fund Balance, Beginning of Year	<u>307,518</u>	<u>-</u>	<u>12,367</u>	<u>319,885</u>
Fund Balance, End of Year	<u>\$ 380,521</u>	<u>\$ -</u>	<u>\$ 35,907</u>	<u>\$ 416,428</u>

The accompanying notes are an integral part of this financial statement.

PAGOSA PEAK OPEN SCHOOL
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2021

Net change in fund balances - total governmental funds	\$ 96,543
---	-----------

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the activity in capital assets in the current period.

Depreciation expense	(1,000)
----------------------	---------

Certain items reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds. This item represents the change in pension and OPEB expense.

	(76,337)
--	----------

The Internal Service Fund is used by management to account for the activities of the Pagosa Peak Open School Building Corporation. The net revenue (expense) of the internal service fund is charged to governmental activities.

	(47,482)
--	----------

Change in net position of governmental activities	\$ <u>(28,276)</u>
--	--------------------

PAGOSA PEAK OPEN SCHOOL
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
June 30, 2021

	Governmental Activities Internal Service Fund
ASSETS	
Current Assets	
Cash	\$ 133,481
Total Current Assets	<u>133,481</u>
Noncurrent Assets	
Capital Assets	
Land	715,000
Construction in Progress	21,539
Building	3,628,063
Equipment	17,290
Less: Accumulated Depreciation	<u>(107,693)</u>
Total Noncurrent Assets	<u>4,274,199</u>
TOTAL ASSETS	<u>4,407,680</u>
LIABILITIES	
Current Liabilities	
Accounts Payable	750
Accrued Interest Payable	5,647
Note Payable	<u>45,123</u>
	51,520
Noncurrent Liabilities	
Note Payable	<u>2,807,187</u>
TOTAL LIABILITIES	<u>2,858,707</u>
NET POSITION	
Net Investment in Capital Assets	1,421,889
Unrestricted	<u>127,084</u>
TOTAL NET POSITION	<u><u>\$ 1,548,973</u></u>

The accompanying notes are an integral part of this financial statement.

PAGOSA PEAK OPEN SCHOOL
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2021

	Governmental Activities
	Internal Service Fund
OPERATING REVENUES	
Lease income	\$ 156,000
TOTAL OPERATING REVENUES	156,000
OPERATING EXPENSES	
Utilities	23,681
Purchased Services	15,024
Miscellaneous	6,740
Depreciation Expense	92,432
TOTAL OPERATING EXPENSES	137,877
OPERATING INCOME (LOSS)	18,123
NONOPERATING REVENUES (EXPENSES)	
Donation	2,649
Interest Expense	(68,254)
TOTAL NONOPERATING REVENUES (EXPENSES)	(65,605)
CHANGE IN NET POSITION	(47,482)
NET POSITION, Beginning of Year	1,596,455
NET POSITION, End of Year	\$ 1,548,973

The accompanying notes are an integral part of this financial statement.

PAGOSA PEAK OPEN SCHOOL
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2021

	Governmental Activities
	Internal Service Fund
Cash Flows from Operating Activities	
Cash Received from Lease Agreement	\$ 156,000
Donations for Operations	2,649
Cash Payments for Operating Expenses	(69,140)
Net Cash Provided (Used) by Operating Activities	89,509
Cash Flows from Noncapital Financing Activities	-
Cash Flows from Capital and Related Financing Activities	
Principal Paid on Note	(44,066)
Interest Paid on Note	(68,340)
Net Cash Provided (Used) by Capital and Related Financing Activities	(112,406)
Cash Flows from Investing Activities	-
Net Increase (Decrease) in Cash and Cash Equivalents	(22,897)
Cash and Cash Equivalents, Beginning of Year	156,377
Cash and Cash Equivalents, End of Year	<u><u>\$ 133,480</u></u>
Operating Income (Loss)	\$ 18,123
Adjustments to reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation	92,432
Donations	2,649
Increase (decrease) in:	
Accounts payable	(23,695)
Net cash provided (used) by operating activities	<u><u>\$ 89,509</u></u>

The accompanying notes are an integral part of this financial statement.

PAGOSA PEAK OPEN SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of Pagosa Peak Open School (the “School”) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant policies.

Financial Reporting Entity

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

The Pagosa Peak Open School Building Corporation (PPOSBC or the Corporation) is considered to be financially accountable to the School. The purpose of the Corporation is to hold title to real and/or personal property and for making the same available for use by Pagosa Peak Open School, and to otherwise provide a public building, facilities, and equipment. The Corporation is considered to be part of the School for financial reporting purposes because its resources are entirely for the direct benefit of the School and is blended into the School’s financial statements as a proprietary fund. Separate financials are not available.

The School is a component unit of the Archuleta School District 50JT (the District). The School’s charter is authorized by the District and the majority of the School’s funding is provided by the District. The District passes through 95% of the per pupil revenue and mill levies to the School, maintaining 5% as an administrative fee. It is the administrative position of the Colorado Department of Education that a charter school has the same relationship to a public school as does any other school program or school building within a school district. A charter school is part of a local school district that is a political subdivision of the State of Colorado. The School has organized as non-profit corporations under the laws of the State of Colorado and Section 501(c)(3) of the Internal Revenue Code. The School was created to help guide students in development of their character and academic potential through an academically rigorous, content rich educational program.

Basis of Presentation

Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of changes in net position) report information on all of the activities of the government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support. The School does not report any business-type activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues.

PAGOSA PEAK OPEN SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

Amounts reported as Program revenues include:

- Charges to customers or applicants for goods, services, or privileges provided;
- Operating grants and contributions; and
- Capital grants and contributions.

Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all District flow through per pupil funding.

Direct expenses are those clearly identifiable with a specific function or segment. Program revenues include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment; and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function or segment. Other items not properly included among program revenues are reported instead as general revenues.

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

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Entitlement revenues are recognized to the extent of related expenditures or when compliance with matching requirements is met. A receivable is established when the related expenditures exceed revenue receipts and an unearned revenue account is established when receipts exceed the related expenditures. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences and claims and judgments are recorded only when payment is due.

All other revenue items are considered to be measurable and available only when cash is received by the government.

The School reports the following major governmental funds:

- General Fund This fund is the primary operating fund of the School. It is used to account for all financial resources except those required to be accounted for in another fund.
- Designated Grants Fund This special revenue fund is used to account for the proceeds received from various Colorado Department of Education and outside Foundation grants and donations.

Proprietary fund financial statements are used to account for activities, which are similar to those often found in the private sector. The measurement focus is dependent upon determination of net income, financial position, and cash flows.

The School reports the following internal service fund:

- Building Corporation Fund This fund used is used to account for the activities for the Pagosa Peak School Building Corporation.

PAGOSA PEAK OPEN SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

The proprietary fund is accounted for using the accrual basis of accounting as follows:

- Revenues are recognized when earned and expenses are recognized when the liabilities are incurred.
- Current-year contributions, administrative expenses, and premium payments, which are not received or paid until the subsequent year, are accrued.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Certain eliminations have been made as prescribed in GASB Statement No. 34 in regards to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated.

Budgets and Budgetary Accounting

Budgets are adopted on a basis consistent with generally accepted accounting principles. Annual appropriated budgets are adopted for all funds. All annual appropriations lapse at fiscal year-end.

The School adheres to the procedures described below in establishing the budgetary data reflected in the financial statements.

- Budgets are required by state law for all funds. By May 31, the Administrators submits to the Board of Education a proposed budget for the fiscal year commencing the following July 1. The budget includes proposed expenditures and the means of financing them. All budgets lapse at year-end.
- Prior to June 30, the budget is adopted by formal resolution.
- Expenditures may not legally exceed appropriations at the fund level.
- Revisions that alter the total expenditures of any fund must be approved by the Board of Education.
- Budgeted amounts reported in the accompanying financial statements are as originally adopted by the Board of Education.

Stewardship

The Building Corporation Fund is a 501(c)(3) nonprofit, therefore no budget was adopted during FY2021.

Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position/Fund Balance

Cash

The School's cash and cash equivalents are considered to be cash-on-hand and demand deposits, which are deposited in checking accounts which are legally authorized.

Deposits

All deposits are reported at their gross value.

Due from Primary Government

Activities with the primary government that are representative of cash held by the primary government at the end of the fiscal year are reported as accounts receivable and accounts payable in the financial statements. There was \$151,403 reported as of June 30, 2021. The School is reporting \$56,017 of grants receivable from the Colorado Department of Education that flow through the District at year end.

PAGOSA PEAK OPEN SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital Assets, which include property, buildings, and equipment, are reported as governmental activity capital assets if acquired through operating resources. Capital assets are defined by the School as assets with an initial, individual cost of \$5,000 or more and an estimated useful life in excess of one year.

Such assets will be recorded at historical cost or estimated historical cost if purchased or constructed. Where cost cannot be determined from the available records, estimated historical cost will be used to record the estimated value of the assets. Assets acquired by gift or bequest are recorded at their fair market value at the date of transfer.

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

Property, buildings and equipment of the School will be depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	30-40
Building Improvements	10-20
Equipment	15

Unearned Revenues

Unearned revenues are amounts that have been collected but have not met the requirements needed for revenue recognition.

Long-Term Obligations

Long-term obligations in the government-wide financial statements are reported as liabilities in the applicable activity.

Vacation, Sick Leave, and Other Compensated Absences

Employees are entitled to certain compensated absences based on their length of employment. Except for sick leave, compensated absences do not vest or accumulate and are recorded as expenditures when they are paid. Since all employees are contracted to work a set number of days during a year, no vacation accrual accumulates.

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Net Position/Fund Balance

In the government-wide financial statements and for the proprietary fund statements, net position is either shown as net investment in capital assets, with these assets essentially being nonexpendable; restricted when constraints placed on the net position are externally imposed; or unrestricted.

PAGOSA PEAK OPEN SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

For the governmental fund presentation, fund balances that are classified as “nonspendable” include amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts.

Fund balance is reported as “restricted” when constraints placed on the use of resources are either (a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority, the Board of Education, are reported as “committed” fund balance. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts.

Amounts that a government intends to use for a specific purpose; intent is expressed by the Board of Education, are reported as “assigned” fund balance.

All remaining fund balance in the General Fund is presented as “unassigned”.

Net Position/Fund Balance Flow Assumption

Sometimes the government will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund financial statements a flow assumption must be made about the order in which the resources are considered to be applied. It is the government’s policy to consider restricted fund balance to have been depleted before using any of the components of unrestricted fund balance, if allowed under the terms of the restriction.

Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

Revenues and Expenditures

Revenues for governmental funds are recorded when they become measurable and available. Generally, per-pupil operating revenues and fees are recognized when received. Grants from other governments are recognized to the extent of related expenditures, or when compliance with matching requirements is met. A receivable is established when the related expenditures exceed revenue receipts and a deferred revenue account is established when receipts exceed the related expenditures. Expenditures for governmental funds are generally recognized when the related liability is incurred.

Pensions

The School participates in the School Division Trust Fund (SCHDTF), a cost-sharing multiple-employer defined benefit pension plan administered by the Public Employees’ Retirement Association of Colorado (“PERA”). The net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions, pension expense, information about the fiduciary net position and additions to/deductions from the fiduciary net position 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.

PAGOSA PEAK OPEN SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

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

Other Postemployment Benefits (OPEB)

The School participates in the Health Care Trust Fund (HCTF), a cost-sharing multiple-employer defined benefit OPEB fund administered by the Public Employees' Retirement Association of Colorado ("PERA"). The net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, OPEB expense, information about the fiduciary net position (FNP) and additions to/deductions from the fiduciary net position 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.

Reclassification

Certain reclassifications have been made to the prior year financial statement presentation to correspond to the current year's format. Total net position/fund balance and change in net position/fund balance are unchanged by these reclassifications.

NOTE 2: CASH AND INVESTMENTS

Cash and investments at June 30, 2021 were as follows:

Cash & Cash Equivalents	<u><u>\$ 473,777</u></u>
-------------------------	--------------------------

This balance is presented in the financial statements as follows:

Governmental Activities - Unrestricted	<u><u>\$ 473,777</u></u>
--	--------------------------

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires that all units of local government deposit cash in eligible public depositories. Eligibility is determined by state regulations. The School's cash and investment balances are collateralized as follows:

	Bank Balance	Carrying Balance
FDIC Insured	<u><u>\$ 504,163</u></u>	<u><u>\$ 473,777</u></u>

At June 30, 2021, State regulatory commissioners have indicated that all financial institutions holding deposits for the School are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102 percent of the uninsured deposits.

PAGOSA PEAK OPEN SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

Custodial Credit Risk

Deposits in financial institutions, reported as cash, cash equivalents, and investments had a bank balance as summarized above at June 30, 2021, which was fully insured by depository insurance or secured with collateral held through PDPA. All investments evidenced by individual securities are registered in the name of the School.

Investment interest rate risk

The School has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates other than those contained in Colorado Revised Statutes. The School did not hold any investments as of June 30, 2021.

Investment credit risk

1. The School has no investment policy that limits its investment choices other than the limitation of state law as follows:
2. Direct obligations of the US government, its agencies, and instrumentalities to which the full faith and credit of the US government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged;
3. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out of state financial institutions;
4. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper, and repurchase agreements with certain limitations;
5. County, municipal, or school tax supported debt obligations; bond or revenue anticipation notes; money; or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school;
6. Notes or bonds secured by a mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and obligations of the National Mortgage Association; and
7. Money market funds regulated by the Securities and Exchange Commission (SEC) in which investments consist of the investments mentioned in 1, 2, 3, and 4, above.

Concentration of investment credit risk

The School places no limit on the amount it may invest in any one issuer. At June 30, 2021, the School had no concentration of credit risk.

The School would invest excess funds under the prudent investor rule. The criteria for selection of investments and their order of priority are: 1) safety; 2) liquidity; and 3) yield.

PAGOSA PEAK OPEN SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 3: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2021, is summarized below:

	Balance 6/30/2020	Additions	Deletions	Balance 6/30/2021
<i>Governmental Activities:</i>				
Capital Assets not being depreciated				
Land	\$ 715,000	\$ -	\$ -	\$ 715,000
Construction in Progress	21,539	-	-	21,539
Total Capital Assets not being depreciated	736,539	-	-	736,539
Capital Assets being depreciated				
Building	3,628,063	-	-	3,628,063
Equipment	27,289	-	-	27,289
Total capital assets being depreciated	3,655,352	-	-	3,655,352
Less accumulated depreciation for:				
Building	(15,117)	(90,702)	-	(105,819)
Equipment	(2,144)	(2,730)	-	(4,874)
Total accumulated depreciation	(17,261)	(93,432)	-	(110,693)
Total capital assets being depreciated, net	3,638,091	(93,432)	-	3,544,659
Total Capital Assets	<u>\$ 4,374,630</u>	<u>\$ (93,432)</u>	<u>\$ -</u>	<u>\$ 4,281,198</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Instructional Program	\$ 92,432
Transportation	<u>1,000</u>
Total Depreciation Expense	<u>\$ 93,432</u>

NOTE 4: OUTSTANDING DEBT OBLIGATIONS

Long-term debt activity for the year ended June 30, 2021 was as follows:

	Balance 06/30/2020	Advances	Payments	Balance 06/30/2021	Current Portion
Governmental Activities					
United States Department of Agriculture Community Facilities Direct Loan	<u>\$ 2,896,375</u>	<u>\$ -</u>	<u>\$ (44,065)</u>	<u>\$ 2,852,310</u>	<u>\$ 45,123</u>

Note Payable

The Pagosa Peak Open School Building Corporation (the Corporation) entered into a \$2,900,000 loan agreement with the United States Department of Agriculture (USDA) at 2.375% interest rate, for the purchase of land and building and related building improvements incurred by the Corporation. The Corporation has pledged gross income

PAGOSA PEAK OPEN SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

and revenue to be derived from the operation of the facility to pay the principal and interest payments. Regular principal and interest payments began May 2020. The building and land are included in capital assets at a cost of \$4,343,063 and accumulated depreciation of \$105,819.

The annual debt service for the note is as follows:

	Principal	Interest	Total
2022	\$ 45,123	\$ 67,253	\$ 112,376
2023	46,207	66,169	112,376
2024	47,315	65,061	112,376
2025	48,456	63,920	112,376
2026	49,615	62,761	112,376
2027-2031	266,533	295,356	561,889
2032-2036	300,097	261,781	561,878
2037-2041	337,898	223,985	561,883
2042-2046	380,463	179,638	560,101
2047-2051	428,381	133,500	561,881
2052-2056	482,336	79,549	561,885
2057-2060	419,886	20,246	440,132
	\$ 2,852,310	\$ 1,519,219	\$ 4,371,529

NOTE 5: DEFICIT NET POSITION

The Governmental Activities has a net position of \$476,351, and an unrestricted net position deficit of \$(985,537) primarily due to adding the PERA and OPEB net pension liabilities and related deferred inflows and deferred outflows of resources of \$1,482,267 further described in Notes 8 and 10. As the School has no control over pension and other retirement benefits or contribution rates, we expect this deficit net position to continue going forward.

NOTE 6: SUMMARY DISCLOSURE OF SIGNIFICANT COMMITMENTS AND CONTINGENCIES AND LEGAL COMPLIANCE

Claims and Judgments

The School participates in state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the School is required to reimburse the grantor government. As of June 30, 2021, the School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the School.

Tabor Amendment

In November 1992, Colorado voters passed the Tabor Amendment (Amendment 1) to the State Constitution which limits state and local government tax powers and imposes spending limitations.

PAGOSA PEAK OPEN SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

The School is subject to the Tabor Amendment. Fiscal year 1993 provides the basis for limits in future years to which may be applied allowable increases for inflation and assessed valuation. Revenue received in excess of the limitations may be required to be refunded, unless authorized through ballot measure to retain the revenue. The Tabor Amendment is subject to many interpretations, but the School believes it is in substantial compliance with the Amendment.

The Tabor Amendment requires the School to establish a reserve for emergencies. At June 30, 2021, the School's reserve of \$33,000 was recorded as a restricted fund balance in the General Fund.

Mill Levy Override

Archuleta School District passed a mill levy override vote in November of 2018 for which the District began receiving funds in calendar year 2019. The School received \$109,436 worth of these override funds and the remaining override funds unspent as of June 30, 2021 was \$0.

COVID -19

In March of 2020, the COVID-19 virus was declared a global pandemic. Business continuity could be severely impacted for months or more, as significant and unprecedented measures to mitigate the consequences of the pandemic are undertaken. The Coronavirus Aid, Relief, and Economic Security (CARES) Act was enacted on March 27, 2020 to provide, among other things, funding for education. This funding source is to address the impact COVID-19 has had and continues to have on elementary and secondary schools. There are specific allowable uses for the funds. The funds cannot be used to supplement reductions to per pupil funding that has resulted from the downturn in the economy due to COVID-19. No adjustments have been made to these financial statements as the potential impact is unknown at this time.

BEST Grant

The School was awarded the BEST Grant in the amount of 663,820 with a School match of \$779,267 in June 2021. The School plans to use the funds to renovate the school building with construction to begin in May 2022.

NOTE 7: RISK MANAGEMENT

The School is exposed to various risks of loss related to: torts; theft of; damage to; destruction of assets; injuries to employees; and natural disasters. The School funds it's outside insurance purchases, deductibles, and uninsured losses through the General Fund. The School carries commercial insurance for all other risks of loss, including errors and omissions and property. Settled claims resulting from these risks have not exceeded commercial coverage.

NOTE 8: DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

PAGOSA PEAK OPEN SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

Benefits provided as of December 31, 2020. 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 percent and then multiplied by years of service credit
- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

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

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

As of December 31, 2020, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments, referred to as annual increases in the C.R.S once certain criteria are met. Pursuant to SB 18-200, 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 employment will receive an annual increase of 1.25 percent unless adjusted by the automatic adjustment provision (AAP) pursuant to C.R.S. §24-51-413. Eligible benefit recipients under the PERA benefit structure who began eligible employment on or after January 1, 2007, will receive the lesser of an annual increase of 1.25 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The AAP may raise or lower the aforementioned annual increase by up to 0.25 percent based on the parameters specified in C.R.S §24-51-413.

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

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

Contributions provisions as of June 30, 2021. Eligible employees of, the School and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 10.00 percent of their PERA-includable salary during the period of July 1, 2020 through June 30, 2021. Employer contribution requirements are summarized in the table below:

PAGOSA PEAK OPEN SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

	July 1, 2020 Through June 30, 2021
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).

As specified in C.R.S. § 24-51-414, the State is required to contribute \$225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. House Bill (HB) 20-1379 suspended the \$225 million direct distribution payable on July 1, 2020 for the State's 2020-21 fiscal year.

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the School were \$133,358 for the year ended June 30, 2021.

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, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll forward the total pension liability to December 31, 2020. The School's proportion of the net pension liability was based on the School's contributions to the SCHDTF for the calendar year 2020 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

Due to the aforementioned suspension of the July 1, 2020, direct distribution payment, the nonemployer contributing entity's proportion is zero percent. Pursuant to C.R.S. § 24-51-414, the direct distribution payment from the State of Colorado is to recommence annually starting on July 1, 2021. 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.

At June 30, 2021, the School reported a liability of \$1,776,859 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity.

At December 31, 2020, the School's proportion was 0.0117 percent, which was an increase of 0.0023 percent from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the School recognized pension expense of \$66,960 and revenue of \$0 for support from the State as a nonemployer contributing entity. At June 30, 2021, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

PAGOSA PEAK OPEN SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 97,630	\$ -
Changes of assumption or other inputs	170,928	298,675
Net difference between projected and actual earnings on pension plan investments	-	391,127
Changes in proportion and differences between contributions recognized and proportionate share of contributions	686,883	7,184
Contributions subsequent to the measurement date	72,578	-
Total	<u>\$ 1,028,019</u>	<u>\$ 696,986</u>

\$72,577 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, 2022.

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 Ended June 30,	
2022	\$ 46,620
2023	274,929
2024	(1,391)
2025	(61,702)
2026	-
Thereafter	-

Actuarial assumptions. The total pension liability in the December 31, 2019 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions, and other inputs:

Actuarial cost method	Entry Age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increase , including wage inflation	3.50-9.70%
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	1.25%
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic) ¹	Financed by the Annual Increase Reserve

PAGOSA PEAK OPEN SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

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.

Healthy mortality assumptions for active members reflect the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Post-retirement non-disabled mortality assumptions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

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

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

The actuarial assumptions used in the December 31, 2019, valuations were based on the results of the 2016 experience analysis for the periods January 1, 2012, through December 31, 2015, as well as, the October 28, 2016, actuarial assumptions workshop and were adopted by the PERA Board during the November 18, 2016, Board meeting.

Based on the 2020 experience analysis, dated October 28, 2020, for the period January 1, 2016, through December 31, 2019, revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculation of the total pension liability from December 31, 2019, to December 31, 2020.

PAGOSA PEAK OPEN SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

Actuarial cost method	Entry Age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increase , 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	1.25%
and DPS benefit structure (compounded annually)	
PERA benefit structure hired prior to 1/1/06 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.

Salary scale assumptions were revised to align with revised economic assumptions and to more closely reflect actual experience.

Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

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

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

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

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

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

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

PAGOSA PEAK OPEN SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

outlined in the Experience Study report dated October 28, 2020. As a result of the November 20, 2020, PERA Board meeting, the following economic assumptions were changed, effective December 31, 2020:

- Price inflation assumption decreased from 2.40 percent per year to 2.30 percent per year.
- Real rate of investment return assumption increased from 4.85 percent per year, net of investment expenses to 4.95 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50 percent per year to 3.00 percent per year.

Several factors were 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 by the investment consultant for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and then adding expected inflation.

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

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
Global Equity	54.00%	5.60%
Fixed Income	23.00%	1.30%
Private Equity	8.50%	7.10%
Real Estate	8.50%	4.40%
Alternatives ¹	6.00%	4.70%
Total	100.00%	

¹ The Opportunity Fund's name changed to Alternatives, effective January 1, 2020.

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

Discount rate. The discount rate used to measure the total pension liability was 7.25 percent. 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 percent.

PAGOSA PEAK OPEN SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

- Employee contributions were assumed to be made at the current member contribution rates in effect for each year, including the scheduled increases in SB 18-200. 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. Employer contributions also include the current and estimated future AED and SAED, until the Actuarial Value Funding Ratio reaches 103 percent, at which point, the AED and SAED will each drop 0.50 percent every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded. HB 20-1379 suspended the \$225 million (actual dollars) direct distribution payable on July 1, 2020, for the State's 2020-21 fiscal year
- 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 fiduciary net position, 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 fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Based on the above assumptions and methods, the projection test indicates the SCHDTF's fiduciary net position 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 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount rate determination does not use the municipal bond rate, and therefore, the discount rate is 7.25 percent. There was no change in the discount rate from the prior measurement date.

Sensitivity of the School's proportionate share of the net pension liability to changes in the discount rate. The following presents the proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	<u>\$ 2,423,781</u>	<u>\$ 1,776,859</u>	<u>\$ 1,237,759</u>

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

PAGOSA PEAK OPEN SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 9: DEFINED CONTRIBUTION PENSION PLAN

Voluntary Investment Program

Plan Description

Employees of the School 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 comprehensive annual financial report for the Plan. 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, and Section 1402 of the C.R.S., as amended. The School does not contribute to the plan. Employees are immediately vested in their own contributions, employer contributions, if any, and investment earnings. For the year ended June 30, 2021 program members did not make any contributions to the plan.

NOTE 10: OTHER POST-EMPLOYMENT BENEFITS

General Information about the OPEB Plan

Plan description. Eligible employees of the School are provided with OPEB through the HCTF—a cost-sharing multiple-employer defined benefit OPEB plan administered by PERA. The HCTF is established under Title 24, Article 51, Part 12 of the Colorado Revised Statutes (C.R.S.), as amended. Colorado State law provisions may be amended from time to time by the Colorado General Assembly. Title 24, Article 51, Part 12 of the C.R.S., as amended, 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 from time to time by the Colorado General Assembly. PERA issues a publicly available comprehensive annual financial report (Annual Report) that can be obtained at www.copera.org/investments/pera-financial-reports.

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.

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 are eligible for a premium subsidy, if enrolled in a health care plan under PERACare.

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

PAGOSA PEAK OPEN SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

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 percent reduction in the subsidy for each year less than 20. The benefit recipient pays the remaining portion of the premium to the extent the subsidy does not cover the entire amount.

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

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 percent of PERA-includable salary into the HCTF.

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the School were \$6,843 for the year ended June 30, 2021 .

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

At June 30, 2021, the School reported a liability of \$64,611 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2019. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2020. The School's proportion of the net OPEB liability was based on the School's contributions to the HCTF for the calendar year 2020 relative to the total contributions of participating employers to the HCTF.

At December 31, 2020, the School's proportion was 0.0068 percent, which was an increase of 0.0006 from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021 the School recognized OPEB expense of \$9,377. At June 30, 2021, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

PAGOSA PEAK OPEN SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 171	\$ 14,205
Changes of assumption or other inputs	483	3,962
Net difference between projected and actual earnings on pension plan investments	-	2,640
Changes in proportion and differences between contributions recognized and proportionate share of contributions	44,599	-
Contributions subsequent to the measurement date	3,724	-
Total	<u>\$ 48,977</u>	<u>\$ 20,807</u>

\$3,724 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, 2022. 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 Ended June 30,	
2022	\$ 9,980
2023	10,349
2024	2,719
2025	1,478
2026	(66)
Thereafter	(13)

Actuarial assumptions. The total OPEB liability in the December 31, 2019 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry Age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increase , including wage inflation	3.50% in the aggregate
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%
PERA Care Medicare plans	810% in 2020, gradually Decreasing to 4.50% in 2029
Medicare Part A premiums	3.50% in 2020, gradually increasing to 4.50% in 2029

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, 2019, valuation, the following monthly costs/premiums (actual dollars) are assumed for 2020 for the PERA Benefit Structure:

PAGOSA PEAK OPEN SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

Initial Costs for Members without Medicare Part A			
Medicare Plan	Monthly Cost	Monthly Premium	Monthly Cost Adjusted to Age 65
Medicare Advantage/Self-Insured Rx	\$588	\$227	\$550
Kaiser Permanente Medicare Advantage HMO	621	232	586

The 2020 Medicare Part A premium is \$ 458 (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, 2019, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The PERA benefit structure health care cost trend rates that were used to measure the total OPEB liability are summarized in the table below:

Year	PERACare Medicare Plans	Medicare Part A Premiums
2020	8.10%	3.50%
2021	6.40%	3.75%
2022	6.00%	3.75%
2023	5.70%	3.75%
2024	5.50%	4.00%
2025	5.30%	4.00%
2026	5.10%	4.00%
2027	4.90%	4.25%
2028	4.70%	4.25%
2029+	4.50%	4.50%

Mortality assumptions used in the December 31, 2019 valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below are applied, as applicable, in the determination of the total OPEB liability for the HCTF. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

Healthy mortality assumptions for active members were based on the RP-2014 White Collar Employee Mortality Table, a table specifically developed for actively working people. To allow for an appropriate margin of improved

PAGOSA PEAK OPEN SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

mortality prospectively, the mortality rates incorporate a 70 percent factor applied to male rates and a 55 percent factor applied to female rates.

Post-retirement non-disabled mortality assumptions for the School and Judicial Divisions were based on the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

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

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

The actuarial assumptions used in the December 31, 2019, valuation were based on the results of the 2016 experience analysis for the period January 1, 2012, through December 31, 2015, as well as the October 28, 2016, actuarial assumptions workshop and were adopted by PERA's Board during the November 18, 2016, Board meeting.

Based on the 2020 experience analysis, dated October 28, 2020, and November 4, 2020, for the period of January 1, 2016, through December 31, 2019, revised economic and demographic assumptions were adopted by PERA's Board on November 20, 2020, and were effective as of December 31, 2020. The assumptions shown below were reflected in the roll forward calculation of the total OPEB liability from December 31, 2019, to December 31, 2020.

	Trust Fund
	<u>School Division</u>
Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation:	
Members other than State Troopers	3.40% - 11.00%

The long-term rate of return, net of OPEB plan investment expenses, including price inflation and discount rate assumptions were 7.25 percent.

Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.

Mortality assumptions used in the roll forward calculations for the determination of the total pension liability for each of the Division Trust Funds as shown below were applied, as applicable, in the roll forward calculation for the HCTF, using a headcount-weighted basis.

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

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

PAGOSA PEAK OPEN SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

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

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

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

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

The mortality tables described above are generational mortality tables on a head-count weighted basis.

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

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2020 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

The 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. As a result of the November 20, 2020, PERA Board meeting, the following economic assumptions were changed, effective December 31, 2020:

- Price inflation assumption decreased from 2.40 percent per year to 2.30 percent per year.
- Real rate of investment return assumption increased from 4.85 percent per year, net of investment expenses to 4.95 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50 percent per year to 3.00 percent per year.

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 percent long-term expected rate of return as of November 18, 2016. Following an asset/liability study, the Board reaffirmed the assumed rate of return at the Board's November 15, 2019, meeting, to be effective January 1, 2020. As of the most recent reaffirmation of the long-term rate of return, the target asset

PAGOSA PEAK OPEN SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

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 ¹	6.00%	4.70%
Total	100.00%	

¹ The Opportunity Fund's name changed to Alternatives, effective January 1, 2020.

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

Sensitivity of the School's 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	7.10%	8.10%	9.10%
Ultimate PERACare Medicare Part A trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	2.50%	3.50%	4.50%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$ 62,941	\$ 64,611	\$ 66,555

Discount rate. The discount rate used to measure the total OPEB liability was 7.25 percent. 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, 2020, 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 percent.
- 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.

PAGOSA PEAK OPEN SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2021

- 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 projection test indicates the HCTF's fiduciary net position was projected to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability. The discount rate determination does not use the municipal bond index rate, and therefore, the discount rate is 7.25 percent.

Sensitivity of the School'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 percent, as well as what the proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net OPEB liability	\$ 74,013	\$ 64,611	\$ 56,578

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

NOTE 11: FACILITY LEASE AGREEMENT

On May 1, 2020, the Pagosa Peak Open School Building Corporation, a component unit, purchased the facilities used by the School. Rental expense for the year ended June 30, 2021 was approximately \$156,000.

Future minimum rental commitments for the building operating lease as of June 30, are as follows:

Year Ended June 30,	
2022	\$ 156,000
2023	156,000
2024	156,000
2025	156,000
2026	156,000
2027-2031	780,000
2032-2036	780,000
2037-2041	780,000
2042-2046	780,000
2047-2051	780,000
2052-2056	780,000
2057-2060	624,000
	<u>\$ 6,084,000</u>

PAGOSA PEAK OPEN SCHOOL

REQUIRED SUPPLEMENTARY INFORMATION

In addition to the basic financial statements, a budgetary comparison schedule is required for the General Fund and, if applicable, each of the School's major special revenue funds. In addition, pension plan and OPEB contributions and the School's proportionate share of the net pension and OPEB liabilities are required to supplement the basic financial statements.

PAGOSA PEAK OPEN SCHOOL
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2021

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Local Sources	\$ 72,400	\$ 117,000	\$ 149,910	\$ 32,910
State Sources	-	144,900	50,662	(94,238)
Federal Sources	-	-	100,579	100,579
Other Sources	979,471	977,400	990,467	13,067
TOTAL REVENUES	1,051,871	1,239,300	1,291,618	52,318
EXPENDITURES				
Current Expenditures				
Instructional Program	555,740	587,215	520,856	66,359
Student Support Services	1,000	6,500	-	6,500
Instructional Staff Support Services	2,650	550	2,591	(2,041)
General Administration Support Services	50,500	57,770	43,202	14,568
School Administration Support Services	238,593	258,957	192,741	66,216
Business Support Services	76,742	87,724	89,353	(1,629)
Operations and Maintenance of Plant Services	193,800	215,400	235,682	(20,282)
Transportation	8,712	4,500	1,675	2,825
Central Support Services	24,325	46,250	35,217	11,033
Food Service Operations	10,000	53,193	97,298	(44,105)
Reserves	-	46,241	-	46,241
TOTAL EXPENDITURES	1,162,062	1,364,300	1,218,615	145,685
Change in Fund Balance	(110,191)	(125,000)	73,003	198,003
FUND BALANCE, Beginning of Year	154,000	319,986	307,518	(12,468)
FUND BALANCE, End of Year	\$ 43,809	\$ 194,986	\$ 380,521	\$ 185,535

PAGOSA PEAK OPEN SCHOOL
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
DESIGNATED GRANTS FUND
For the Year Ended June 30, 2021

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Local Sources	\$ -	\$ 177,298	\$ 103,770	\$ (73,528)
State Sources	59,200	29,081	53,940	24,859
Federal Sources	34,200	131,397	157,109	25,712
TOTAL REVENUES	93,400	337,776	314,819	(22,957)
EXPENDITURES				
Current Expenditures				
Instructional Program	43,400	190,158	312,109	(121,951)
Instructional Staff Support Services	-	18,375	-	18,375
General Administration Support Services	-	93	660	(567)
School Administration Support Services	-	18,150	-	18,150
Business Support Services	50,000	-	2,050	(2,050)
Operations and Maintenance of Plant Services	-	105,000	-	105,000
Food Services	-	6,000	-	6,000
TOTAL EXPENDITURES	93,400	337,776	314,819	22,957
Change in Fund Balance	-	-	-	-
FUND BALANCE, Beginning of Year	-	-	-	-
FUND BALANCE, End of Year	\$ -	\$ -	\$ -	\$ -

PAGOSA PEAK OPEN SCHOOL
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY
PERA SCHDTF PENSION PLAN
For the Years Ended June 30,

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
School's proportion of the net pension liability	0.0117532782%	0.0094456867%	0.0063180524%	0.0064921324%
School's proportionate share of the net pension liability (asset)	\$ 1,776,859	\$ 1,411,165	\$ 1,118,741	\$ 2,099,325
State's proportionate share of the net pension liability (asset) associated with the School	<u>-</u>	<u>178,988</u>	<u>134,572</u>	<u>-</u>
Total	<u>\$ 1,776,859</u>	<u>\$ 1,590,153</u>	<u>\$ 1,253,313</u>	<u>\$ 2,099,325</u>
School's covered payroll	\$ 628,281	\$ 482,149	\$ 348,182	\$ 299,474
School's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	282.81%	292.68%	321.31%	701.00%
Plan fiduciary net position as a percentage of the total pension liability	66.99%	64.52%	57.01%	43.96%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

** This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled the School presents information for those years for which information is available.

PAGOSA PEAK OPEN SCHOOL
SCHEDULE OF THE SCHOOL'S CONTRIBUTIONS
PERA SCHDTF PENSION PLAN
For the Years Ended June 30,

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 133,358	\$ 119,097	\$ 87,446	\$ 58,233
Contributions in relation to the contractually required contribution	<u>(133,358)</u>	<u>(119,097)</u>	<u>(87,446)</u>	<u>(58,233)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered payroll	670,894	614,538	457,113	312,575
Contributions as a percentage of covered payroll	19.88%	19.38%	19.13%	18.63%

** This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled the School presents information for those years for which information is available.

PAGOSA PEAK OPEN SCHOOL
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
OF THE NET OPEB LIABILITY
PERA HEALTHCARE TRUST FUND
For the Years Ended June 30,

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
School's proportion of the net OPEB liability	0.0067995455%	0.0061712947%	0.0041067568%	0.0036888063%
School's proportionate share of the net OPEB liability (asset)	\$ 64,611	\$ 69,365	\$ 55,874	\$ 47,940
School's covered payroll	\$ 628,281	\$ 482,149	\$ 348,182	\$ 299,474
School's proportionate share of the net OPEB liability as a percentage of its covered payroll	10.28%	14.39%	16.05%	16.01%
Plan fiduciary net position as a percentage of the total OPEB liability	32.78%	24.49%	17.03%	17.53%

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

**This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10 year trend is compiled the School presents information for those years for which information is available.

PAGOSA PEAK OPEN SCHOOL
SCHEDULE OF SCHOOL'S CONTRIBUTIONS
PERA HEALTHCARE TRUST FUND
For the Years Ended June 30,

	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 6,843	\$ 6,268	\$ 4,663	\$ 3,188
Contributions in relation to the contractually required contribution	<u>(6,843)</u>	<u>(6,268)</u>	<u>(4,663)</u>	<u>(3,188)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered payroll	\$ 670,894	\$ 614,538	\$ 457,113	\$ 312,575
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%

**This schedule is presented to illustrate the requirements to show information for 10 years. However, until a full 10 year trend is compiled the School presents information for those years for which information is available.

PAGOSA PEAK OPEN SCHOOL
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
CHANGES IN BENEFIT TERMS AND ACTUARIAL ASSUMPTIONS
For the Year Ended June 30, 2021

NOTE 1 NET PENSION LIABILITY

Changes in assumptions or other inputs effective for the December 31 measurement period for the following years ended:

2020

- Price inflation assumption decreased from 2.40 percent per year to 2.30 percent per year.
- Real rate of investment return assumption increased from 4.85 percent per year, net of investment expenses to 4.95 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50 percent per year to 3.00 percent per year.
- Salary scale assumptions were revised to align with revised economic assumptions and to more closely reflect actual experience.
- Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.
- The pre-retirement mortality assumptions were changed to the PubT-2010 Employee Table with generational projection using scale MP-2019.
- Post-retirement non-disabled mortality assumptions were changed to the PubT-2010 Healthy Retiree Table, adjusted as follows:
 - Males: 112 percent of the rates prior to age 80 and 94 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
 - Females: 83 percent of the rates prior to age 80 and 106 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Post-retirement non-disabled beneficiary mortality assumptions were changed to the Pub-2010 Contingent Survivor Table, adjusted as follows:
 - Males: 97 percent of the rates for all ages, with generational projection using scale MP-2019.
 - Females: 105 percent of the rates for all ages, with generational projection using scale MP-2019.
- Disabled mortality assumptions were changed to the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages with generational projection using scale MP-2019.
- The mortality tables described above are generational mortality tables on a benefit-weighted basis.

2019 The post-retirement benefit increases to the PERA benefit structure for those hired prior to 1/1/07 was changed from 0% through 2019 and 1.5% compounded annually thereafter, to 1.25%.

2018 The assumed investment rate of return of 7.25% was used as the discount rate, rather than using the blended rate of 4.78%

2017 The discount rate was lowered from 5.26% to 4.72%.

2016

- The price inflation assumption was lowered from 2.80% to 2.40%.
- The long-term expected rate of return assumption was lowered from 7.50% to 7.25% per year.
- The wage inflation assumption was lowered from 3.90% to 3.50%.
- The mortality tables were changed from RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on a projection scale of Scale AA to 2020 to RP-2014 White Collar Employee Mortality for actively working people, RP-2014 Healthy Annuitant Mortality Table projected to 2020 using the MP-2015 projection scale for retirees, or RP-2014 Disabled Retiree Mortality Table for disabled retirees.
- The discount rate was lowered from 7.50% to 5.26%.

2015 There were no changes in assumptions or other inputs this measurement period compared to the prior year.

PAGOSA PEAK OPEN SCHOOL
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
CHANGES IN BENEFIT TERMS AND ACTUARIAL ASSUMPTIONS
For the Year Ended June 30, 2021

NOTE 2 OTHER POSTEMPLOYMENT BENEFITS LIABILITY

Changes in assumptions or other inputs effective for the December 31 measurement period for the following years ended:

2020

- 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 2020 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.
- Price inflation assumption decreased from 2.40 percent per year to 2.30 percent per year.
- Real wage growth assumption decreased from 1.10 percent per year to 0.70 percent per year.
- Real rate of investment return assumption increased from 4.85 percent per year, net of investment expenses to 4.95 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50 percent per year to 3.00 percent per year.
- Salary scale assumptions were revised to align with revised economic assumptions and to more closely reflect actual experience.
- Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.
- The pre-retirement mortality assumptions for the School Division were changed to the PubT-2010 Employee Table with generational projection using scale MP-2019.
- Post-retirement non-disabled mortality assumptions for the School Division were changed to the PubT-2010 Healthy Retiree Table, adjusted as follows:
 - Males: 112 percent of the rates prior to age 80 and 94 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
 - Females: 83 percent of the rates prior to age 80 and 106 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Post-retirement non-disabled beneficiary mortality assumptions were changed to the Pub-2010 Contingent Survivor Table, adjusted as follows:
 - Males: 97 percent of the rates for all ages, with generational projection using scale MP-2019.
 - Females: 105 percent of the rates for all ages, with generational projection using scale MP-2019.
- Disabled mortality assumptions were changed to the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages with generational projection using scale MP-2019.
- The mortality tables described above are generational mortality tables on a benefit-weighted basis.

2019

- 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 2019 plan year.
- The morbidity assumptions were updated to reflect the assumed standard aging factors.
- 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.

2018 There were no changes in assumptions or other inputs effective this measurement period compared to the prior year.

2017 The Medicare Part A premiums were raised from 3.00% to 3.25%, as well as the gradual percentage rose from 4.25% in 2023 to 5.00% in 2025.

PAGOSA PEAK OPEN SCHOOL
SUPPLEMENTARY INFORMATION

PAGOSA PEAK OPEN SCHOOL
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
ACTIVITY FUND
For the Year Ended June 30, 2021

	BUDGETED AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	ORIGINAL	FINAL	ACTUAL	
REVENUES				
Local Sources	\$ -	\$ 38,500	\$ 35,826	\$ (2,674)
TOTAL REVENUES	-	38,500	35,826	(2,674)
EXPENDITURES				
Current Expenditures				
Instructional Program	-	38,500	12,286	26,214
TOTAL EXPENDITURES	-	38,500	12,286	26,214
Change in Fund Balance	-	-	23,540	23,540
FUND BALANCE, Beginning of Year	-	-	12,367	12,367
FUND BALANCE, End of Year	\$ -	\$ -	\$ 35,907	\$ 35,907