

HORIZONS K-8 SCHOOL

FINANCIAL STATEMENTS

June 30, 2021

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INDEPENDENT AUDITORS' REPORT

Board of Directors
Horizons K-8 School
Boulder, Colorado

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the major fund, and remaining fund information of Horizons K-8 School, a component unit of Boulder Valley School District, as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprise Horizons K-8 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, the major fund, and remaining fund information of Horizons K-8 School as of June 30, 2021, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

Separate Charter School

Horizons K-8 School has a separate charter school contract with Boulder Valley School District. The Colorado Department of Education requires each School to provide separate audited financial statements. As described in Note 1, the majority of the School's funding is provided by the District. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages iii – viii, budgetary comparison information on page 39 and pension and other post-employment benefits schedules on pages 40-43 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Horizons K-8 School's basic financial statements. The budgetary comparison schedule - Operations and Technology Fund is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The budgetary comparison schedule - Operations and Technology Fund is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedule - Operations and Technology Fund is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



CliftonLarsonAllen LLP

Broomfield, Colorado
November 4, 2021

HORIZONS K-8 SCHOOL

Management's Discussion and Analysis

Fiscal Year Ended June 30, 2021

As management of Horizons K-8 School ("the School"), we offer readers of our financial statements this narrative overview and analysis of the financial activities of the School for the year ended June 30, 2021. We encourage readers to consider the information presented here in conjunction with additional information provided in the financial statements.

The School was founded as the second charter school in the Boulder Valley School District RE-2 ("the District"), in July 1997.

Financial Highlights

- The liabilities and deferred inflows of resources of the School exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$6,096,485 (net position).
- Total net position increased \$1,133,999 during the current year.
- At the close of the current fiscal year, the School's governmental funds reported fund balance of \$2,178,157, an increase of \$508,966 from the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund is \$1,990,956, or approximately 44.3% of total general fund expenditures.

Overview of Financial Statements

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

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

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

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

The government-wide financial statements can be found on pages 1-2.

Fund Financial Statements. Fund financial statements are designed to demonstrate compliance with finance-related legal requirements. 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.

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements, except that the focus of the governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Both the balance sheet and the statement of revenues, expenditures and changes in fund balance provide a reconciliation to facilitate this comparison between the governmental funds and the governmental activities.

The School reports one governmental fund that is considered a major fund, the general fund, and one additional fund reported as a non-major governmental fund. The basic governmental fund financial statements can be found on pages 3-4. Fund information for the nonmajor fund is presented after the notes section of this report.

Notes to Basic Financial Statements. The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the basic financial statements can be found on pages 5-31.

Government-Wide Financial Analysis

As noted earlier, net position over time may serve as a useful indicator of a government's financial position. In the case of the School, liabilities and deferred inflows of resources exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year.

A portion of net position (\$117,727) reflects its investment in capital assets (e.g., equipment). The School uses these capital assets to provide a variety of services to its students. Accordingly, these assets are not available for future spending. It should be noted that the facility that houses the School is owned by the District and is used by the School as provided in its charter school contract with the District.

An additional portion of net position (\$187,201) represents resources that are subject to external restrictions on how they may be used. The remaining balance of net position is a deficit of \$6,401,413, which represents the portion that is unrestricted and would otherwise be used to meet the School's ongoing obligations.

Net position increased \$1,133,999 from the previous year, due primarily to changes in net pension and OPEB liabilities and related deferred inflows and outflows of resources.

Horizons K-8 School
Comparative Summary of Net Position

	Governmental Activities	
	<u>2021</u>	<u>2020</u>
Assets		
Current and other assets	\$ 2,414,876	\$ 1,914,845
Capital assets	117,727	205,937
Total Assets	<u>2,532,603</u>	<u>2,120,782</u>
Deferred Outflows of Resources	<u>2,519,449</u>	<u>1,165,874</u>
Liabilities		
Current liabilities	236,719	245,654
Long-term liabilities	650,726	-
Net pension liability	7,071,795	6,125,081
Net OPEB liability	257,127	301,164
Total Liabilities	<u>8,216,367</u>	<u>6,671,899</u>
Deferred Outflows of Resources	<u>2,932,170</u>	<u>3,845,241</u>
Net Position		
Investment in capital assets	117,727	205,937
Restricted	187,201	204,276
Unrestricted	<u>(6,401,413)</u>	<u>(7,640,697)</u>
Total Net Position	<u>\$ (6,096,485)</u>	<u>\$ (7,230,484)</u>

Total assets increased \$411,821 during 2021. Current and other assets, consisting primarily of cash and investments, increased \$500,031, due primarily to receipt of a loan in the amount of \$650,726, which increased long-term liabilities by the same amount. In response to the COVID-19 pandemic, the School successfully made application for a Payroll Protection Program loan (PPP Loan), which was approved on July 28, 2020 by the Small Business Administration (SBA) and funded August 7, 2020. This program is a component of the CARES Act and provides cash-flow assistance via a 100% federally guaranteed loan which has a five-year maturity with an interest rate of one percent (1%). The proceeds must be used to cover payroll, benefit and other eligible costs for a twenty four-week period.

Net pension liability increased \$946,714, in addition to changes in related deferred inflows of resources and deferred outflows of resources, due to the application of GASB Nos. 68 and 71, when compared to typical accounting treatment reported in the governmental funds. The net impact caused the School to recognize approximately \$1,351,000 of negative pension related expense during 2021 in the Statement of Activities, compared to prior year negative pension related expense of approximately \$844,000.

Net position increased \$1,133,999 during 2021, the reasons for which are discussed below.

Horizons K-8 School
Comparative Summary of Changes in Net Position

	Governmental Activities	
	<u>2021</u>	<u>2020</u>
Revenues:		
Program revenues		
Charges for services	\$ 24,343	\$ 123,743
Operating grants and contributions	412,378	104,880
Capital grants and contributions	49,274	60,329
General revenues		
Per pupil revenues	2,765,260	2,924,486
District mill levy	1,332,521	1,178,883
Grants and contributions not restricted	54,069	89,617
Other	-	5,193
Total Revenues	<u>4,637,845</u>	<u>4,487,131</u>
Expenses:		
Instruction	2,354,327	2,863,100
Supporting services	1,149,519	1,194,604
Total Expenses	<u>3,503,846</u>	<u>4,057,704</u>
Change in Net Position	1,133,999	429,427
Net Position, Beginning	<u>(7,230,484)</u>	<u>(7,659,911)</u>
Net Position, Ending	<u>\$ (6,096,485)</u>	<u>\$ (7,230,484)</u>

The School's primary source of revenue, per pupil revenues and mill levy overrides flow from the District based upon the School's enrollment. Total revenues increased \$150,714 (3.4%) from the prior year, which include the following variances:

- Per pupil revenue decreased \$159,226 (5.4%), due to a reduction in State funding in response to State budget shortfall, offset by a slight increase in enrollment.
- The School shares in the District's mill levy override revenues on a per pupil basis, which increased \$153,638 (13.0%), due to an increase in the operations and technology mill levy and the fact that override revenues are not subject to reductions to address shortfalls in the State's budget.
- Operating grants and contribution increased \$307,498, due primarily to the allocation of federal funds under the Coronavirus Aid, Relief and Economic Security (CARES) Act.
- Charges for services decreased \$99,400 due to the elimination of various school activities and related student charges during the pandemic.

Total expenses decreased \$553,858 (13.6%) from the prior year, due primarily to a decrease of approximately \$937,000 in pension and OPEB and related costs, offset by an increase in personnel costs in accordance with the School's approved salary schedule. In addition, the School incurred various incremental costs in response to the pandemic, including personal protective equipment, cleaning supplies and equipment necessary to facilitate outdoor learning.

Financial Analysis of the General Fund

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

The focus of the School's general fund 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, an unassigned fund balance may serve as a useful measure of a government's net resources available for discretionary use as it represents the portion of fund balance that has not yet been limited to use for a particular purpose by either an external party, the school itself, or a group or individual that has been delegated authority to assign resources for use for particular purposes.

At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,990,956, while the total fund balance increased \$508,308 to \$2,167,535. As a measure of the general fund's liquidity, it may be useful to compare both the unassigned fund balance and the total fund balance to total general fund expenditures. The unassigned fund balance represents approximately 45.0% of total general fund expenditures, while the total fund balance represents approximately 49.0% of the same amount.

General Fund Budgetary Highlights

A General Fund Budgetary Schedule is located on page 32 of the financial statements.

Actual revenues exceeded budgeted revenues by \$59,313, as fundraising activities were more robust than anticipated. Federal grants and contributions were also more than expected as the State announced federal grant allocations throughout the year. In addition, state grants and contributions were less than budget as the State suspended its payment to Colorado PERA on behalf of the School for the year ended June 30, 2021. Such payments have resumed in the fiscal year ending June 30, 2022.

Actual expenditures were less than budgeted expenditures by \$1,034,170, due primarily to unspent budgeted reserves of \$876,237.

Capital Assets and Debt Administration

Capital Assets. The School's investment in capital assets (net of depreciation) as of June 30, 2021, and 2020 is as follows.

	Horizons K-8 School	
	Capital Assets (Net of Depreciation)	
	Governmental Activities	
	2021	2020
Land Improvements	\$ 97,617	\$ 155,061
Building Improvements	-	24,655
Equipment	20,110	26,221
	<u>\$ 117,727</u>	<u>\$ 205,937</u>

The decrease in capital assets is due to current year depreciation expense and capital asset disposals. As noted earlier, the School's contract with the District allows the School to use buildings owned by the District.

Additional information on capital assets can be found in Note 3 of the financial statements.

Long-Term Debt. The School's long-term debt as of June 30, 2021 and 2020 is as follows:

Horizons K-8 School		
Long-term Debt		
	Governmental Activities	
	2021	2020
Note Payable	\$ 650,726	\$ -

The School was awarded a \$650,726 PPP Loan on August 7, 2020. On September 20, 2021 the SBA approved the School's application for PPP loan forgiveness. However, the loan is reported as a long-term liability as of June 30, 2021. The School will recognize loan forgiveness revenue in the next fiscal year.

Economic Factors and Next Year's Budget

The primary factor driving the budget for the School is student enrollment. Enrollment for the 2020-21 school year was 347.5 full-time equivalent (FTE) students. Enrollment projected for the 2021-22 school year is 348 FTE students. The School's contract with the District provides funding of \$8,766 per student in 2021-22, compared to \$7,960 in 2020-21. Additionally, the School receives override and categorical revenues from the District on a per pupil basis, and continues to spend its allocation of federal CARES Act funds. While net revenue sources remain relatively flat, for the twelfth consecutive year the Colorado State Legislature continued to lower the statewide total funding by applying a budget stabilization factor (negative factor, previously) to reduce total program funding received. The School may need to seek other local sources to balance its budget.

COVID-19. In March 2020, the World Health Organization declared the spread of the Coronavirus (COVID-19) a worldwide pandemic, which has since had significant impacts to global markets, supply chains, communities and businesses throughout the world. COVID-19 continues to impact the School's operations and financial results, including but not limited to personal protective equipment, cleaning supplies and technology necessary to accommodate distance learning. The School received allocation of funds under the CARES Act and American Rescue Plan Act, which have helped to offset the costs noted above. Management believes the School is taking appropriate actions to mitigate the negative impacts. However, the full impact of the COVID-19 pandemic is unknown and cannot be reasonably estimated as the events are ongoing.

Requests for Information

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

Horizons K-8 School
 Lucas Ketzer, Principal
 4545 Sioux Drive
 Boulder, CO 80303

BASIC FINANCIAL STATEMENTS

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Horizons K-8 School
STATEMENT OF NET POSITION
June 30, 2021

	GOVERNMENTAL ACTIVITIES
ASSETS	
Cash and Investments	\$ 2,409,344
Accounts Receivable	4,387
Other	1,145
Capital Assets, Net of Accumulated Depreciation	117,727
TOTAL ASSETS	2,532,603
DEFERRED OUTFLOWS OF RESOURCES	
Pension Related Items	2,474,753
OPEB Related Items	44,696
TOTAL DEFERRED OUTFLOWS OF RESOURCES	2,519,449
LIABILITIES	
Accounts Payable	375
Accrued Compensation and Benefits	236,344
Noncurrent Liabilities	
Due in More Than One Year	650,726
Net Pension Liability	7,071,795
Net OPEB Liability	257,127
TOTAL LIABILITIES	8,216,367
DEFERRED INFLOWS OF RESOURCES	
Pension Related Items	2,848,240
OPEB Related Items	83,930
TOTAL DEFERRED INFLOWS OF RESOURCES	2,932,170
NET POSITION	
Investment in Capital Assets	117,727
Restricted for Capital Renewal	55,079
Restricted for Emergencies	132,122
Unrestricted	(6,401,413)
TOTAL NET POSITION	\$ (6,096,485)

The accompanying notes are an integral part of the financial statements.

Horizons K-8 School
STATEMENT OF ACTIVITIES
Year Ended June 30, 2021

FUNCTIONS/ PROGRAMS	EXPENSES	PROGRAM REVENUES			NET (EXPENSE) REVENUE AND CHANGE IN NET POSITION
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	CAPITAL GRANTS AND CONTRIBUTIONS	
PRIMARY GOVERNMENT					
Governmental Activities					
Instruction	\$ 2,354,327	\$ 24,343	\$ 366,164	\$ -	\$ (1,963,820)
Supporting Services	1,149,519	-	46,214	49,274	(1,054,031)
Total Governmental Activities	<u>\$ 3,503,846</u>	<u>\$ 24,343</u>	<u>\$ 412,378</u>	<u>\$ 49,274</u>	<u>(3,017,851)</u>
GENERAL REVENUES					
					2,765,260
					1,332,521
					54,069
					<u>4,151,850</u>
					1,133,999
					<u>(7,230,484)</u>
					<u>\$ (6,096,485)</u>

The accompanying notes are an integral part of the financial statements.

Horizons K-8 School
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2021

	GENERAL	NONMAJOR GOVERNMENTAL FUND	TOTAL
ASSETS			
Cash and Investments	\$ 2,398,722	\$ 10,622	\$ 2,409,344
Accounts Receivable	4,387	-	4,387
Other	1,145	-	1,145
	<u>\$ 2,404,254</u>	<u>\$ 10,622</u>	<u>\$ 2,414,876</u>
LIABILITIES			
Accounts Payable	\$ 375	\$ -	\$ 375
Accrued Compensation and Benefits	236,344	-	236,344
	<u>236,719</u>	<u>-</u>	<u>236,719</u>
FUND BALANCES			
Restricted for Capital Renewal	55,079	-	55,079
Restricted for Emergencies	121,500	10,622	132,122
Unrestricted, Unassigned	1,990,956	-	1,990,956
	<u>2,167,535</u>	<u>10,622</u>	<u>2,178,157</u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 2,404,254</u></u>	<u><u>\$ 10,622</u></u>	<u><u>\$ 2,414,876</u></u>

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

Total Fund Balances of the Governmental Funds	\$ 2,178,157
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in governmental funds.	117,727
Long-term liabilities are not due and payable in the current year and, therefore, are not reported in governmental funds.	(650,726)
Net pension (\$7,071,795) and net OPEB (\$257,127) liabilities are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(7,328,922)
Deferred outflows of resources related to pensions \$2,474,753 and OPEB \$44,696 used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	2,519,449
Deferred inflows of resources related to pensions (\$2,848,240) and OPEB (\$83,930) used in governmental activities are not due and payable in the current year and, therefore, are not reported in the governmental funds.	(2,932,170)
Total Net Position of Governmental Activities	<u><u>\$ (6,096,485)</u></u>

The accompanying notes are an integral part of the financial statements.

Horizons K-8 School
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2021

	<u>GENERAL</u>	<u>NONMAJOR GOVERNMENTAL FUND</u>	<u>TOTAL</u>
REVENUES			
Local Sources	\$ 3,885,725	\$ 354,051	\$ 4,239,776
State Sources	159,903	-	159,903
Federal Sources	238,166	-	238,166
	<u>4,283,794</u>	<u>354,051</u>	<u>4,637,845</u>
TOTAL REVENUES			
	<u>4,283,794</u>	<u>354,051</u>	<u>4,637,845</u>
EXPENDITURES			
Instruction	3,294,293	-	3,294,293
Supporting Services	1,131,919	353,393	1,485,312
	<u>4,426,212</u>	<u>353,393</u>	<u>4,779,605</u>
TOTAL EXPENDITURES			
	<u>4,426,212</u>	<u>353,393</u>	<u>4,779,605</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(142,418)</u>	<u>658</u>	<u>(141,760)</u>
OTHER FINANCING SOURCES			
Loan Proceeds	650,726	-	650,726
	<u>650,726</u>	<u>-</u>	<u>650,726</u>
NET CHANGE IN FUND BALANCES	508,308	658	508,966
FUND BALANCES, Beginning	<u>1,659,227</u>	<u>9,964</u>	<u>1,669,191</u>
FUND BALANCES, Ending	<u>\$ 2,167,535</u>	<u>\$ 10,622</u>	<u>\$ 2,178,157</u>

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

Net Change in Fund Balances of the Governmental Funds	\$ 508,966
Capital outlays to purchase or construct capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are capitalized in the statement of net position and are allocated over their estimated useful lives as depreciation expense in the statement of activities. This is the amount of depreciation expense (\$13,984) and the net book value of disposed assets (\$74,226) current year.	(88,210)
Loan proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position and does not affect the statement of activities.	(650,726)
Some items reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This is the amount of pension expense \$1,350,938 and OPEB expense \$13,031 not reported in the governmental funds.	<u>1,363,969</u>
Change in Net Position of Governmental Activities	<u>\$ 1,133,999</u>

The accompanying notes are an integral part of the financial statements.

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Horizons K-8 School (the "School") was organized pursuant to the Colorado Charter Schools Act to form and operate a charter school within the Boulder Valley School District RE-2 (the "District"). The School began operations in the fall of 1997.

The accounting policies of the School conform to generally accepted accounting principles as applicable to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. Following is a summary of the more significant policies.

Reporting Entity

The 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 provides benefits to, or imposes financial burdens on, the School. Based upon the application of this criteria, the School does not include additional organizations within its reporting entity.

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

Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all activities of the School. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported in a single column.

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

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

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collected within the current year or soon enough thereafter to pay liabilities of the current year. For this purpose, the School considers revenues to be available if they are collected within 60 days of the end of the current year and within 90 days of the end of the current year for grants. Intergovernmental revenues, grants, and interest associated with the current year are considered to be susceptible to accrual and so have been recognized as revenues of the current year. All other revenues are considered to be measurable and available only when cash is received by the School. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

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

The School reports the following major governmental fund:

The *General Fund* is the School's primary operating fund. It accounts for all financial resources of the School, except those required to be accounted for in another fund.

Assets, Liabilities and Fund Equity

Cash and Investments - Cash includes amounts held by the District in pooled accounts. Investments are reported at fair value.

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

Capital Assets - Capital assets, which include property and equipment, are reported in the government-wide financial statements. Capital assets are defined by the School as assets that have initial lives extending beyond one fiscal year and have a unit cost of \$10,000 or more, except for major capital outlays for buildings and improvements that shall have a total cost greater than \$50,000. The thresholds were increased in the current fiscal year to generate efficiencies in capital asset reporting efforts.

Capital assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition price at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materiality extend asset lives are not capitalized.

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Equity (Continued)

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

Land Improvements	15 to 20 years
Building Improvements	20 to 50 years
Equipment	5 to 20 years

Deferred Outflows of Resources - In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The School reports certain items in this category related to its defined benefit pension and OPEB plans (see Notes 5 and 6).

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

Long-Term Debt - In the government-wide financial statements, long-term debt is reported as a liability. In the governmental fund financial statements, the face amount of debt issued is reported as other financing sources.

Net Pension Liability - The School reports a net pension liability for its proportionate share of PERA's unfunded pension liability. See Note 5 for additional information.

Net OPEB Liability - The School reports a net OPEB liability for its proportionate share of PERA's unfunded OPEB liability. See Note 6 for additional information.

Deferred Inflows of Resources - In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School reports certain items in this category related to its defined benefit pension and OPEB plans (see Notes 5 and 6).

Net Position/Fund Balance - Investment in capital assets represent the School's capital assets net of accumulated depreciation. Restricted net position represents resources with legal or contractual obligations to spend in accordance with restrictions imposed by external third parties. The unrestricted classification includes all net position not invested in capital assets or restricted. The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy that is based primarily on the extent to which the School is bound to honor constraints on the specific purposes for which amounts in the respective governmental funds can be spent. The classifications used in the governmental fund financial statements are as follows:

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Liabilities and Fund Equity (Continued)

- Nonspendable fund balance - Amounts that are not in a spendable form or are either legally or contractually required to be maintained intact. Examples include prepaid items and supplies inventory.
- Restricted fund balance - Amounts constrained to specific purposes by their providers (such as grantors, bondholders, and higher levels of government), through constitutional provisions, contract provisions, or by enabling legislation.
- Committed fund balance - Amounts constrained to specific purposes through resolution by the Board of Directors are reported as committed. Amounts cannot be used for any other purpose unless the Board takes the same action to modify or rescind the commitment.
- Assigned fund balance - Amounts constrained for specific purposes, but are neither restricted nor committed, by the Board of Directors through an informal action.
- Unassigned fund balance - The residual amount reported when the balances do not meet any of the above criterion. The School reports positive unassigned fund balance only in the general fund. Negative unassigned balances may be reported in all funds.

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

On-behalf Payments

GAAP requires that direct on-behalf payments for fringe benefits and salaries made by one entity to a third party recipient for the employees of another, legally separate entity be recognized as revenue and expenditures by the employer government. The State of Colorado makes direct on-behalf payments for retirement benefits to Colorado PERA. Beginning on July 1, 2018, the State of Colorado is required to make a payment to PERA each year equal to \$225 million. PERA allocates the contribution to the trust funds of the State, School, Denver Public Schools, and Judicial Division Trust Funds of PERA, as proportionate to the annual payroll of each division. This annual payment is required on July 1st of each year thereafter until there are no unfunded actuarial accrued liabilities of any division of PERA that receives the direct distribution. The amount of on-behalf payments made for the School by the State of Colorado is recorded in the fund financial statements. However, House Bill (HB) 20-1379 suspended the \$225 million (actual dollars) direct distribution payable on July 1, 2020 for the State's 2020-21 fiscal year.

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

District Purchased Services

The District provides certain maintenance, insurance, administrative and other services to the School. Total current year costs charged to the School were \$882,143.

Risk Management

The School is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; injuries to employees; and natural disasters. The School participates in the District's risk management programs for these risks of loss. Settled claims have not exceeded coverage limits in the last three years.

NOTE 2: CASH AND INVESTMENTS

Cash and investments at June 30, 2021, consisted of the following:

Deposits	\$ 224,954
Investments	651,199
Cash Held by the District	<u>1,533,191</u>
Total	<u><u>\$ 2,409,344</u></u>

Deposits

The Colorado Public Deposit Protection Act (PDPA) requires all local government entities to deposit cash in eligible public depositories. Eligibility is determined by State regulations. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. The PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all uninsured public deposits as a group. The market value of the collateral must be at least equal to 102% of the uninsured deposits.

Investments

The School is required to comply with State statutes which specify investment instruments meeting defined rating, maturity and concentration risk criteria in which local governments may invest, which include the following. State statutes generally limit the maturity of investment securities to five years from the date of purchase, unless the governing board authorizes an investment for a period in excess of five years. State statutes generally do not address custodial risk.

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 2: CASH AND INVESTMENTS (Continued)

Investments (Continued)

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

The School had the following investments at June 30, 2021:

Investment	Less than 1 year	1 to 5 years	Total	Rating- Rating Agency
CSAFE - Core Fund	\$ 618,642	\$ -	\$ 618,642	AAAf/S1-Fitch
CSAFE - Cash Fund	32,557	-	32,557	AAAm-S&P
	<u>\$ 651,199</u>	<u>\$ -</u>	<u>\$ 651,199</u>	

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

Credit Risk - The School has no policy toward credit risk other than to follow State statutes, which limit certain investments to those with specified ratings provided by nationally recognized statistical rating organizations, depending on the type of investment.

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

Local Government Investment Pool - At June 30, 2021, the School had \$651,199 invested in the Colorado Surplus Asset Fund (CSAFE), an investment vehicle established for local government entities in Colorado to pool surplus funds. The State Securities Commissioner administers and enforces the requirements of creating and operating CSAFE. CSAFE operates similarly to a money market fund, and each share is equal in value to \$2.00 (Core Fund) or \$1.00 (Cash Fund). CSAFE is valued at fair value basis. CSAFE records investments at fair value, and the School records investments in CSAFE at net asset value. There are no unfunded commitments, the redemption frequency is daily, and there is a one-day redemption notice period.

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 3: CAPITAL ASSETS

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

	Balance 6/30/20	Additions	Deletions	Balance 6/30/21
Governmental Activities				
Capital Assets, Being Depreciated				
Land Improvements	\$ 227,550	\$ -	\$ (80,516)	\$ 147,034
Building Improvements	26,136	-	(26,136)	-
Equipment	33,349	-	(6,928)	26,421
Total Capital Assets, Being Depreciated	<u>287,035</u>	<u>-</u>	<u>(113,580)</u>	<u>173,455</u>
Less Accumulated Depreciation For				
Land Improvements	72,489	11,438	(34,510)	49,417
Building Improvements	1,481	361	(1,842)	-
Equipment	7,128	2,185	(3,002)	6,311
Total Accumulated Depreciation	<u>81,098</u>	<u>13,984</u>	<u>(39,354)</u>	<u>55,728</u>
Total Capital Assets, Being Depreciated, Net	<u>205,937</u>	<u>(13,984)</u>	<u>(74,226)</u>	<u>117,727</u>
Governmental Activities Capital Assets, Net	<u>\$ 205,937</u>	<u>\$ (13,984)</u>	<u>\$ (74,226)</u>	<u>\$ 117,727</u>

Depreciation expense was charged to the supporting services program of the School.

NOTE 4: LONG-TERM DEBT

Following is a summary of long-term debt transactions for the year ended June 30, 2021.

	Balance 6/30/20	Additions	Payments	Balance 6/30/21	Due Within One Year
Note payable from direct borrowings	<u>\$ -</u>	<u>\$ 650,726</u>	<u>\$ -</u>	<u>\$ 650,726</u>	<u>\$ -</u>

On August 7, 2020 the School received a loan from Wells Fargo Bank in the amount of \$650,726 to fund payroll, benefits and other eligible costs through the Paycheck Protection Program (the "PPP Loan"). The PPP Loan bears interest at a fixed rate of 1.0% per annum, has a term of two years, and is unsecured and guaranteed by the U.S. Small Business Administration (SBA). Payment of principal and interest is deferred until the date on which the amount of forgiveness is remitted to the lender or, if the School fails to apply for forgiveness within 10 months after the covered period, then payment of principal and interest shall begin on that date. These amounts may be forgiven subject to compliance and approval based on the timing and use of these funds in accordance with the program. To the extent that all or part of the PPP Loan is not forgiven, the School will be required to pay interest on the PPP Loan at a rate of 1.0% per annum, and principal and interest payments will be required through the maturity date in July 2025. On September 20, 2021 the SBA approved the School's application for PPP Loan forgiveness. The school will not be required to pay back the PPP Loan.

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 5: DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

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

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

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.

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.

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

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. 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 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 after January 1, 2007 will receive the lesser of an annual increase of 1.25 percent or the average 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 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 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.

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

Contributions provisions as of June 30, 2021 - Eligible employees, 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:

	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. § 24-51-413, the State is required to contribute \$225 million (actual dollars) 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 (actual dollars) 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 \$512,668 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.

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

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

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 \$7,071,795 for its proportionate share of the net pension liability that reflected a reduction for support from the State as a nonemployer contributing entity. The amount recognized by the School as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the School were as follows:

The School's proportionate share of the net pension liability	\$	7,071,795
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the School	\$	<u>-</u>
 Total	 \$	 <u>7,071,795</u>

At December 31, 2020, the School's proportion was 0.04677737 percent, which was an increase of 0.00577891 percent from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the School recognized pension income of \$1,329,456 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:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 388,560	\$ -
Changes of assumptions or other inputs	680,285	1,188,709
Net difference between projected and actual earnings on pension plan investments	-	1,556,663
Changes in proportion and differences between contributions recognized and proportionate share of contributions	1,146,164	102,868
Contributions subsequent to the measurement date	259,744	-
Total	\$ 2,474,753	\$ 2,848,240

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

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

\$259,744 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:

<u>Year ended June 30,</u>	
2022	\$ (805,078)
2023	543,963
2024	(126,545)
2025	(245,571)
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 increases, 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 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.

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:

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

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

- 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.

Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	3.40% – 11.00%
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07	1.25%
PERA Benefit Structure hired after 12/31/06 ¹	Financed by the AIR

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

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

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

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

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 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.

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

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

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 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	<u>100.00%</u>	

¹The 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 nominal rate of return assumption of 7.25%.

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%.
- Employee contributions were assumed to be made at the 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.

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

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

- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law for each year, including the scheduled increase in SB 18-200. Employer contributions also include the current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions included 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 FNP, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the FNP and the subsequent AIR benefit payments were estimated and included in the projections.

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

Based on the above assumptions and methods, the SCHDTF's FNP was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return of 7.25 percent on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability. The discount determination does not use the municipal bond index 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:

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 5: DEFINED BENEFIT PENSION PLAN (Continued)

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 9,646,508	\$ 7,071,795	\$ 4,926,211

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

NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN

Summary of Significant Accounting Policies

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

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.

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

General Information about the OPEB Plan (Continued)

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

C.R.S. § 24-51-1202 et seq. specifies the eligibility for enrollment in the health care plans offered by PERA and the amount of the premium subsidy. The law governing a benefit recipient's eligibility for the subsidy and the amount of the subsidy differs slightly depending under which benefit structure the benefits are calculated. All benefit recipients under the PERA benefit structure 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.

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 or the DPS 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.

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

General Information about the OPEB Plan (Continued)

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 \$26,304 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 \$257,127 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 0.02705954 percent, which was an increase of 0.00026552 percent from its proportion measured as of December 31, 2019.

For the year ended June 30, 2021, the School recognized net negative OPEB expense of \$12,153. At June 30, 2021, the School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$ 682	\$ 56,529
Changes of assumptions or other inputs	1,921	15,767
Net difference between projected and actual earnings on OPEB plan investments	-	10,506
Changes in proportion and differences between contributions recognized and proportionate share of contributions	28,593	1,128
Contributions subsequent to the measurement date	13,500	-
Total	<u>\$ 44,696</u>	<u>\$ 83,930</u>

\$13,500 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:

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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

Year ended June 30,

2021	\$ (11,399)
2022	(9,929)
2023	(11,368)
2024	(13,660)
2025	(5,987)
Thereafter	(391)

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 increases, including wage inflation	3.50% in 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%
PERACare Medicare plans	8.10% in 2020, gradually decreasing to 4.50% in 2029
Medicare Part A premiums	3.50% for 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 are assumed for 2019 for the PERA Benefit Structure:

Medicare Plan	Initial Costs for Members without Medicare Part A		
	Monthly Cost	Monthly Premium	Monthly Cost Adjusted to Age 65
Medicare Advantage/Self-Insured Prescription	\$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.

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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

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:

<u>Year</u>	<u>PERACare Medicare Plans</u>	<u>Medicare Part A Premiums</u>
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 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 State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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

- Males: Mortality improvement projected to 2018 using the MP-2015 projection scale, a 73 percent factor applied to rates for ages less than 80, a 108 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 78 percent factor applied to rates for ages less than 80, a 109 percent factor applied to rates for ages 80 and above, and further adjustments for credibility.

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			
	State Division	School Division	Local Government Division	Judicial Division
Actuarial cost method	Entry age	Entry age	Entry age	Entry age
Price inflation	2.30%	2.30%	2.30%	2.30%
Real wage growth	0.70%	0.70%	0.70%	0.70%
Wage inflation	3.00%	3.00%	3.00%	3.00%
Salary increases, including wage inflation:				
Members other than State Troopers	3.30%-10.90%	3.40%-11.00%	3.20%-11.30%	2.80%-5.30%
State Troopers	3.20%-12.40%	N/A	3.20%-12.40% ¹	N/A

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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

¹C.R.S. § 24-51-101 (46), as amended, expanded the definition of “State Troopers” to include certain employees within the Local Government Division, effective January 1, 2020. See Note 4 of the Notes to the Financial Statements in PERA's 2020 Annual Report for more information.

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.

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

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

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

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

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

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

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

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

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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

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

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

- Males: 97 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 for Members other than State Troopers 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.

Disabled mortality assumptions for State Troopers were based upon the unadjusted PubS-2010 Disabled Retiree Table 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

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.

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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

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 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	<u>100.00%</u>	

¹The 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 nominal rate of return assumption of 7.25%.

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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

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 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	\$250,481	\$257,127	\$264,864

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%.
- 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 used by the plan to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

Horizons K-8 School
NOTES TO BASIC FINANCIAL STATEMENTS
June 30, 2021

NOTE 6: DEFINED BENEFIT OTHER POST EMPLOYMENT BENEFIT (OPEB) PLAN (Continued)

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

Based on the above assumptions and methods, the projection test indicates the HCTF's FNP 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	\$294,544	\$257,127	\$225,157

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

NOTE 7: COMMITMENTS AND CONTINGENCIES

Claims and Judgments

The School participates in a number of federal and state programs that are fully or partially funded by revenues received from other governmental entities. Expenditures financed by these revenues are subject to audit by the appropriate government. If expenditures are disallowed due to noncompliance with program regulations, the School may be required to reimburse the other government. At June 30, 2021, significant amounts of related expenditures have not been audited, but management believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on the overall financial position of the School.

Tabor Amendment

In November 1992, Colorado voters passed Article X, Section 20 (the "Amendment") to the State Constitution which limits state and local government taxing powers and imposes spending limitations. The School believes it is in compliance with the Amendment. The Amendment requires all governments to establish a reserve for emergencies, representing 3% of fiscal year spending. At June 30, 2021, the emergency reserve of \$132,122 was reported as restricted fund balance and net position.

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REQUIRED SUPPLEMENTARY INFORMATION

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Horizons K-8 School
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
Year Ended June 30, 2021

	<u>ORIGINAL BUDGET</u>	<u>FINAL BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE Positive (Negative)</u>
REVENUES				
Local Sources				
Per Pupil Revenue	\$ 2,931,900	\$ 2,765,260	\$ 2,765,260	\$ -
District Mill Levy	859,168	978,471	978,470	(1)
Student Activities	90,700	40,000	25,938	(14,062)
Grants and Contributions	147,200	75,000	107,732	32,732
Other	2,550	7,000	8,325	1,325
State Sources				
Capital Construction	48,591	48,591	49,274	683
Categorical	97,339	102,379	102,379	-
Grants and Contributions	-	54,680	8,250	(46,430)
Federal Sources				
Grants	-	153,100	238,166	85,066
TOTAL REVENUES	<u>4,177,448</u>	<u>4,224,481</u>	<u>4,283,794</u>	<u>59,313</u>
EXPENDITURES				
Instruction	3,110,788	3,453,355	3,294,293	159,062
Supporting Services	1,079,203	1,130,790	1,131,919	(1,129)
Reserves	769,698	876,237	-	876,237
TOTAL EXPENDITURES	<u>4,959,689</u>	<u>5,460,382</u>	<u>4,426,212</u>	<u>1,034,170</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	<u>(782,241)</u>	<u>(1,235,901)</u>	<u>(142,418)</u>	<u>1,093,483</u>
OTHER FINANCING SOURCES (USES)				
Issuance of Debt	-	650,000	650,726	726
NET CHANGE IN FUND BALANCE	<u>(782,241)</u>	<u>(585,901)</u>	<u>508,308</u>	<u>1,094,209</u>
FUND BALANCE, Beginning	<u>1,706,194</u>	<u>1,659,227</u>	<u>1,659,227</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 923,953</u>	<u>\$ 1,073,326</u>	<u>\$ 2,167,535</u>	<u>\$ 1,094,209</u>

Horizons K-8 School
SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE
OF THE NET PENSION AND OTHER POST EMPLOYMENT BENEFIT LIABILITIES
June 30, 2021

As of December 31,	<u>2020</u>	<u>2019</u>	<u>2018</u>
Net Pension Liability			
School's proportion of the net pension liability	0.04677737%	0.04099846%	0.03882222%
School's proportionate share of the net pension liability	\$ 7,071,795	\$ 6,125,081	\$ 6,874,272
State's proportionate share of the net pension liability associated with the School**	-	776,889	939,961
Total	<u>\$ 7,071,795</u>	<u>\$ 6,901,970</u>	<u>\$ 7,814,233</u>
School's covered payroll	2,502,320	2,409,206	2,134,264
School's proportionate share of the net pension liability as a percentage of its covered payroll	282.61%	254.24%	322.09%
Plan fiduciary net position as a percentage of the total pension liability	66.99%	64.52%	57.01%
Net Other Post Employment Benefit (OPEB) Liability			
School's proportion of the net OPEB liability	0.02705954%	0.02679402%	0.02523463%
School's proportionate share of the net OPEB liability	257,127	301,164	343,328
School's covered payroll	2,502,320	2,409,206	2,134,264
School's proportionate share of the net OPEB liability as a percentage of its covered payroll	10.28%	12.50%	16.09%
Plan fiduciary net position as a percentage of the total OPEB liability	32.78%	24.49%	17.03%

* The amounts presented for each fiscal year were determined as of December 31 based on the measurement date of the Plan. This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

**A direct distribution provision to allocate funds from the State of Colorado to Colorado PERA on an annual basis began in July 2018 based on the Senate Bill 18-200.

<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
0.04131023%	0.04174048%	0.04137113%	0.04353652%	0.04287508%
\$ 13,358,259	\$ 12,427,756	\$ 6,327,423	\$ 5,900,660	\$ 5,402,386
-	-	-	-	-
<u>\$ 13,358,259</u>	<u>\$ 12,427,756</u>	<u>\$ 6,327,423</u>	<u>\$ 5,900,660</u>	<u>\$ 5,402,386</u>
1,905,593	1,873,389	1,802,963	1,823,866	1,707,470
701.00%	663.38%	350.95%	323.52%	316.40%
43.96%	43.10%	59.20%	62.80%	64.06%
0.02347233%	0.02372581%			
305,046	307,613			
1,905,593	1,873,389			
16.01%	16.42%			
17.53%	16.72%			

Horizons K-8 School
SCHEDULE OF THE CONTRIBUTIONS AND RELATED RATIOS
June 30, 2021

As of June 30,	<u>2021</u>	<u>2020</u>	<u>2019</u>
Statutorily required contributions	\$ 512,668	\$ 489,944	\$ 431,790
Contributions in relation to the statutorily required contribution	<u>512,668</u>	<u>489,944</u>	<u>431,790</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	2,578,815	2,528,093	2,257,133
Contribution as a percentage of covered payroll	19.88%	19.38%	19.13%
 Defined Benefit Other Post Employment Benefit Plan			
Statutorily required contributions	\$ 26,304	\$ 25,787	\$ 23,023
Contributions in relation to the statutorily required contribution	<u>26,304</u>	<u>25,787</u>	<u>23,023</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	2,578,815	2,528,093	2,257,133
Contribution as a percentage of covered payroll	1.02%	1.02%	1.02%

* The amounts presented for each fiscal year were determined as of June 30. This schedule is intended to show information for ten years. Additional years' information will be displayed as it becomes available.

2018	2017	2016	2015	2014
\$ 365,740	\$ 348,404	\$ 317,303	\$ 317,564	\$ 283,251
<u>365,740</u>	<u>348,404</u>	<u>317,303</u>	<u>317,564</u>	<u>283,251</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
1,936,775	1,895,560	1,789,642	1,881,303	1,771,999
18.88%	18.38%	17.73%	16.88%	15.98%
\$ 19,755	\$ 19,335	\$ 18,254	\$ 19,189	\$ 18,074
<u>19,755</u>	<u>19,335</u>	<u>18,254</u>	<u>19,189</u>	<u>18,074</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
1,936,775	1,895,560	1,789,642	1,881,303	1,771,999
1.02%	1.02%	1.02%	1.02%	1.02%

Horizons K-8 School
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
June 30, 2021

NOTE 1: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets

The budgets are legally adopted on a basis consistent with generally accepted accounting principles ("GAAP").

The School adheres to the following procedures in establishing the budgetary data reflected in the financial statements:

- By June 30, management submits to the Horizons K-8 School Board proposed budgets for the fiscal year commencing the following July 1. The budgets include proposed expenditures and the means of financing them.
- Prior to June 30, the budgets are adopted by the Horizons K-8 School Board
- Expenditures may not legally exceed budget appropriations at the fund level. Revisions that alter the total expenditures of any fund must be approved by the Horizons K-8 School Board
- All appropriations lapse at fiscal year end.

Net Pension and Other Post Employment Benefit Liabilities

Changes in assumptions related to net pension and other post employment benefit liabilities can be found in Notes 5 and 6.

NONMAJOR GOVERNMENTAL FUND

Special Revenue Fund

Operations and Technology Fund - This fund accounts for revenues and expenditures related to an operations and technology mill levy approved by voters November 2016.

Horizons K-8 School
BUDGETARY COMPARISON SCHEDULE
OPERATIONS AND TECHNOLOGY FUND
Year Ended June 30, 2021

	ORIGINAL BUDGET	FINAL BUDGET	ACTUAL	VARIANCE TO FINAL Positive (Negative)
REVENUES				
District Mill levy	\$ 345,078	\$ 354,051	\$ 354,051	\$ -
TOTAL REVENUES	<u>345,078</u>	<u>354,051</u>	<u>354,051</u>	<u>-</u>
EXPENDITURES				
Supporting Services	329,589	353,393	353,393	-
Reserves	10,352	10,622	-	10,622
TOTAL EXPENDITURES	<u>339,941</u>	<u>364,015</u>	<u>353,393</u>	<u>10,622</u>
NET CHANGE IN FUND BALANCE	5,137	(9,964)	658	10,622
FUND BALANCE, Beginning	<u>9,964</u>	<u>9,964</u>	<u>9,964</u>	<u>-</u>
FUND BALANCE, Ending	<u>\$ 15,101</u>	<u>\$ -</u>	<u>\$ 10,622</u>	<u>\$ 10,622</u>