PAGOSA PEAK OPEN SCHOOL

PAGOSA SPRINGS, COLORADO

FINANCIAL STATEMENTS
WITH
INDEPENDENT AUDITORS' REPORT

For the Year Ended
June 30, 2019

PAGOSA PEAK OPEN SCHOOL

ROSTER OF OFFICIALS

Year Ended June 30, 2019

Board Of Directors

Ursala Hudson -	President
Clay Buchner -	Vice President
Ashley Wilson -	Secretary
Mark Weiler -	Treasurer
John Daffron	Member
Bill Hudson	Member

Administrative Staff

James Lewicki -	School Director
Chenni Hammon -	Business Manager

PAGOSA PEAK OPEN SCHOOL

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PAGOSA PEAK OPEN SCHOOL

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INTRODUCTORY SECTION

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Management Discussion And Analysis
(Required Supplementary Information – Unaudited)

Pagosa Peak Open School

Management's Discussion and Analysis

As of and for the Year Ended June 30, 2019

As management of Pagosa Peak Open School (the School), we offer readers of the School's basic financial statements this narrative and analysis of the financial activities of the School as of and for the year ended June 30, 2019. We encourage readers to consider the information presented here in conjunction with additional information provided in the basic financial statements.

Financial Highlights

The year ended June 30, 2019, was the second year of operations for the School. As of June 30, 2019, the net position was a negative ($987,678). The deficit Net Position is being driven by GASB 68 and 75, or recognition of the School's proportionate share in the State Teacher's Pension Plan (PERA) and OPEB, Postemployment Benefits Other Than Pensions. Overall PERA for the most recent reporting period had a multi-billion unfunded pension obligation. With the PERA legislation passed in FY18, the changes will likely improve PERA's viability over time. Without the GASB 68 and GASB 75 recognition, the School's net position would be positive.

The operations of the School are funded primarily by tax revenue received under Colorado's School Finance Act (the Act). State categorical revenue for the year was $722,349. The General Fund ending fund balance was $136,881.

Overview of Basic Financial Statements

This discussion and analysis is 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 financial statements.

Government-wide Financial Statements

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

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

The statement of activities presents information showing how the School's net position changed during the 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 the related cash flows. Thus, revenue and expenses are reported in the statement for some items that will only result in cash flows in future periods (for example, salaries and benefits earned but unpaid as of year end).

Fund Financial Statements

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The School, like other local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. The School maintains two governmental funds, its General Fund, a major fund, and the Grants Fund, a non-major fund.

The School adopts an annual budget for all funds. Budgetary comparisons have been provided for the General Fund and Grants Fund in the basic financial statements to demonstrate compliance with the budgets (pages 42 – 44).

Notes to Basic Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the basic financial statements. The notes are disclosed on pages 9 through 37.

Government-wide Financial Analysis

As noted previously, net position may serve over time as a useful indicator of the School's financial condition. As of June 30, 2019, the School's liabilities and deferred inflows exceeded assets and deferred outflows by $987,678 which is a negative net position. $27,000 of this total is restricted to comply with Article X, Section 20 of the Colorado Constitution, known as the TABOR Amendment. Accordingly, these funds are not available to satisfy general operating expenses of the School. The unrestricted net position balance was a negative ($1,047,979).

Net position as of June 30, 2019:

	June 30, 2019
Assets	
Cash and Investments	$ 100,222
Grants and Accounts Receivable	175,587
Prepaid Expenses	8,999
Total Assets	284,808
Deferred Outflows – Pensions/OPEB	861,715
Liabilities	
Accounts Payable	17,622
Payroll Liabilities/Accrued Salaries	5,363
Unearned Revenue	115,943
Noncurrent Liability – Net Pension Liability	1,174,615
Total Liabilities	1,313,543
Deferred Inflows – Pensions/OPEB	820,658
Net Position	
Restricted Net Position	51,302
Net Investment in Capital Assets	8,999
Unrestricted	(1,047,979)
Total Net Position	$ (987,678)

Change in net position for the year ended June 30, 2019:

	June 30,2019
Revenues	
Program Revenues	
Charges for Services	$ 16,545
Capital Grants and Contributions	26,394
Operating Grants and Contributions	383,681
Total Program Revenues	426,620
General Revenues	
State Categorical Revenue	722,349
Mill Levy Override Revenue	82,198
Investment Earnings	353
Other/Loss on Asset Disposal	(8,251)
Total General Revenues	796,649
Total Revenues	1,223,269
Expenditures/Expenses	
Current	
Instruction	651,041
Administrative Support	413,401
Interest on Debt	2,761
Total Expenses	1,067,203
Increase (decrease) in Net Position	156,066
Net Position, Beginning of Year (as restated)	(1,143,744)
Net Position, End of Year	$ (987,678)

Financial Analysis of the School's Funds

The School has two governmental funds, the General Fund and the Grants Fund. The General Fund is considered a major fund and is used to account for the School's general operations. The General Fund began the year with a positive fund balance of $2,333. The fund balance increased during the year as the School operated within its budget. The School ended the year with $136,881 in fund balance. The Grants Fund ended the year with a zero fund balance as it began the year.

Pagosa Peak Open School

Management's Discussion and Analysis

As of and for the Year Ended June 30, 2019

General Fund Budgetary Highlights

The School budgeted General Fund expenditures of $862,750 for the year ended June 30, 2019. Actual expenditures were $783,793. Fund balance increased $134,548 to $136,881 from a positive $2,333 ending balance in the prior year. The Grants Fund had budgeted expenditures of $325,043 and actual expenditures of $316,428, resulting in a positive variance of $8,615.

One budget amendment was passed for the General Fund in FY19. The total appropriation was increased $118,011 to $862,750 from $744,739. The Grants Fund budget was not revised during FY19.

Facility Lease and Debt Administration

The School leases its school facility and land under a month to month operating lease with Parelli Pagosa Properties. The lease began March 1, 2018 and is based on a monthly rate per square foot of $1.75.

The School had no outstanding direct debt at June 30, 2019.

Economic Factors, Next Year's Budget, Student Counts

The primary factor driving the budget for the School is student enrollment. Funded Pupil Count (FPC) was 61.9 for FY18 and 88 for FY19. The FPC will not be used moving forward as the State is now fully funding kindergarten students. The enrollment used to create the FY19 budget was 111. Currently the School is projecting 102 enrolled students for FY20.

The State of Colorado continues to chip away at the large budget stabilization factor (shortfall in the School Finance Act, currently $572 million). The increase in Per Pupil Revenue (PPR) for FY20 was 4.2% over the prior year (FY19). The Governor's budget proposal is calling for a 52 million reduction in the budget stabilization factor and an overall increase in PPR of 2.5%.

Requests for Information

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

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FINANCIAL SECTION

Mayberry & Company, LLC
Certified Public Accountants

Member of the American Institute of Certified Public Accountants
Governmental Audit Quality Center
and Private Company Practice Section

Board of Directors
Pagosa Peak Open School
Pagosa Springs, Colorado

INDEPENDENT AUDITORS' REPORT

Report on the Financial Statements
We have audited the accompanying financial statements of the governmental activities, major fund, and the aggregate remaining fund information of Pagosa Peak Open School, (the "School"), as of and for the year ended June 30, 2019, and the related notes to the financial statements which collectively comprise the basic financial statements of the School, 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 the 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 of 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 controls. 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.

Opinion
In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, major fund, and the aggregate remaining fund information of Pagosa Peak Open School, as of June 30, 2019, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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Report on Summarized Comparative Information
We have previously audited the Pagosa Peak Open School's 2018 financial statements, and we expressed an unmodified audit opinion on those audited financial statements in our report dated December 5, 2018. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2018 is consistent, in all material respects, with the audited financial statements from which it has been derived.

Emphasis of Matter
As discussed in Note 12 to the financial statements, the 2018 financial statements have been restated to reflect the inclusion of deferred outflows and inflows in the net proportion change for the PERA pension plan. These restatements impacted the governmental activities.

Other Matters
Required Supplementary Information – Management Discussion and Analysis and Pension Schedules (Unaudited)
Accounting principles generally accepted in the United States of America require that the management, discussion and analysis on pages M1 – M4 and pension schedules on 38 - 41 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.

Required Supplementary Information – Budgetary Comparison Schedule and Other Supplementary Information
Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. Accounting principles generally accepted in the United States of America require that the budgetary comparison schedules on pages 42 - 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. In addition, the budgetary comparison schedules on pages 44 and listed as other supplementary information are presented for purposes of additional analysis and are not a required part of the financial statements. The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Mayberry + Company, LLC

December 12, 2019
Englewood, Colorado

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Basic Financial Statements

PAGOSA PEAK OPEN SCHOOL
Statement of Net Position
June 30, 2019

		Governmental Activities
ASSETS AND DEFERRED OUTFLOWS		
ASSETS		
Current Assets		
Cash and Investments	$	100,222
Grants Receivable		100,313
Other Accounts Receivable		75,274
Total Current Assets		275,809
Noncurrent Assets		
Capital Assets, being depreciated		8,999
TOTAL ASSETS		284,808
DEFERRED OUTFLOWS OF FINANCIAL RESOURCES		
Net Deferred Outflows Pensions		820,805
Net Deferred Outflows OPEB		40,910
TOTAL DEFERRED OUTFLOWS OF FINANCIAL RESOURCES		861,715
TOTAL ASSETS AND DEFERRED OUTFLOWS	$	1,146,523
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE		
LIABILITIES		
Current Liabilities		
Accounts Payable		17,622
Accrued Salaries & Benefits		1,369
Payroll Taxes & Deductions Payable		3,994
Unearned Grant Revenue		115,943
Total Current Liabilities		138,928
Noncurrent Liabilities		
Due In More Then One Year		1,174,615
TOTAL LIABILITIES		1,313,543
DEFERRED INFLOWS OF FINANCIAL RESOURCES		
Net Deferred Inflows Pensions		819,971
Net Deferred Inflows OPEB		687
TOTAL DEFERRED INFLOWS OF FINANCIAL RESOURCES		820,658
NET POSTION		
Net Investment in Capital Assets		8,999
Restricted Net Position		51,302
Unrestricted Net Position		(1,047,979)
TOTAL NET POSITION		(987,678)
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	$	1,146,523

The accompanying footnotes are an integral part of these financial statements.

PAGOSA PEAK OPEN SCHOOL
Statement of Activities
For the Year Ended June 30, 2019

		Progam Revenues			Net (Expense) Revenue and Change in Net Position
Functions/Programs	**Expenses**	**Charges for Services**	**Operating Grants and Contributions**	**Capital Grants and Contributions**	**Governmental Activities**
Primary Government					
Governmental Activities					
Instruction	$ 660,131	$ 8,860	$ 165,077	$ -	$ (486,194)
Supporting Services	413,396	7,685	227,690	26,394	(151,627)
Interest on Long Term Debt	2,761	-	-	-	(2,761)
Total Primary Government	$ 1,076,288	$ 16,545	$ 392,767	$ 26,394	(640,582)
General Revenues					
Property Taxes					82,198
State Equalization					722,349
Investment Earnings					353
Gain (Loss) on Capital Asset Disposals					(11,500)
Other Revenues					3,248
Total General Revenues and Transfers					796,648
Change in Net Position					156,066
Beginning Net Position					(643,884)
Prior Period Restatement					(499,860)
Beginning Net Position (As Restated)					(1,143,744)
Ending Net Position					$ (987,678)

The accompanying footnotes are an integral part of these financial statements.

PAGOSA PEAK OPEN SCHOOL
Balance Sheet
Governmental Funds
June 30, 2019
(With Comparative Totals for June 30, 2018)

		Special Revenue	Totals	
	General Fund	Designated Grants Fund	2019	2018
ASSETS				
Cash and Investments	$ 50,750	$ 49,472	$ 100,222	$ 176,113
Interfund Accounts Receivable	33,842	-	33,842	76,115
Grants Receivable	-	100,313	100,313	65,204
Other Accounts Receivable	75,274	-	75,274	2,628
Prepaid Expenses	-	-	-	1,082
TOTAL ASSETS	$ 159,866	$ 149,785	$ 309,651	$ 321,142
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE				
Liabilities				
Interfund Accounts Payable	$ -	$ 33,842	$ 33,842	$ 76,115
Accounts Payable	17,622	-	17,622	8,531
Accrued Salaries & Benefits	1,369	-	1,369	-
Payroll Taxes & Deductions Payable	3,994	-	3,994	1,945
Unearned Grant Revenue	-	115,943	115,943	155,218
Other Current Liabilities	-	-	-	77,000
Total Liabilities	22,985	149,785	172,770	318,809
Fund Balance				
Restricted Fund Balance				
Restricted Mill Levy Override	24,302	-	24,302	-
Restricted for TABOR Emergencies	27,000	-	27,000	16,000
Unassigned Fund Balance	85,579	-	85,579	(13,667)
Total Fund Balance	136,881	-	136,881	2,333
TOTAL LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE	$ 159,866	$ 149,785	$ 309,651	$ 321,142

The accompanying footnotes are an integral part of these financial statements.

PAGOSA PEAK OPEN SCHOOL
Reconciliation of Governmental Fund Balances
to Governmental Activities Net Position
June 30, 2019

Fund Balance - Governmental Funds		$ 136,881
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds		
Capital assets, being depreciated	$ 9,999	
Accumulated depreciation	(1,000)	8,999
Certain long-term pension and OPEB related costs and adjustments are not available to pay or are payable currently and are therefore not reported in the funds		
PERA Pension		
Net pension deferred outflows	820,805	
Net pension liability	(1,118,741)	
Net pension deferred inflows	(819,971)	(1,117,907)
PERA Health Care Trust Fund (OPEB)		
Net OPEB deferred outflows	40,910	
Net OPEB liability	(55,874)	
Net OPEB deferred inflows	(687)	(15,651)
Total Net Position - Governmental Activities		$ (987,678)

The accompanying footnotes are an integral part of these financial statements.

PAGOSA PEAK OPEN SCHOOL
Statement of Revenues, Expenditures and Changes in Fund Balance
Governmental Funds
For the Year Ended June 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

		Special Revenue	Totals	
	General Fund	Designated Grants Fund	2019	2018
REVENUES				
Local Sources	$ 158,579	$ 148,476	$ 307,055	$ 127,873
State Sources	768,847	9,585	778,432	494,047
Federal Sources	-	158,367	158,367	220,166
TOTAL REVENUES	927,426	316,428	1,243,854	842,086
EXPENDITURES				
Instruction	358,541	308,333	666,874	506,887
Staff Support	6,026	-	6,026	322
School Administration	337,167	-	337,167	250,846
Business Services	63,839	-	63,839	43,527
Operations and Maintenance	24,544	-	24,544	6,156
Food Service	-	8,095	8,095	19,380
Debt Service	2,761	-	2,761	4,691
TOTAL EXPENDITURES	792,878	316,428	1,109,306	831,809
OTHER FINANCING SOURCES (USES)				
CHANGE IN FUND BALANCE	134,548	-	134,548	10,277
BEGINNING FUND BALANCE	2,333	-	2,333	(7,944)
ENDING FUND BALANCE	$ 136,881	$ -	$ 136,881	$ 2,333

The accompanying footnotes are an integral part of these financial statements.

PAGOSA PEAK OPEN SCHOOL
Reconciliation of Governmental Changes in Fund Balance
to Governmental Activities Change in Net Position
For the Year Ended June 30, 2019

Change in Fund Balance - Governmental Funds		$ 134,548
Capital assets used in governmental activities are expensed when purchased in the funds and depreciated at the activity level		
Capitalized Asset Purchases	$ 21,999	
Depreciation Expense	(1,500)	
Gain (Loss) on Asset Disposals	(11,500)	8,999
Pension and OPEB expense at the fund level represents cash contributions to the defined benefit plan. For the activity level presentation, the amount represents the actuarial cost of the benefits for the fiscal year.		
PERA Pension		
Change in deferred pension outflows	(263,479)	
Change in net pension liability	980,584	
Change in deferred pension inflows	(695,910)	21,195
PERA Health Care Trust Fund (OPEB)		
Change in deferred OPEB outflows	(857)	
Change in net OPEB liability	(7,934)	
Change in deferred OPEB inflows	115	(8,676)
Change in Net Position - Governmental Activities		$ 156,066

The accompanying footnotes are an integral part of these financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

In evaluating how to define the government for financial reporting purposes, the School's management has considered all potential component units. The decision to include a potential component unit in the reporting entity was made by applying the criteria set forth in Governmental Accounting.

Based upon the application of these criteria, no other organization is includable within the School's reporting entity. The School is considered a component unit of Archuleta County School District 50 JT (the "District"). It is the administrative position of the Colorado Department of Education that a charter school has the same relationship to a public school as does any other school program or school building within a school district. A charter school is part of a local school district that is a political subdivision of the State of Colorado. The School has organized as non-profit corporations under the laws of the State of Colorado and Section 501(c) (3) of the Internal Revenue Code. The School was created to help guide students in development of their character and academic potential through an academically rigorous, content rich educational program.

Government-Wide and Fund Financial Statements

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

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

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

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government-Wide and Fund Financial Statements (Continued)

Financial statements are provided for the governmental funds. Major individual governmental funds are reported as separate columns in the fund financial statements as applicable.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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

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

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

The School reports the following funds:

General Fund This fund is the primary operating fund of the School. It is used to account for all financial resources except those required to be accounted for in another fund.

Designated Grants Fund This special revenue fund is used to account for the proceeds received from various Colorado Department of Education and outside Foundation grants and donations.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

Amounts reported as Program revenues include:

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

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

Budgets and Budgetary Accounting

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

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

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

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

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

Deposits All deposits are reported at their gross value.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Inflows, Liabilities, Deferred Outflows, and Net Position/Fund Balance (Continued)

Due From Primary Government Activities with the primary government that are representative of cash held by the primary government at the end of the fiscal year are referred to as either "Due From Primary Government" or "Due to Primary Government". There were no amounts to be reported as of June 30, 2018. The School is reporting $65,204 of grants receivable from the Colorado Department of Education that flow through the District at year end.

Capital Assets Capital Assets, which include property, buildings, and equipment, are reported as governmental activity capital assets if acquired through operating resources. Capital assets are defined by the School as assets with an initial, individual cost of $5,000 or more and an estimated useful life in excess of one year. The District did not have any capital assets meeting this threshold as of June 30, 2018.

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

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

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

Assets	Years
Buildings	30-40
Building Improvements	10-20
Equipment	15

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

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

Vacation, Sick Leave, and Other Compensated Absences Employees are entitled to certain compensated absences based on their length of employment. Except for sick leave, compensated absences do not vest or accumulate and are recorded as expenditures when they are paid. Compensated absences (sick leave) are reflected in the Governmental Activities. Since all employees are contracted to work a set number of days during a year, no vacation accrual accumulates.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Inflows, Liabilities, Deferred Outflows, and Net Position/Fund Balance (Continued)

Deferred outflows/inflows of resources In addition to assets, the statement of financial position reports a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The government has items that qualify for reporting in this category, all related to outstanding pension and OPEB obligations and further described in Notes 8 and 10.

In addition to liabilities, the statement of financial position reports a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The School reports deferred inflows for pension and OPEB related deferrals as further described in Notes 8 and 10.

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

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

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

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

Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed, are reported as “assigned” fund balance. Intent is expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, Deferred Inflows, Liabilities, Deferred Outflows, and Net Position/Fund Balance (Continued)

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

Net Position/Fund Balance Flow Assumption

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

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

Revenues and Expenditures

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

NOTE 2: CASH AND INVESTMENTS

Cash and investments at June 30, 2019 were as follows:

Cash & Equivalents	$ 100,222

This balance is presented in the financial statements as follows:

Governmental Activities - Unrestricted	$ 100,222

NOTE 2: CASH AND INVESTMENTS (Continued)

Deposits

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

	Bank Balance	Carrying Balance
FDIC Insured	$ 127,514	$ 100,222

At June 30, 2019, State regulatory commissioners have indicated that all financial institutions holding deposits for the School are eligible public depositories. Amounts on deposit in excess of federal insurance levels must be collateralized by eligible collateral as determined by the PDPA. PDPA allows the financial institution to create a single collateral pool for all public funds held. The pool is to be maintained by another institution, or held in trust for all the uninsured public deposits as a group. The market value of the collateral must be at least equal to 102 percent of the uninsured deposits.

Custodial Credit Risk

Deposits in financial institutions, reported as cash, cash equivalents, and investments had a bank balance as summarized above at June 30, 2019, which was fully insured by depository insurance or secured with collateral held through PDPA. All investments evidenced by individual securities are registered in the name of the School.

Investment interest rate risk

The School has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates other than those contained in Colorado Revised Statutes. The Schools did not hold any investments as of June 30, 2018.

Investment credit risk

The School has no investment policy that limits its investment choices other than the limitation of state law as follows:

1. Direct obligations of the US government, its agencies, and instrumentalities to which the full faith and credit of the US government is pledged, or obligations to the payment of which the full faith and credit of the State is pledged;

2. Certificates of deposit or savings accounts that are either insured or secured with acceptable collateral with in-state financial institutions, and fully insured certificates of deposit or savings accounts in out of state financial institutions;

3. With certain limitation, negotiable certificates of deposit, prime bankers acceptances, prime commercial paper, and repurchase agreements with certain limitations;

NOTE 2: CASH AND INVESTMENTS (Continued)

Investment credit risk (Continued)

4. County, municipal, or school tax supported debt obligations; bond or revenue anticipation notes; money; or bond or revenue anticipation notes of public trusts whose beneficiary is a county, municipality, or school;

5. Notes or bonds secured by a mortgage or trust deed insured by the Federal Housing Administrator and debentures issued by the Federal Housing Administrator, and obligations of the National Mortgage Association; and

6. Money market funds regulated by the Securities and Exchange Commission (SEC) in which investments consist of the investments mentioned in 1, 2, 3, and 4, above.

Concentration of investment credit risk

The School places no limit on the amount it may invest in any one issuer. At June 30, 2019, the School had no concentration of credit risk.

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

NOTE 3: CAPITAL ASSETS

Activity for governmental activity capital assets which are capitalized by the School is summarized below:

	Balance 06/30/18	Additions	Deletions	Balance 06/30/19
Governmental Activities:				
Capital Assets, being depreciated:				
Transportation Equipment	$ -	$ 21,999	$ 12,000	$ 9,999
Accumulated Depreciation:				
Transportation Equipment	-	(1,500)	(500)	(1,000)
Net Governmental Capital Assets	**$ -**	**$ 20,499**	**$ 11,500**	**$ 8,999**

NOTE 4: OUTSTANDING DEBT OBLIGATIONS

Long-term debt activity for the year ended June 30, 2019 was as follows:

	Balance 6/30/18	Advances	Payments	Balance 6/30/19	Current Portion	Interest Expense
Governmental Activities						
PERA Net Pension Obligation	$ 2,099,325	$ (980,584)	$ -	$ 1,118,741	$ -	$ -
HCTF Net OPEB Obligation	47,940	7,934	-	55,874	-	-
Total Long-Term Obligations	**$ 2,147,265**	**$ (972,650)**	**$ -**	**$ 1,174,615**	**$ -**	**$ -**

These obligations are further described in Notes 8 and 10.

Short-Term Obligations

	Balance 6/30/18	Advances	Payments	Balance 6/30/19	Current Portion	Interest Expense
Governmental Activities						
1st Southwest Line of Credit	$ 12,000	$ -	$ (12,000)	$ -	$ -	$ 66
Region 9 Econ. Dev. Loan Payable	-	50,000	(50,000)	-	-	2,115
Region 9 Econ. Dev. Loan Payable	65,000	-	(65,000)	-	-	567
Total Short-Term Borrowings	**$ 77,000**	**$ 50,000**	**$ (127,000)**	**$ -**	**$ -**	**$ 2,748**

In June 2017, the School entered into a short-term line of credit with 1st Southwest Bank maturing in December 2017 primarily for cash flow purposes. The line of credit was for $85,000 and bore interest at 6%. The School borrowed $59,882 against the line of credit. The last payment made in fiscal year 2019.

The School entered into a second short-term line of credit with 1st Southwest Bank in March 2018 in the amount of $30,000. The line of credit matures in September 2018 and bears interest at 2.15%. The School borrowed a maximum of $27,000 against the line of credit with the last payment made in fiscal year 2019.

The School entered into a $50,000 note payable with Region 9 Economic Development District of Southwest Colorado, Inc. in February 2019, primarily for cash flow purposes. The loan matured in August 2019 and bore interest at 6.5%. The School repaid the balance during the fiscal year including accrued interest.

The School entered into a $90,000 note payable with Region 9 Economic Development District of Southwest Colorado, Inc. in April 2018, primarily for cash flow purposes. The loan matures in August 2018 and bears interest at 6.75%. The School had borrowed $65,000 of the loan through June 30, 2018. The last payment was made in fiscal year 2019.

NOTE 5: DEFICIT NET POSITION

The Governmental Activities has a deficit net position of $(987,678), and an unrestricted net position deficit of $(1,047,979) primarily due to adding the PERA net pension and OPEB liabilities of $1,174,615, further described in Notes 8 and 10. As the School has no control over pension and other retirement benefits or contribution rates, we expect this deficit net position to continue going forward.

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

Claims and Judgments

The School participates in state programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the School is required to reimburse the grantor government. As of June 30, 2019, significant amounts of grant expenditures have not been audited, but the School believes that disallowed expenditures, if any, based on subsequent audits will not have a material effect on any of the individual governmental funds or the overall financial position of the School.

Tabor Amendment

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

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

The Tabor Amendment requires the School to establish a reserve for emergencies. At June 30, 2019, the School's reserve of $27,000 was recorded as a restricted fund balance in the General Fund.

Mill Levy Override

Archuleta School District passed a mill levy override vote in November of 2018 for which the District began receiving funds in calendar year 2019. The School received $82,198 worth of these override funds and the remaining override funds unspent as of June 30, 2019 was $24,302. The School has restricted $24,302 related to the unspent override funds.

NOTE 7: RISK MANAGEMENT

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

NOTE 8: DEFINED BENEFIT PENSION PLAN

Summary of Significant Accounting Policies

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

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. A brief description of some of the major changes to plan provisions required by SB 18-200 for the SCHDTF are listed below. A full copy of the bill can be found online at www.leg.colorado.gov.

- Increases employer contribution rates for the SCHDTF by 0.25 percent on July 1, 2019.

- Increases employee contribution rates for the SCHDTF by a total of 2 percent (to be phased in over a period of 3 years starting on July 1, 2019).

- As specified in C.R.S. § 24-51-413, the State is required to contribute $225 million each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes.

- Modifies the retirement benefits, including temporarily suspending and reducing the annual increase for all current and future retirees, increases the highest average salary for employees with less than five years of service credit on December 31, 2019 and raises the retirement age for new employees.

- Member contributions, employer contributions, the direct distribution from the State, and the annual increases will be adjusted based on certain statutory parameters beginning July 1, 2020, and then each year thereafter, to help keep PERA on path to full funding in 30 years.

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan

Plan description. Eligible employees of the District are provided with pensions through the School Division Trust Fund (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 (CAFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

Benefits provided as of December 31, 2018. PERA provides retirement, disability, and survivor benefits. Retirement benefits are determined by the amount of service credit earned and/or purchased, highest average salary, the benefit structure(s) under which the member retires, the benefit option selected at retirement, and age at retirement. Retirement eligibility is specified in tables set forth at C.R.S. § 24-51-602, 604, 1713, and 1714.

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

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit

- The value of the retiring employee's member contribution account plus a 100 percent match on eligible amounts as of the retirement date. This amount is then annuitized into a monthly benefit based on life expectancy and other actuarial factors.

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

- Highest average salary multiplied by 2.5 percent and then multiplied by years of service credit

- $15 times the first 10 years of service credit plus $20 times service credit over 10 years plus a monthly amount equal to the annuitized member contribution account balance based on life expectancy and other actuarial factors.

In all cases the service retirement benefit is limited to 100 percent of highest average salary and 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.

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

As of December 31, 2018, benefit recipients who elect to receive a lifetime retirement benefit are generally eligible to receive post-retirement cost-of-living adjustments in certain years, referred to as annual increases in the C.R.S. Pursuant to SB 18-200, there are no annual increases (AI) for 2018 and 2019 for all benefit recipients. Thereafter, benefit recipients under the PERA benefit structure who began eligible employment before January 1, 2007 and all benefit recipients of the DPS benefit structure will receive an annual increase, unless PERA has a negative investment year, in which case the annual increase for the next three years is the lesser of 1.5 percent or the average of the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W) for the prior calendar year. Benefit recipients under the PERA benefit structure who began eligible employment after January 1, 2007 will receive the lessor of an annual increase of 1.5 percent or the average CPI-W for the prior calendar year, not to exceed 10 percent of PERA's Annual Increase Reserve (AIR) for the SCHDTF. The automatic adjustment provision may raise or lower the aforementioned AI for a given year by up to one-quarter of 1 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 lifetime retirement benefit formula(s) shown above considering a minimum 20 years of service credit, if deemed disabled.

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

Contributions provisions as of June 30, 2019: Eligible employees the District 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 8 percent of their PERA-includable salary during the period of July 1, 2018 through June 30, 2019. Employer contribution requirements are summarized in the table below:

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

General Information about the Pension Plan (Continued)

	January 1, 2018 Through December 31, 2018	January 1, 2019 Through June 30, 2019
Employer contribution rate	10.15%	10.15%
Amount of employer contribution apportioned to the Health Care Trust Fund as specified in C.R.S. 24-51-208(1)(f)	-1.02%	-1.02%
Amount apportioned to the SCHDTF	9.13%	9.13%
Amortization equalization disbursement (AED) as specified in C.R.S. 24-51-411	4.50%	4.50%
Supplemental amortization equalization disbursement (SAED) as specified in C.R.S. 24-51-411	5.50%	5.50%
Total employer contribution rate to the SCHDTF	**19.13%**	**19.13%**

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 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. A portion of the direct distribution allocated to the SCHDTF is considered a nonemployer contribution for financial reporting purposes.

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the District were $66,446 for the year ended June 30, 2019.

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, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total pension liability to December 31, 2018. The District proportion of the net pension liability was based on the District's contributions to the SCHDTF for the calendar year 2017 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

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

At June 30, 2019, the District reported a liability of $1,118,741 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 District 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 District were as follows:

District's proportionate share of the net pension liability	$ (1,118,741)
The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the District	$ (134,572)
Total	$ (1,253,313)

At December 31, 2018, the District proportion was 0.00632 percent, which was a decrease of 0.00017 from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the District recognized pension expense of $71,562 and revenue of $9,086 for support from the State of Colorado as a non-employer contributing entity. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	$ 35,388	$ -
Changes of assumptions or other inputs	$ 95,225	$ (695,736)
Net difference between projected and actual earnings on pension plan investments	$ 133,426	$ (93,046)
Changes in proportion and differences between contributions recognized and proportionate share of contributions - Plan Basis	$ 506,810	$ (31,189)
Contributions subsequent to the measurement date	$ 49,956	$ -
Total	$ 820,805	$ (819,971)

$49,956 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

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

Year Ended June 30:	Fiscal Year Totals
2020	$ 168,256
2021	(89,996)
2022	(160,739)
2023	33,357
Total	$ (49,122)

Actuarial assumptions. The total pension liability in the December 31, 2017 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry Age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increase, including wage inflation	3.90-9.70%
Long-term investment rate of return, net of pension plan investment expenses, including price inflation	7.25%
Discount rate	4.78%
Post retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	2.00% percent compounded annually
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve (AIR)

The revised assumptions shown below were reflected in the roll-forward calculation of the total pension liability from December 31, 2017 to December 31, 2018:

Discount rate	7.25%
Post retirement benefit increases:	
PERA benefit structure hired prior to 1/1/07 and DPS benefit structure (automatic)	0% through 2019 and 1.5% compounded annually thereafter
PERA benefit structure hired after 12/31/06 (ad hoc, substantively automatic)	Financed by the Annual Increase Reserve (AIR)

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.

Healthy, post-retirement mortality assumptions reflect the RP-2014 White Collar Healthy Annuitant Mortality Table, adjusted as follows:

NOTE 8: 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.

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

The actuarial assumptions used in the December 31, 2016, 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.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the SCHDTF, 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.

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

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

Asset Class	Target Allocation	30 Year Expected Geometric Rate of Return
U.S Equity - Large Cap	21.20%	4.30%
U.S Equity - Small Cap	7.42%	4.80%
Non U.S. Equity - Developed	18.55%	5.20%
Non U.S. Equity - Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income - Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100.00%	

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

Discount rate. The discount rate used to measure the 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 3.50%.

- 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.

- 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.

NOTE 8: DEFINED BENEFIT PENSION PLAN (Continued)

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

- As specified in law, the State will provide an annual direct distribution of $225 million (actual dollars), commencing July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.

- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.

- The AIR balance was excluded from the initial fiduciary net position, as, per statute, AIR amounts cannot be used to pay benefits until transferred to either the retirement benefits reserve or the survivor benefits reserve, as appropriate. AIR transfers to the fiduciary net position and the subsequent AIR benefit payments were estimated and included in the projections.

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

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

As of the prior measurement date, the long-term expected rate of return on plan investments of 7.25 percent and the municipal bond index rate of 3.43 percent were used in the discount rate determination resulting in a discount rate of 4.78 percent, 2.47 percent lower compared to the current measurement date.

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionare share of the net pension asset (liability)	$ (1,422,288)	$ (1,118,741)	$ (864,014)

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

NOTE 9: DEFINED CONTRIBUTION PENSION PLAN

Voluntary Investment Program

Plan Description

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

Funding Policy

The Voluntary Investment Program is funded by voluntary member contributions up to the maximum limits set by the Internal Revenue Service, as established under Title 24, Article 51, Section 1402 of the C.R.S., as amended. The School does not contribute to the plan. Employees are immediately vested in their own contributions, employer contributions, if any, and investment earnings. For the year ended June 30, 2019 program members did not make any contributions to the plan.

NOTE 10: OTHER POST-EMPLOYMENT BENEFITS

Health Care Trust Fund

Summary of Significant Accounting Policies

OPEB. The District 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 and additions to/deductions from the fiduciary net position of the HCTF have been determined using the economic resources measurement focus and the accrual basis of accounting. For this purpose, benefits paid on behalf of health care participants are recognized when due and/or payable in accordance with the benefit terms. Investments are reported at fair value.

NOTE 10: OTHER POST-EMPLOYMENT BENEFITS (Continued)

General Information about the OPEB Plan

Plan description. Eligible employees of the District 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 (CAFR) that can be obtained at www.copera.org/investments/pera-financial-reports.

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

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

Enrollment in the PERACare 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 basis for 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.

NOTE 10: OTHER POST-EMPLOYMENT BENEFITS (Continued)

General Information about the OPEB Plan (Continued)

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

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

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

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the District is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the District were $3,543 for the year ended June 30, 2019.

NOTE 10: OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

At June 30, 2019, the District reported a liability of $55,874 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017. Standard update procedures were used to roll-forward the total OPEB liability to December 31, 2018. The District's proportion of the net OPEB liability was based on the District's contributions to the HCTF for the calendar year 2018 relative to the total contributions of participating employers to the HCTF.

At December 31, 2018, the District's proportion was 0.00411 percent, which was an increase of 0.00042 from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the District recognized OPEB expense of $13,314. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows	Deferred Inflows
Difference between expected and actual experience	$ 182	$ (85)
Net difference between projected and actual earnings on pension plan investments	$ 991	$ (602)
Changes in proportion and differences between contributions recognized and proportionate share of contributions - Plan Basis	$ 36,707	$ -
Contributions subsequent to the measurement date	$ 2,638	$ -
Total	$ 40,910	$ (687)

$2,638 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, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

Year Ended June 30:	Fiscal Year Totals
2020	$ 8,916
2021	8,916
2022	8,916
2023	9,117
2024	1,682
2025	38
Total	$ 37,585

Actuarial assumptions. The total OPEB liability in the December 31, 2017 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

NOTE 10: OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

Actuarial cost method	Entry Age
Price inflation	2.40%
Real wage growth	1.10%
Wage inflation	3.50%
Salary increase, including wage inflation	3.50% in the aggregate
Long-term investment rate of return, net of pension 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	5.00%
Medicare Part A premiums	3.25 % for 2018, gradually rising to 5.00% in 2025
DPS Benenfit Structure:	
Service-based premium subsidy	0.00%
PERACare Medicare plans	N/A
Medicare Part A premiums	N/A

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

The actuarial assumptions used in the December 31, 2017, 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. In addition, certain actuarial assumptions pertaining to per capita health care costs and their related trends are analyzed and reviewed by PERA's actuary, as discussed below.

In determining the additional liability for PERACare enrollees who are age sixty–five or older and who are not eligible for premium–free Medicare Part A, the following monthly costs/premiums are assumed for 2018 for the PERA Benefit Structure:

Medicare Plan	Cost for Members Without Medicare Part A	Premiums for Members Without Medicare Part A
Self-Funded Medicare Supplement Plans	$736	$367
Kaiser Permanente Medicare Advantage HMO	602	236
Rocky Mountain Health Plans Medicare HMO	611	251
United Healthcare Medicare HMO	686	213

The 2018 Medicare Part A premium is $422 per month.

NOTE 10: OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

In determining the additional liability for PERACare enrollees in the PERA Benefit Structure who are age sixty–five or older and who are not eligible for premium–free Medicare Part A, the following chart details the initial expected value of Medicare Part A benefits, age adjusted to age 65 for the year following the valuation date:

Medicare Plan	Cost for Members Without Medicare Part A
Self-Funded Medicare Supplement Plans	$289
Kaiser Permanente Medicare Advantage HMO	300
Rocky Mountain Health Plans Medicare HMO	270
United Healthcare Medicare HMO	400

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

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and heuristics developed by health plan actuaries and administrators, and projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services. Effective December 31, 2017, the health care cost trend rates for Medicare Part A premiums were revised to reflect the current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

Year	PERACare Medicare Plans	Medicare Part A Premiums
2018	5.00%	3.25%
2019	5.00%	3.50%
2020	5.00%	3.75%
2021	5.00%	4.00%
2022	5.00%	4.25%
2023	5.00%	4.50%
2024	5.00%	4.75%
2025+	5.00%	5.00%

NOTE 10: OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

Mortality assumptions 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.

Healthy, post-retirement mortality assumptions for the State and Local Government Divisions were based on the RP-2014 Healthy Annuitant Mortality Table, adjusted as follows:

- **Males:** Mortality improvement projected to 2018 using the MP-2015 projection scale, a 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.

Healthy, post-retirement 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.

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

The following health care costs assumptions were updated and used in the measurement of the obligations 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 2018 plan year.

NOTE 10: OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then-current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared every four or five years for PERA. Recently, this assumption has been reviewed more frequently. The most recent analyses were outlined in presentations to PERA's Board on October 28, 2016.

Several factors were considered in evaluating the long-term rate of return assumption for the HCTF, 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.

As of the most recent adoption of the long-term expected rate of return by the PERA Board, the target asset allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

Asset Class	Target Allocation	30 Year Expected Geometric Real Rate of Return
U.S Equity - Large Cap	21.20%	4.30%
U.S Equity - Small Cap	7.42%	4.80%
Non U.S. Equity - Developed	18.55%	5.20%
Non U.S. Equity - Emerging	5.83%	5.40%
Core Fixed Income	19.32%	1.20%
High Yield	1.38%	4.30%
Non U.S. Fixed Income - Developed	1.84%	0.60%
Emerging Market Debt	0.46%	3.90%
Core Real Estate	8.50%	4.90%
Opportunity Fund	6.00%	3.80%
Private Equity	8.50%	6.60%
Cash	1.00%	0.20%
Total	100.00%	

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

NOTE 10: OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

Sensitivity of the District'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:

Sensitivity of the Net OPEB Liability to Changes in the Health Care Cost Trend Rates			
	1% Decrease	Current Discount Rate	1% Increase
PERACare Medicare trend rate	4.00%	5.00%	6.00%
Initial Medicare Part A trend rate	2.25%	3.25%	4.25%
Ultimate Medicare Part A trend rate	4.00%	5.00%	6.00%
Proportionate share of the net OPEB asset (liability)	$ (54,331)	$ (55,874)	$ (57,649)

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, 2018, 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 3.50%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Transfers of a portion of purchase service agreements intended to cover the costs associated with OPEB benefits were estimated and included in the projections.
- Benefit payments and contributions were assumed to be made at the middle of the year.

NOTE 10: OTHER POST-EMPLOYMENT BENEFITS (Continued)

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

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

Sensitivity of the District'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:

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate			
	1% Decrease	Current Discount Rate	1% Increase
Discount Rate	6.25%	7.25%	8.25%
Proportionate share of the net OPEB asset (liability)	$ (62,518)	$ (55,874)	$ (50,194)

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

NOTE 11: FACILITY LEASE AGREEMENT

On March 1, 2017, the School entered into a lease agreement for facilities. The agreement was for a period of 27 months through June 30, 2019 and required monthly rents of $7,810 per month. This agreement was subsequently modified in September 2017, November 2017 and in July 2018 effective October 1, 2018 as the School's facility needs expanded. Effective October 1, 2018 the School will be leasing the main school space, a kindergarten class, a gym/kitchen and a call center for a total of $13,218 per month through September 30. 2018. Beginning October 1, 2019 rents are projected to increase to $15,379 per month if the lease agreement is extended.

NOTE 12: PRIOR PERIOD RESTATEMENT

The District has restated beginning deferred outflows and inflows related to proportion changes for the PERA pension plan. The District has restated these balances to reflect the change in proportion of plan level deferrals that had previously not been material in addition to plan level liabilities. This restatement decreased governmental activities net position in the amount of $499,860.

Required Supplementary Information
(Pension Schedules Unaudited)

PAGOSA PEAK OPEN SCHOOL

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET PENSION ASSET (LIABILITY)
PERA Pension Plan
Last 10 Fiscal Years[1]

Fiscal Year Ended	School's proportion of the net pension asset (liability)	School's proportionate share of the net pension asset (liability)	Non-employer contributing entity's total proportionate share of the net pension asset (liability)	Total proportionate share associated with School	School's covered payroll	School's proportionate share of the net pension asset (liability)	Plan fiduciary net position as a percentage of the total Pension liability
June 30, 2018	0.006492%	$ (2,099,325)	$ -	$ (2,099,325)	$ 299,474	701.00%	43.96%
June 30, 2019	0.006318%	$ (1,118,741)	$ (134,572)	$ (1,253,313)	$ 347,339	322.09%	57.01%

Note: All amounts are as of plan calculation dates which are one fiscal year prior to the date shown.

[1] - Additional years will be added to this schedule as they become available.

See the accompanying Independent Auditors' Report.

PAGOSA PEAK OPEN SCHOOL

SCHEDULE OF SCHOOL'S CONTRIBUTIONS
PERA Pension Plan
Last 10 Fiscal Years[(1)]

Fiscal Year Ended	Contractually required contributions	Actual contributions	Contribution deficiency (excess)	School's covered payroll	Contributions as a percentage of covered payroll
June 30, 2018	$ 55,792	$ (55,792)	-	$ 299,474	18.63%
June 30, 2019	$ 66,446	$ (66,446)	-	$ 347,339	19.13%

Note: All amounts are as of plan calculation dates which are one fiscal year prior to the date shown.

[(1)] - Additional years will be added to this schedule as they become available.

See the accompanying Independent Auditors' Report.

PAGOSA PEAK OPEN SCHOOL

SCHEDULE OF THE SCHOOL'S PROPORTIONATE SHARE OF THE NET OPEB ASSET (LIABILITY)
PERA Health Care Trust Fund
Last 10 Fiscal Years[1]

Fiscal Year Ended	School's proportion of the net OPEB asset (liability)	School's proportionate share of the net OPEB asset (liability)	School's covered payroll	School's proportionate share of the net OPEB asset (liability) as a percentage of covered payroll	Plan fiduciary net position as a percentage of the total OPEB liability
June 30, 2018	0.003689%	$ (47,940)	$ 299,474	16.01%	17.53%
June 30, 2019	0.004107%	$ (55,874)	$ 347,339	16.09%	17.03%

Note: All amounts are as of plan calculation dates which are one fiscal year prior to the date shown.

[1] - Additional years will be added to this schedule as they become available.

See the accompanying Independent Auditors' Report.

PAGOSA PEAK OPEN SCHOOL

SCHEDULE OF SCHOOL'S CONTRIBUTIONS
PERA Health Care Trust Fund
Last 10 Fiscal Years[(1)]

Fiscal Year Ended	Contractually required contributions	Actual contributions	Contribution deficiency (excess)	School's covered payroll	Contributions as a percentage of covered payroll
June 30, 2018	$ 3,055	$ (3,055)	$ -	$ 299,474	1.02%
June 30, 2019	$ 3,543	$ (3,543)	$ -	$ 347,339	1.02%

Note: All amounts are as of plan calculation dates which are one fiscal year prior to the date shown.

(1) - Additional years will be added to this schedule as they become available.

See the accompanying Independent Auditors' Report.

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Required Supplementary Information

PAGOSA PEAK OPEN SCHOOL
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended June 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

	2019				
	Original Budget	Final Budget	Actual	Variance with Final Budget	2018 Actual
REVENUES					
Local Sources					
MLO For Transmission	$ -	$ -	$ 82,198	$ 82,198	$ -
Tuition From Individuals	10,000	10,000	8,860	(1,140)	9,543
Investment Earnings	-	-	353	353	42
Food Service Revenue	-	-	-	-	2,902
Fees	15,000	14,450	10,932	(3,518)	9,776
Donations	25,000	50,000	56,235	6,235	9,311
Other Local	3,000	100	1	(99)	-
Total Local Sources	53,000	74,550	158,579	84,029	31,574
State Sources					
State Share (Equalization)	674,000	757,000	722,350	(34,650)	477,730
State Grants from CDE					
Capital Construction - Charter Schools	17,739	26,500	26,394	(106)	16,317
Small Rural Schools Additional Funding	-	4,000	10,376	6,376	-
Additional At-Risk Funding	-	700	642	(58)	-
State of CO PERA Distribution	-	-	9,085	9,085	-
Total State Sources	691,739	788,200	768,847	(19,353)	494,047
TOTAL REVENUES	744,739	862,750	927,426	64,676	525,621
EXPENDITURES					
Instruction					
Salaries	201,750	255,500	239,834	15,666	151,607
Benefits	90,121	81,948	85,499	(3,551)	51,971
PS - Professional	-	1,000	700	300	2,350
PS - Other	6,800	6,800	12,197	(5,397)	6,436
Supplies	2,875	20,875	20,311	564	6,354
Total Instruction	301,546	366,123	358,541	7,582	218,718
Supporting Services					
Pupil Support					
Supplies	500	500	-	500	-
Staff Support					
PS - Other	-	-	6,027	(6,027)	322
General Administration					
PS - Other	14,550	4,550	-	4,550	-
School Administration					
Salaries	95,000	109,500	109,766	(266)	76,849
Benefits	35,889	38,389	22,679	15,710	19,741
PS - Professional	6,000	23,300	21,897	1,403	7,233
PS - Property	124,151	124,151	126,563	(2,412)	93,239
PS - Other	53,137	56,637	55,881	756	40,678
Supplies	3,000	3,000	154	2,846	576
Property	-	500	-	500	1,495
Other Expenses	-	-	227	(227)	1,005
Total School Administration	317,177	355,477	337,167	18,310	240,816

(Continued)
See the accompanying Independent Auditors' Report

PAGOSA PEAK OPEN SCHOOL
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund
For the Year Ended June 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

	2019				
	Original Budget	Final Budget	Actual	Variance with Final Budget	2018 Actual
(Continued)					
EXPENDITURES (Continued)					
Supporting Services (Continued)					
Business Services					
Salaries	22,500	22,500	24,938	(2,438)	20,967
Benefits	10,290	13,335	13,650	(315)	8,403
PS - Professional	15,000	15,000	19,029	(4,029)	11,006
PS - Property	-	3,500	3,473	27	1,078
PS - Other	500	500	476	24	146
Other Expenses	500	3,000	2,273	727	831
Total Business Services	48,790	57,835	63,839	(6,004)	42,431
Operations and Maintenance					
Salaries	8,000	12,000	12,002	(2)	3,394
Benefits	1,680	2,520	2,418	102	709
PS - Property	1,000	7,100	6,351	749	100
Supplies	2,500	4,000	3,772	228	1,953
Total Operations and Maintenance	13,180	25,620	24,543	1,077	6,156
Food Service					
Food	-	-	-	-	2,210
Debt Service					
Interest	7,000	7,000	2,761	4,239	4,691
Contingency	41,996	45,645	-	45,645	-
TOTAL EXPENDITURES	744,739	862,750	792,878	69,872	515,344
CHANGE IN FUND BALANCE	-	-	134,548	134,548	10,277
BEGINNING FUND BALANCE	-	-	2,333	2,333	(7,944)
ENDING FUND BALANCE	$ -	$ -	$ 136,881	$ 136,881	$ 2,333

See accompanying Independent Auditors' Report.

PAGOSA PEAK OPEN SCHOOL
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Designated Grants Fund
For the Year Ended June 30, 2019
(With Comparative Totals for the Year Ended June 30, 2018)

	2019			
	Final Budget	Actual	Variance with Final Budget	2018 Actual
REVENUES				
Local Sources				
Donations	$ 151,255	$ 132,946	$ (18,309)	$ 96,300
Other Local	2,500	15,530	13,030	-
Total Local Sources	153,755	148,476	(5,279)	96,300
State Sources				
State Grants from CDE				
READ Act	9,000	9,183	183	-
Other CDE State Grants	400	402	2	-
Total State Sources	9,400	9,585	185	-
Federal Sources				
Federal Grants from CDE				
NCLB Title I, Part A - Improving Basic Programs Opreated by Schools	23,788	20,776	(3,012)	23,230
NCLB Title II, Part A - Teacher & Principal Training	3,000	3,348	348	-
ESSA, Title IV-A: Student Support and Academic Enrichment Grants	100	72	(28)	-
Charter School Start Up Grant	135,000	134,171	(829)	196,937
Total Federal Sources	161,888	158,367	(3,521)	220,167
TOTAL REVENUES	325,043	316,428	(8,615)	316,467
EXPENDITURES				
Instruction				
Salaries	98,730	100,123	(1,393)	59,177
Benefits	18,558	18,490	68	8,535
PS - Professional	14,000	13,790	210	22,401
PS - Property	1,000	900	100	10,884
PS - Other	24,755	18,747	6,008	12,723
Supplies	69,500	67,844	1,656	88,456
Property	88,100	88,439	(339)	84,383
Other Expenses	2,500	-	2,500	1,611
Total Instruction	317,143	308,333	8,810	288,170
Supporting Services				
School Administration				
PS - Professional	-	-	-	8,506
Supplies	-	-	-	1,525
Total School Administration	-	-	-	10,031
Business Services				
PS - Other	-	-	-	1,096
Food Service				
Food	7,900	8,095	(195)	17,170
TOTAL EXPENDITURES	325,043	316,428	8,615	316,467
CHANGE IN FUND BALANCE	-	-	-	-
BEGINNING FUND BALANCE	-	-	-	-
ENDING FUND BALANCE	$ -	$ -	$ -	$ -

See accompanying Independent Auditors' Report.