

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

FINANCIAL STATEMENTS

June 30, 2023



Wall,
Smith,
Bateman Inc.
Certified Public Accountants

PAGOSA PEAK OPEN SCHOOL

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INDEPENDENT AUDITORS' REPORT



Wall,
Smith,
Bateman Inc.

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

Opinions

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Pagosa Peak Open School (the School) as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the School's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the School, as of June 30, 2023, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the School's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards will always detect a material misstatement when it exists. The risk of not detecting a material

Certified Public Accountants

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misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, we:

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

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, major fund budgetary comparison, pension, and other postemployment benefits information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for 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.

Supplementary Information

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

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

Wall, Smith, Bateman Inc

Wall, Smith, Bateman Inc.
Alamosa, Colorado

February 07, 2024

**Pagosa Peak Open School
Management’s Discussion and Analysis
For the Fiscal Year Ended June 20, 2023**

As management of the Pagosa Peak Open School (the “School”) we offer readers of the School’s financial statements this narrative overview and analysis of the financial activities of the School for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with additional information provided in the basic financial statements.

Financial Highlights

At the close of its 6th year of operation, the assets and deferred outflows of the School exceeded its liabilities and deferred inflows by \$1,270,809 (net position) an increase of \$143,615.

The School’s unrestricted net position shows a deficit of \$1,203,316 and is primarily the result of GASB Statements 68 and 75, which require the School to report its proportionate share of the PERA School Division Statewide Defined Benefit Pension Plan and Post Employment Benefit Plan Other Than Pensions (“OPEB”) net pension liabilities and related deferred inflows and outflows of resources. Over time, PERA is expected to eliminate its unfunded pension obligation through increased contribution rates and additional funding from the State of Colorado. The effect of the PERA pension and OPEB liabilities on the School’s net position is summarized below:

	Governmental Activities	
	6/30/2023	6/30/2022
Net Position (GAAP Basis)	\$ 1,270,809	\$ 1,127,194
Net Pension Liability	1,879,021	1,387,722
Net OPEB Liability	63,997	67,138
Deferred Outflow of Resources related to Pensions and OPEB	(537,880)	(630,126)
Deferred Inflows of Resources related to Pensions and OPEB	187,805	545,459
Net Position Excluding Pensions:	\$ 2,863,752	\$ 2,497,387

At the close of the fiscal year the School’s governmental funds reported a combined ending fund balance of \$420,572, a decrease of \$171,156.

The School’s operations are funded primarily through tax revenue received under Colorado’s School Finance Act (Per Pupil Revenue, or PPR). PPR revenue for the year ended June 30, 2023 was \$1,209,979.

Overview of Financial Statements

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

Government-wide Financial Statements

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

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

**Pagosa Peak Open School
Management's Discussion and Analysis
For the Fiscal Year Ended June 20, 2023**

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

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

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

Fund Financial Statements

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

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

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

The School maintains three individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund which is considered to be major. Non-major funds include the activity fund.

Proprietary Funds – The School maintains one type of proprietary fund, the Building Corporation Internal Service Fund. The Internal Service Fund is used to report the activities of the School's Building Corporation. The Building Corporation exists entirely for the benefit of the School and is included in the School's financial statements as an internal service fund. The Building Corporations statement of net position, statement of revenues, expenses, and changes in net position and statement of cash flows can be found on pages 10-12 of this report.

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

Notes to the basic financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. This information is provided in pages 13-38 of this report.

**Pagosa Peak Open School
Management's Discussion and Analysis
For the Fiscal Year Ended June 20, 2023**

Government-wide Financial Analysis –As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of School, assets exceeded liabilities by \$1,270,809 for all government funds as the close of the most recent fiscal year.

Fiscal Year Ended June 30, 2023		
Statement of Net Position		
	Governmental Activities	
	<u>6/30/2023</u>	<u>6/30/2022</u>
Current and Other Assets	\$ 646,734	\$ 1,313,327
Capital Assets	<u>5,253,481</u>	<u>4,666,409</u>
Total Assets	<u>5,900,215</u>	<u>5,979,736</u>
Deferred Outflows of Resources	<u>537,880</u>	<u>630,126</u>
Current and Other Liabilities	194,851	411,281
Non current Liabilities	<u>4,729,250</u>	<u>4,301,216</u>
Total Liabilities	<u>4,924,101</u>	<u>4,712,497</u>
Deferred Inflows of Resources	<u>243,185</u>	<u>770,171</u>
Net Position		
Net Investment in Capital Assets	2,407,125	1,761,290
Restricted	67,000	50,000
Unrestricted	<u>(1,203,316)</u>	<u>(684,096)</u>
Total Net Position	<u>\$ 1,270,809</u>	<u>\$ 1,127,194</u>

At the end of June 30, 2023, the largest portion of the School's assets (89%) is in net capital assets. 5% percent of total assets represent cash and investments. The remaining 6% of the total assets consists of accounts receivable and prepaid expenses.

Fiscal Year Ended June 30, 2023		
Statement of Activities		
	Governmental Activities	
	<u>6/30/2023</u>	<u>6/30/2022</u>
Revenues		
Program Revenues		
Operating Grants	\$ 423,247	\$ 605,839
Capital Grant	529,111	246,908
Charges for Services	114,916	74,090
General Revenues		
District Mill Levy	113,120	110,273
Per Pupil Revenue	1,209,979	1,101,354
Interest and Miscellaneous	<u>25,588</u>	<u>8,174</u>
Total Revenues	<u>2,415,961</u>	<u>2,146,638</u>
Expenses		
Instruction	1,252,484	753,539
Supporting Services	<u>1,019,862</u>	<u>756,038</u>
Total Expenses	<u>2,272,346</u>	<u>1,509,577</u>
Increase (Decrease in Net Position)	143,615	637,061
Net Position, Beginning	<u>1,127,194</u>	<u>490,133</u>
Net Position Ending	<u>\$ 1,270,809</u>	<u>\$ 1,127,194</u>

**Pagosa Peak Open School
Management's Discussion and Analysis
For the Fiscal Year Ended June 20, 2023**

The School's net position shows an increase of \$143,615 over the prior year.

Financial Analysis of the Government's Funds

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

Governmental Funds. The focus of the School's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the School's financing requirements. In particular, unreserved fund balance may serve as a useful measure of the School's net resources available for spending at the end of the fiscal year. As of the end of the current fiscal year, June 30, 2023, the School's governmental funds reported a combined ending fund balance of \$420,572, a decrease of \$171,156.

General Fund Budgetary Highlights

The School approves a budget in June based on enrollment projections for the following school year. In October after enrollment stabilizes, adjustments are made to the budget. Enrollment for FY 2022-2023 was 125 funded pupil count. As of the October 2023 count, actual enrollment was 105 students.

Actual revenues in the General Fund were more than budgeted by \$13,257.

Actual expenditures in the General Fund more than budgeted by \$22,743. The over expenditure is primarily due to the completion of the School's capital project which required more funds than anticipated.

Capital Asset and Debt Administration

The School's investment in capital assets was \$5,584,443 for FY23. Total accumulated depreciation for FY 2022-2023 was \$330,962 resulting in net capital assets of \$5,253,481. Detailed information can be found on page 21 of this report.

Long-Term Debt

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

During the fiscal year ended June 30, 2022, the School entered into a \$100,000 loan agreement with Region 9 Economic Development District of Southwest Colorado, Inc. The loan proceeds were used to provide matching funds related to the renovation at the School's building. The loan carries an interest rate of 5.25%. Monthly principal payments in the amount of \$1,200 are due beginning in May 2022 through April 2027.

Detailed information can be found of page 22-23 of this report.

Economic Factors and Next Year's Budget

The primary factor driving the budget for the School is student enrollment. Funded Pupil Count was 120 for 2022 and 120 for 2023. Funded pupil count for 2024 is 105. Per pupil revenue for the School increased by \$878.29 from \$8,145 in 2021 to \$9,023.29 in 2022. Per pupil revenue for fiscal year 2022-2023 is \$9,640. And for 2023-2024 funded pupil count is \$10,722.62.

**Pagosa Peak Open School
Management's Discussion and Analysis
For the Fiscal Year Ended June 20, 2023**

Requests for Information

This financial report is designed to provide a general overview of the School's finances for all those with an interest in the School's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Pagosa Peak Open School, 3133 Cornerstone Drive, Pagosa Springs, CO 81147.

PAGOSA PEAK OPEN SCHOOL

BASIC FINANCIAL STATEMENTS

PAGOSA PEAK OPEN SCHOOL
STATEMENT OF NET POSITION
June 30, 2023

	Primary Government Governmental Activities
ASSETS	
Current Assets	
Cash	\$ 278,121
Restricted Cash	33,721
Intergovernmental Receivable	264,512
Lease Receivable	55,380
Prepaid Expenditures	15,000
Total Current Assets	646,734
Noncurrent Assets	
Capital Assets	
Land	715,000
Construction in Progress	-
Building	3,649,603
Equipment	68,023
Improvement	1,151,817
Less: Accumulated Depreciation	(330,962)
Total Noncurrent Assets	5,253,481
TOTAL ASSETS	5,900,215
DEFERRED OUTFLOWS OF RESOURCES	
Pension	503,647
OPEB	34,233
TOTAL DEFERRED OUTFLOWS OF RESOURCES	537,880
LIABILITIES	
Current Liabilities	
Accounts Payable	60,775
Unearned Grant Revenue	68,231
Accrued Interest Expense	5,721
Note Payable	60,124
Total Current Liabilities	194,851
Noncurrent Liabilities	
Notes Payable	2,786,232
Net Pension Liability	1,879,021
Net OPEB Liability	63,997
Total Noncurrent Liabilities	4,729,250
TOTAL LIABILITIES	4,924,101
DEFERRED INFLOWS OF RESOURCES	
Pension	165,265
OPEB	22,540
Leases	55,380
DEFERRED INFLOWS OF RESOURCES	243,185
NET POSITION	
Net Investment in Capital Assets	2,407,125
Restricted for TABOR	67,000
Unrestricted	(1,203,316)
TOTAL NET POSITION	\$ 1,270,809

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

PAGOSA PEAK OPEN SCHOOL
STATEMENT OF ACTIVITIES
Fiscal Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense)
		Charges for Services	Operating Grants & Contributions	Capital Grants & Contributions	Revenue and Changes in Net Position
					Primary Government
Primary Government					
Governmental Activities					
Instructional Program	\$ 1,250,157	\$ 17,041	\$ 281,898	\$ 529,111	\$ (422,107)
Student Supporting Services	866,016	-	53,082	-	(812,934)
Operations and Maintenance of Plant Services	24,648	41,174	7,589	-	24,115
Food Services	131,525	56,701	80,678	-	5,854
Total Governmental Activities	\$ 2,272,346	\$ 114,916	\$ 423,247	\$ 529,111	(1,205,072)

General Revenues:

Per Pupil Revenue	1,209,979
District Mill Levy	113,120
Interest and Miscellaneous	25,588
Total General Revenues	1,348,687

Change in Net Position 143,615

Net Position, Beginning of Year 1,127,194

Net Position, End of Year **\$ 1,270,809**

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

PAGOSA PEAK OPEN SCHOOL
GOVERNMENTAL FUNDS
BALANCE SHEET
June 30, 2023

	GENERAL FUND	DESIGNATED GRANTS FUND	NONMAJOR FUND ACTIVITY FUND	TOTAL GOVERNMENTAL FUNDS
ASSETS				
Cash	\$ 185,026	\$ 40,177	\$ 44,863	\$ 270,066
Intergovernmental Receivable	214,364	50,148	-	264,512
Lease Receivable	55,380	-	-	55,380
Prepaid Expenditures	15,000	-	-	15,000
TOTAL ASSETS	\$ 469,770	\$ 90,325	\$ 44,863	\$ 604,958
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE				
LIABILITIES				
Accounts Payable	\$ 38,681	\$ 22,094	\$ -	\$ 60,775
Unearned Grant Revenue	-	68,231	-	68,231
TOTAL LIABILITIES	38,681	90,325	-	129,006
DEFERRED INFLOWS OF RESOURCES				
Leases	55,380	-	-	55,380
FUND BALANCE				
Nonspendable for:				
Prepaid Expenditures	15,000	-	-	15,000
Restricted for:				
TABOR 3% Reserve	67,000	-	-	67,000
Assigned for:				
Student Activities	-	-	44,863	44,863
Unassigned	293,709	-	-	293,709
TOTAL FUND BALANCE	375,709	-	44,863	420,572
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCE	\$ 469,770	\$ 90,325	\$ 44,863	\$ 604,958

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

PAGOSA PEAK OPEN SCHOOL
RECONCILIATION OF TOTAL GOVERNMENTAL FUND BALANCES
TO THE STATEMENT OF NET POSITION
June 30, 2023

Total governmental fund balances	\$ 420,572
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds.	1,164,680
Deferred results and contributions to pension and OPEB plans made after the measurement date are recorded as expenditures in the governmental funds, but must be deferred in the statement of net position.	537,880
Net pension and OPEB liabilities are not due and payable in the current period and are not reported in the funds.	(1,943,018)
Certain amounts related to the net pension and OPEB liabilities are deferred and amortized over time. These are not reported in the funds.	(187,805)
The Internal Service Fund is used by management to account for the activities of the Pagosa Peak Open School Building Corporation. The assets and liabilities of this fund are included in the governmental activities of the statement of net position.	<u>1,278,500</u>
Net position of governmental activities	<u><u>\$ 1,270,809</u></u>

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

PAGOSA PEAK OPEN SCHOOL
GOVERNMENTAL FUNDS
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCES
For the Year Ended June 30, 2023

	GENERAL FUND	DESIGNATED GRANTS FUND	NONMAJOR FUND ACTIVITY FUND	TOTAL GOVERNMENTAL FUNDS
REVENUES				
Local Sources	\$ 405,187	\$ 14,750	\$ 33,114	\$ 453,051
State Sources	435,334	193,198	-	628,532
Federal Sources	54,839	43,721	-	98,560
Other Sources	1,235,818	-	-	1,235,818
TOTAL REVENUES	2,131,178	251,669	33,114	2,415,961
EXPENDITURES				
Current Expenditures				
Instructional Program	824,961	210,750	50,321	1,086,032
Student Support Services	-	30,000	-	30,000
General Administration Support Services	63,128	3,330	-	66,458
School Administration Support Services	200,621	-	-	200,621
Business Support Services	462,005	-	-	462,005
Operations and Maintenance of Plant Services	638,920	7,589	-	646,509
Student Transportation Services	3,687	-	-	3,687
Central Support Services	43,620	-	-	43,620
Food Services	168,185	-	-	168,185
TOTAL EXPENDITURES	2,405,127	251,669	50,321	2,707,117
Excess (Deficiency) of Revenue Over Expenditures	(273,949)	-	(17,207)	(291,156)
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	120,000	-	-	120,000
NET CHANGE IN FUND BALANCE	(153,949)	-	(17,207)	(171,156)
Fund Balance, Beginning of Year	529,658	-	62,070	591,728
Fund Balance, End of Year	\$ 375,709	\$ -	\$ 44,863	\$ 420,572

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

PAGOSA PEAK OPEN SCHOOL
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2023

Net change in fund balances - total governmental funds \$ (171,156)

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

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

Fixed asset additions	\$ 713,910	
Depreciation expense	<u>(33,870)</u>	
		680,040

Certain items reported in the statement of activities do not require the use of current financial resources and are not reported as expenditures in the governmental funds. This item represents the change in pension and OPEB expense. (222,750)

The Internal Service Fund is used by management to account for the activities of the Pagosa Peak Open School Building Corporation. The net revenue (expense) of the internal service fund is charged to governmental activities. (142,519)

Change in net position of governmental activities \$ 143,615

PAGOSA PEAK OPEN SCHOOL
PROPRIETARY FUNDS
STATEMENT OF NET POSITION
June 30, 2023

	Governmental Activities
	Internal Service Fund
ASSETS	
Current Assets	
Cash	\$ 8,055
Restricted Cash	33,721
	41,776
Noncurrent Assets	
Capital Assets	
Land	715,000
Building	3,649,603
Equipment	17,290
Less: Accumulated Depreciation	(293,092)
	4,088,801
TOTAL ASSETS	4,130,577
LIABILITIES	
Current Liabilities	
Accrued Interest Payable	5,721
Note Payable	60,124
	65,845
Noncurrent Liabilities	
Note Payable	2,786,232
TOTAL LIABILITIES	2,852,077
NET POSITION	
Net Investment in Capital Assets	1,242,445
Unrestricted	36,055
TOTAL NET POSITION	\$ 1,278,500

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

PAGOSA PEAK OPEN SCHOOL
PROPRIETARY FUNDS
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended June 30, 2023

	Governmental Activities
	Internal Service Fund
OPERATING REVENUES	
Lease Income	\$ 180,000
TOTAL OPERATING REVENUES	180,000
OPERATING EXPENSES	
Utilities	39,038
Purchased Services	1,532
Bank fees	14
Depreciation Expense	92,969
TOTAL OPERATING EXPENSES	133,553
OPERATING INCOME (LOSS)	46,447
NONOPERATING REVENUES (EXPENSES)	
Interest Expense	(68,966)
TOTAL NONOPERATING REVENUES (EXPENSES)	(68,966)
TRANSFERS	
Transfer to Other Funds	(120,000)
TOTAL TRANSFERS	(120,000)
CHANGE IN NET POSITION	(142,519)
NET POSITION, Beginning of Year	1,421,019
NET POSITION, End of Year	\$ 1,278,500

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

PAGOSA PEAK OPEN SCHOOL
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2023

	Governmental Activities <hr/> Internal Service Fund <hr/>
Cash Flows from Operating Activities	
Cash Received from Inter-Fund Agreements	\$ 180,000
Cash Payments for Operating Expenses	(40,585)
Net Cash Provided (Used) by Operating Activities	<hr/> 139,415 <hr/>
Cash Flows from Noncapital Financing Activities	
Transfers (to) from other funds	(120,000)
Cash Flows from Capital and Related Financing Activities	
Principal Paid on Note	(58,763)
Interest Paid on Note	(68,966)
Net Cash Provided (Used) by Capital and Related Financing Activities	<hr/> (127,729) <hr/>
Cash Flows from Investing Activities	<hr/> - <hr/>
Net Increase (Decrease) in Cash and Cash Equivalents	(108,314)
Cash and Cash Equivalents, Beginning of Year	<hr/> 150,090 <hr/>
Cash and Cash Equivalents, End of Year	<hr/> <u>\$ 41,776</u> <hr/>
Operating Income (Loss)	\$ 46,447
Adjustments to reconcile Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities:	
Depreciation	92,969
Increase (decrease) in:	
Accounts payable	-
Net cash provided (used) by operating activities	<hr/> <u>\$ 139,416</u> <hr/>
Summary of Cash Accounts	
Cash	\$ 8,055
Restricted Cash	33,721
	<hr/> <u>\$ 41,776</u> <hr/>

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

PAGOSA PEAK OPEN SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Financial Reporting Entity

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

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

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

Basis of Presentation

Government-Wide Financial Statements

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

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

PAGOSA PEAK OPEN SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

Amounts reported as Program revenues include:

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

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

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

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

Fund Financial Statements

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

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

The School reports the following major governmental funds:

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

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

The School reports the following internal service fund:

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

PAGOSA PEAK OPEN SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

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

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

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

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

Budgets and Budgetary Accounting

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

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

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

Stewardship

The Building Corporation Fund is a 501(c)(3) nonprofit, therefore no budget was adopted during FY2023.

Expenditures exceeded appropriations in the General Fund by \$22,743 and Activity Fund by \$321 during fiscal year 2023. This may be a violation of Colorado Revised Statutes 22-44-115(1).

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

Cash

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

Deposits

All deposits are reported at their gross value.

PAGOSA PEAK OPEN SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

Due from Primary Government

Activities with the primary government that are representative of cash held by the primary government at the end of the fiscal year are reported as accounts receivable and accounts payable in the financial statements. Amounts due from the Primary Government – Archuleta School District as of June 30, 2023 was \$158,589 for their portion of per pupil revenue and grants receivable from the Colorado Department of Education that flow through the District at year end.

Prepaid Items

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

Capital Assets

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

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

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

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

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

Unearned Revenues

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

Long-Term Obligations

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

Vacation, Sick Leave, and Other Compensated Absences

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

PAGOSA PEAK OPEN SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

Deferred Outflows/Inflows of Resources

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

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

Net Position/Fund Balance

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

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

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

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

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

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

Net Position/Fund Balance Flow Assumption

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

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

PAGOSA PEAK OPEN SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

Revenues and Expenditures

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

Pensions

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

Other Postemployment Benefits (OPEB)

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

Reclassification

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

New Accounting Pronouncements

During fiscal year 2023, the School adopted the provisions of GASB Statement No. 96, *Subscription-Based Information Technology Arrangement (SBITA)*, that establishes that a SBITA is defined as a contract that conveys control of the right to use another party's (a SBITA vendor's) information technology (IT) software, alone or in combination with tangible capital assets (the underlying IT assets), as specified in the contract for a period of time in an exchange-like transaction. This standard requires governmental entities to record a subscription liability and an intangible right-to-use subscription asset for those contracts for the subscription term. This standard does not have a material effect on the financial statements of the School.

PAGOSA PEAK OPEN SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 2: CASH AND INVESTMENTS

Cash and investments at June 30, 2023 were as follows:

Governmental Funds Cash & Cash Equivalents	\$	270,066
Internal Service Fund Cash & Cash Equivalents		8,055
Governmental Activities - Unrestricted	\$	<u>278,121</u>
Internal Service Fund Restricted Cash & Cash Equivalents	\$	<u>33,721</u>

Deposits

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

	Bank Balance	Carrying Balance
FDIC Insured	\$ 301,218	\$ 311,842
PDPA Collateralized	32,751	-
	<u>\$ 333,969</u>	<u>\$ 311,842</u>

At June 30, 2023, 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.

Restricted Cash

The Pagosa Peak Open School Building Corporation is required to contribute \$938 monthly to a reserve account until the balance reaches \$112,404 to meet reserve requirements under the United States Department of Agriculture Community Facilities Loan.

Custodial Credit Risk

Deposits in financial institutions, reported as cash, cash equivalents, and investments had a bank balance as summarized above at June 30, 2023, 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.

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;

PAGOSA PEAK OPEN SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

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;
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 has no formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates other than those contained in Colorado Revised Statutes. The School did not hold any investments as of June 30, 2023.

The School places no limit on the amount it may invest in any one issuer. At June 30, 2023, 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: INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund Transfers

Interfund transfers for the year ended June 30, 2023, were as follows:

Transfer In	Transfer Out	Amount
General Fund	Internal Service Fund	\$ 120,000
		\$ 120,000

Transfers from the Internal Service Fund (Building Corporation Fund) were made to the General Fund for matching funds for the construction grant.

PAGOSA PEAK OPEN SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

NOTE 4: CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2023, is summarized below:

	Balance 6/30/2022	Additions	Deletions	Balance 6/30/2023
<i>Governmental Activities:</i>				
Capital Assets not being depreciated				
Land	\$ 715,000	\$ -	\$ -	\$ 715,000
Construction in Progress	500,180	-	500,180	-
Total Capital Assets not being depreciated	<u>1,215,180</u>	<u>-</u>	<u>500,180</u>	<u>715,000</u>
Capital Assets being depreciated				
Building	3,628,063	21,539	-	3,649,602
Improvements	-	1,151,817	-	1,151,817
Equipment	27,289	40,734	-	68,023
Total capital assets being depreciated	<u>3,655,352</u>	<u>1,214,090</u>	<u>-</u>	<u>4,869,442</u>
Less accumulated depreciation for:				
Building	(196,521)	(91,240)	-	(287,761)
Improvements accumulated depreciation	-	(28,796)	-	(28,796)
Equipment	(7,602)	(6,803)	-	(14,405)
Total accumulated depreciation	<u>(204,123)</u>	<u>(126,839)</u>	<u>-</u>	<u>(330,962)</u>
Total capital assets being depreciated, net	<u>3,451,229</u>	<u>1,087,251</u>	<u>-</u>	<u>4,538,480</u>
Total Capital Assets	<u>\$ 4,666,409</u>	<u>\$ 1,087,251</u>	<u>\$ 500,180</u>	<u>\$ 5,253,480</u>

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

Instructional Program	\$ 121,765
Food Service	4,074
Transportation	<u>1,000</u>
Total Depreciation Expense	<u>\$ 126,839</u>

NOTE 5: LEASES

The School is leasing out the building located at 3133 Cornerstone Dr, Pagosa Springs, Colorado to two separate entities. The School has recognized a lease receivable as of June 20, 2023 for the terms of the leases.

Total lease revenue recognized during the fiscal year ending June 30, 2023 is \$33,461 and \$2,539 of interest income.

PAGOSA PEAK OPEN SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

The following is the lease receivable schedule as of June 30, 2023:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 34,634	\$ 1,366	\$ 36,000
2025	20,746	306	21,052
	<u>\$ 55,380</u>	<u>\$ 1,672</u>	<u>\$ 57,052</u>

On May 1, 2020, the Pagosa Peak Open School Building Corporation (Building Corp), a component unit, purchased the facilities used by the School. The School rents the building from the Building Corp to repay the USDA loan. Rental expense for the year ended June 30, 2023 was approximately \$180,000.

This activity is eliminated on the Statement of Activities and is not subject to GASB 87, *Leases*, as this is interfund activity.

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

Year Ended June 30,	
2024	\$ 180,000
2025	180,000
2026	180,000
2027	180,000
2028	180,000
2029-2033	900,000
2034-2038	900,000
2039-2043	900,000
2044-2048	900,000
2049-2053	900,000
2054-2058	900,000
2059-2060	360,000
	<u>\$ 6,660,000</u>

NOTE 6: OUTSTANDING DEBT OBLIGATIONS

Long-term debt activity for the year ended June 30, 2023 was as follows:

	<u>Balance</u> <u>06/30/2022</u>	<u>Advances</u>	<u>Payments</u>	<u>Balance</u> <u>06/30/2023</u>	<u>Current</u> <u>Portion</u>
<i>Governmental Activities</i>					
Notes Payable					
United States Department of Agriculture					
Community Facilities Direct Loan	\$ 2,807,187	\$ -	\$ (46,207)	\$ 2,760,980	\$ 47,315
Region 9 Economic Development Loan	97,932	-	(12,556)	85,376	12,809
	<u>\$ 2,905,119</u>	<u>\$ -</u>	<u>\$ (58,763)</u>	<u>\$ 2,846,356</u>	<u>\$ 60,124</u>

PAGOSA PEAK OPEN SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

Notes Payable

The Pagosa Peak Open School Building Corporation (the Corporation) entered into a \$2,900,000 loan agreement with the United States Department of Agriculture (USDA) at 2.375% interest rate, for the purchase of land and building and related building improvements incurred by the Corporation. The Corporation has pledged gross income and revenue to be derived from the operation of the facility to pay the principal and interest payments. Regular monthly principal and interest payments of \$9,367 began May 2020 with final payment due May 2060. The building and land are included in capital assets at a cost of \$4,343,063 and accumulated depreciation of \$287,223.

The Pagosa Peak Open School Building Corporation (the Corporation) entered into a \$100,000 loan agreement with Region 9 Economic Development District of Southwest Colorado, Inc. at 5.25% interest rate, for matching funds related to renovations at the K-7 building. Regular monthly principal and interest payments of \$1,200 begin May 2022 with final payment due April 2027.

The annual debt service for the notes payable are as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 60,124	\$ 66,652	\$ 126,776
2025	61,524	65,252	126,776
2026	62,947	63,829	126,776
2027	96,973	62,255	159,228
2028	52,028	60,351	112,379
2029-2033	279,484	282,403	561,887
2034-2038	314,679	247,197	561,876
2039-2043	354,324	205,780	560,104
2044-2048	398,950	162,932	561,882
2049-2053	449,197	112,684	561,881
2054-2058	505,776	56,106	561,882
2059-2060	210,349	5,032	215,381
	<u>\$ 2,846,355</u>	<u>\$ 1,390,473</u>	<u>\$ 4,236,828</u>

NOTE 7: DEFICIT NET POSITION

The Governmental Activities has a net position of \$1,270,810, and an unrestricted net position deficit of \$(1,203,316) primarily due to adding the PERA and OPEB net pension liabilities and related deferred inflows and deferred outflows of resources of \$1,592,943 further described in Notes 10 and 12. As the School has no control over pension and other retirement benefits or contribution rates, we expect this deficit net position to decrease as PERA continues to reduce its net pension liability and OPEB liability.

NOTE 8: 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

PAGOSA PEAK OPEN SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

are disallowed due to noncompliance with grant program regulations, the School is required to reimburse the grantor government. As of June 30, 2023, 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, 2023, the School's reserve of \$67,000 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 \$113,120 worth of these override funds and the remaining override funds unspent as of June 30, 2023 was \$0.

NOTE 9: 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 its 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 10: DEFINED BENEFIT PENSION PLAN

General Information about the Pension Plan

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

Benefits provided as of December 31, 2022. 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.

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

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

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

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

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

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, 2023. Eligible employees of the School and the State are required to contribute to the SCHDTF at a rate set by Colorado statute. The contribution requirements for the SCHDTF are established under C.R.S. § 24-51-401, *et seq.* and § 24-51-413. Eligible employees are required to contribute 11.00% of their PERA-includable salary during the period of July 1, 2022 through June 30, 2023. Employer contribution requirements are summarized in the table below:

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	July 1, 2022 Through June 30, 2023
Employer Contribution Rate	11.40%
Amount of Employer Contribution apportioned to the Health Care Trust Fund as specified in C.R.S. § 24-51-208(1)(f)	-1.02%
Amount Apportioned to the SCHDTF	10.38%
Amortization Equalization Disbursement (AED) as specified in C.R.S. § 24-51-411	4.50%
Supplemental Amortization Equalization Disbursement (SAED) as specified in C.R.S. § 24-51-411	5.50%
Total Employer Contribution Rate to the SCHDTF	20.38%

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

Employer contributions are recognized by the SCHDTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions to the SCHDTF. Employer contributions recognized by the SCHDTF from the School were \$191,089, for the year ended June 30, 2023.

For purposes of GASB 68 paragraph 15, a circumstance exists in which a nonemployer contributing entity is legally responsible for making contributions to the SCHDTF and is considered to meet the definition of a special funding situation. As specified in C.R.S. § 24-51-414, the State is required to contribute \$225 million (actual dollars) direct distribution each year to PERA starting on July 1, 2018. A portion of the direct distribution payment is allocated to the SCHDTF based on the proportionate amount of annual payroll of the SCHDTF to the total annual payroll of the SCHDTF, State Division Trust Fund, Judicial Division Trust Fund, and Denver Public Schools Division Trust Fund. House Bill (HB) 22-1029, instructed the State treasurer to issue an additional direct distribution to PERA in the amount of \$380 million (actual dollars), upon enactment. The July 1, 2023, payment is reduced by \$190 million (actual dollars) to \$35 million (actual dollars). The July 1, 2024, payment will not be reduced due to PERA's negative investment return in 2022. Senate Bill (SB) 23-056, enacted June 2, 2023, requires an additional direct distribution of approximately \$14.5 million (actual dollars), for a total of approximately \$49.5 million (actual dollars) to be contributed July 1, 2023.

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, 2022, and the total pension liability (TPL) used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2021. Standard update procedures were used to roll forward the TPL to December 31, 2022. The School's proportion of the net pension liability was based on the School contributions to the SCHDTF for the calendar year 2022 relative to the total contributions of participating employers and the State as a nonemployer contributing entity.

At June 30, 2023, the School reported a liability of \$1,879,021 for its proportionate share of the net pension liability that reflected an increase for support from the State as a nonemployer contributing entity. The amount recognized by the School as its proportionate share of the net pension liability, the related support from the State as a nonemployer contributing entity, and the total portion of the net pension liability that was associated with the School were as follows:

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School's proportionate share of the net position liability \$ 1,879,021

The State's proportionate share of the net pension liability as a nonemployer contributing entity associated with the School

547,565
Total \$ 2,426,586

At December 31, 2022, the School's proportion was 0.010%, which was a decrease of 0.002% from its proportion measured as of December 31, 2021.

For the year ended June 30, 2023, the School recognized pension expense of \$215,794 and revenue of \$46,693 for support from the State as a nonemployer contributing entity. At June 30, 2023, the School reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 17,783	\$ -
Changes of assumption or other inputs	33,284	-
Net difference between projected and actual earnings on pension plan investments	252,422	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	94,771	165,265
Contributions subsequent to the measurement date	105,387	-
Total	\$ 503,647	\$ 165,265

\$105,387 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,			
2024	\$	45,067	
2025		(26,814)	
2026		67,919	
2027		146,822	
2028		-	
Thereafter		-	

Actuarial assumptions. The TPL in the December 31, 2021 actuarial valuation was determined using the following actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	3.40 – 11.00%
Long-term investment Rate of Return, net of pension plan investment expenses, including price inflation	7.25%

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Discount rate	7.25%
Post-retirement benefit increases:	
PERA Benefit Structure hired prior to 1/1/07 and DPS benefit structure (compounded annually)	1.00%
PERA Benefit Structure hired after 12/31/06 ¹	Financed by the AIR

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

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

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

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

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

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

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

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

The actuarial assumptions used in the December 31, 2021, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020, meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared at least every five years for PERA. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

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

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

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

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

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

- Total covered payroll for the initial projection year consists of the covered payroll of the active membership present on the valuation date and the covered payroll of future plan members assumed to be hired during the year. In subsequent projection years, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employee contributions were assumed to be made at the member contribution rates in effect for each year, including the scheduled increases in SB 18-200 and required adjustments resulting from the 2018 and 2020 AAP assessments. 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 and required adjustments resulting from the 2018 and 2020 AAP assessments. Employer contributions also include current and estimated future AED and SAED, until the actuarial value funding ratio reaches 103%, at which point the AED and SAED will each drop 0.50% every year until they are zero. Additionally, estimated employer contributions reflect reductions for the funding of the AIR and retiree health care benefits. For future plan members, employer contributions were further reduced by the estimated amount of total service costs for future plan members not financed by their member contributions.
- As specified in law, the State, as a nonemployer contributing entity, will provide an annual direct distribution of \$225 million (actual dollars), which commenced July 1, 2018, that is proportioned between the State, School, Judicial, and DPS Division Trust Funds based upon the covered payroll of each Division. The annual direct distribution ceases when all Division Trust Funds are fully funded.
- HB 22-1029, effective upon enactment in 2022, required the State treasurer to issue, in addition to the regularly scheduled \$225 million (actual dollars) direct distribution, a warrant to PERA in the amount of

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\$380 million (actual dollars). The July 1, 2023, direct distribution is reduced by \$190 million (actual dollars) to \$35 million (actual dollars). The July 1, 2024, direct distribution will not be reduced from \$225 million (actual dollars) due to PERA’s negative investment return in 2022.

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

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

	1% Decrease (6.25%)	Current Discount Rate (7.25%)	1% Increase (8.25%)
Proportionate share of the net pension liability	\$ 2,458,992	\$ 1,879,021	\$ 1,394,685

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

NOTE 11: 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 annual comprehensive financial report for the Plan. That report can be obtained at www.copera.org/investments/pera-financial-reports.

Funding Policy

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

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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, 2023 program members did not make any contributions to the plan.

NOTE 12: OTHER POST-EMPLOYMENT BENEFITS

General Information about the OPEB Plan

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

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

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

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

PERA Benefit Structure

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

For benefit recipients who have not participated in Social Security and who are not otherwise eligible for premium-free Medicare Part A for hospital-related services, C.R.S. § 24-51-1206(4) provides an additional subsidy. According to the statute, PERA cannot charge premiums to benefit recipients without Medicare Part A that are greater than premiums charged to benefit recipients with Part A for the same plan option, coverage level, and service credit.

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Currently, for each individual PERACare enrollee, the total premium for Medicare coverage is determined assuming plan participants have both Medicare Part A and Part B and the difference in premium cost is paid by the HCTF on behalf of benefit recipients not covered by Medicare Part A.

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

Employer contributions are recognized by the HCTF in the period in which the compensation becomes payable to the member and the School is statutorily committed to pay the contributions. Employer contributions recognized by the HCTF from the School were \$9,564 for the year ended June 30, 2023.

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

At June 30, 2023, the School reported a liability of \$63,998 for its proportionate share of the net OPEB liability. The net OPEB liability for the HCTF was measured as of December 31, 2022, and the total OPEB liability (TOL) used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2021. Standard update procedures were used to roll-forward the TOL to December 31, 2022. The School's proportion of the net OPEB liability was based on the School's contributions to the HCTF for the calendar year 2022 relative to the total contributions of participating employers to the HCTF.

At December 31, 2022, the School proportion was 0.0078%, which was an increase of 0.00005% from its proportion measured as of December 31, 2021.

For the year ended June 30, 2023 the School recognized OPEB expense of \$6,956. At June 30, 2023, School reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ 8	\$ 15,477
Changes of assumption or other inputs	1,029	7,063
Net difference between projected and actual earnings on pension plan investments	3,909	-
Changes in proportion and differences between contributions recognized and proportionate share of contributions	24,013	-
Contributions subsequent to the measurement date	5,275	-
Total	<u>\$ 34,234</u>	<u>\$ 22,540</u>

\$5,275 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, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

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Year Ended June 30,		
2024	\$	3,241
2025		2,052
2026		932
2027		1,756
2028		(1,208)
Thereafter		(355)

Actuarial assumptions. The TOL in the December 31, 2021 actuarial valuation was determined using the following actuarial cost method, actuarial assumptions and other inputs:

Actuarial cost method	Entry age
Price inflation	2.30%
Real wage growth	0.70%
Wage inflation	3.00%
Salary increases, including wage inflation	3.40%-11.00%
Long-term investment rate of return, net of OPEB	
plan investment expenses, including price inflation	7.25%
Discount rate	7.25%
Health care cost trend rates	
PERA benefit structure:	
Service-based premium subsidy	0.00 %
PERACare Medicare plans	6.50% in 2022
	gradually decreasing to 4.50% in 2030
Medicare Part A premiums	3.75% in 2022, gradually increasing to
	4.50% in 2029

The TOL for the HCTF, as of the December 31, 2022, measurement date, was adjusted to reflect the disaffiliation, allowable under C.R.S. § 24-51-313, of Tri-County Health Department (TriCounty Health), effective December 31, 2022. As of the close of the 2022 fiscal year, no disaffiliation payment associated with Tri-County Health was received, and therefore no disaffiliation dollars were reflected in the FNP as of the December 31, 2022, measurement date.

Beginning January 1, 2022, the per capita health care costs are developed by plan option; based on 2022 premium rates for the UnitedHealthcare Medicare Advantage Prescription Drug (MAPD) PPO plan #1, the UnitedHealthcare MAPD PPO plan #2, and the Kaiser Permanente MAPD HMO plan. Actuarial morbidity factors are then applied to estimate individual retiree and spouse costs by age, gender, and health care cost trend. This approach applies for all members and is adjusted accordingly for those not eligible for premium-free Medicare Part A for the PERA benefit structure.

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Age-Related Morbidity Assumptions

Participant Age	Annual Increase	Annual Increase
	(Male)	(Female)
65-69	3.00%	1.50%
70	2.90%	1.60%
71	1.60%	1.40%
72	1.40%	1.50%
73	1.50%	1.60%
74	1.50%	1.50%
75	1.50%	1.40%
76	1.50%	1.50%
77	1.50%	1.50%
78	1.50%	1.60%
79	1.50%	1.50%
80	1.40%	1.50%
81 and older	0.00%	0.00%

Sample Age	MAPD PPO #1 with Medicare Part A		MAPD PPO #2 with Medicare Part A		MAPD HMO (Kaiser) with Medicare Part A	
	Retiree/Spouse		Retiree/Spouse		Retiree/Spouse	
	Male	Female	Male	Female	Male	Female
65	\$1,704	\$1,450	\$583	\$496	\$1,923	\$1,634
70	\$1,976	\$1,561	\$676	\$534	\$2,229	\$1,761
75	\$2,128	\$1,681	\$728	\$575	\$2,401	\$1,896

Sample Age	MAPD PPO #1 without Medicare Part A		MAPD PPO #2 without Medicare Part A		MAPD HMO (Kaiser) without Medicare Part A	
	Retiree/Spouse		Retiree/Spouse		Retiree/Spouse	
	Male	Female	Male	Female	Male	Female
65	\$6,514	\$5,542	\$4,227	\$3,596	\$6,752	\$5,739
70	\$7,553	\$5,966	\$4,901	\$3,872	\$7,826	\$6,185
75	\$8,134	\$6,425	\$5,278	\$4,169	\$8,433	\$6,657

The 2022 Medicare Part A premium is \$499 (actual dollars) per month.

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

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

Health care cost trend rates for the PERA benefit structure are based on published annual health care inflation surveys in conjunction with actual plan experience (if credible), building block models and industry methods developed by health plan actuaries and administrators. In addition, projected trends for the Federal Hospital Insurance Trust Fund (Medicare Part A premiums) provided by the Centers for Medicare & Medicaid Services are referenced in the development of these rates. Effective December 31, 2021, the health care cost trend rates for Medicare Part A

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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 TOL are summarized in the table below:

Year	PERACare Medicare Plans	Medicare Part A Premiums
2022	6.50%	3.75%
2023	6.25%	4.00%
2024	6.00%	4.00%
2025	5.75%	4.00%
2026	5.50%	4.25%
2027	5.25%	4.25%
2028	5.00%	4.25%
2029	4.75%	4.50%
2030+	4.50%	4.50%

Mortality assumptions used in the December 31, 2021 valuation for the determination of the total pension liability for each of the Division Trust Funds as shown below, reflect generational mortality and were applied, as applicable, in the determination of the TOL for the HCTF, but developed using a headcount-weighted basis. Affiliated employers of the State, School, Local Government, and Judicial Divisions participate in the HCTF.

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

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

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

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

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

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

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

- Per capita health care costs in effect as of the December 31, 2021, valuation date for those PERACare enrollees under the PERA benefit structure who are expected to be age 65 and older and are not eligible for premium-free Medicare Part A benefits have been updated to reflect costs for the 2022 plan year.

PAGOSA PEAK OPEN SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

- The December 31, 2021, valuation utilizes premium information as of January 1, 2022, as the initial per capita health care cost. As of that date, PERACare health benefits administration is performed by UnitedHealthcare. In that transition, the costs for the Medicare Advantage Option #2 decreased to a level that is lower than the maximum possible service-related subsidy as described in the plan provisions.
- The health care cost trend rates applicable to health care premiums were revised to reflect the then current expectation of future increases in those premiums. Medicare Part A premiums continued with the prior valuation trend pattern.

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

Effective for the December 31, 2022, measurement date, the timing of the retirement decrement was adjusted to middle-of-year within the valuation programming used to determine the TOL, reflecting a recommendation from the 2022 actuarial audit report, dated October 14, 2022, summarizing the results of the actuarial audit performed on the December 31, 2021, actuarial valuation.

The actuarial assumptions used in the December 31, 2021, valuation were based on the results of the 2020 experience analysis for the period January 1, 2016, through December 31, 2019, and were reviewed and adopted by the PERA Board at their November 20, 2020 meeting.

The long-term expected return on plan assets is reviewed as part of regular experience studies prepared at least every five years for PERA. The most recent analyses were outlined in the Experience Study report dated October 28, 2020.

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

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

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

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

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

PAGOSA PEAK OPEN SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

	<u>1% Decrease in Trend Rates</u>	<u>Current Trend Rates</u>	<u>1% Increase in Trend Rates</u>
Initial PERACare Medicare trend rate	5.25%	6.25%	7.25%
Ultimate PERACare Medicare trend rate	3.50%	4.50%	5.50%
Initial Medicare Part A trend rate	3.00%	4.00%	5.00%
Ultimate Medicare Part A trend rate	3.50%	4.50%	5.50%
Net OPEB Liability	\$ 62,186	\$ 63,998	\$ 65,969

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

- Updated health care cost trend rates for Medicare Part A premiums as of the December 31, 2022, 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 year, total covered payroll was assumed to increase annually at a rate of 3.00%.
- Employer contributions were assumed to be made at rates equal to the fixed statutory rates specified in law and effective as of the measurement date.
- Employer contributions and the amount of total service costs for future plan members were based upon a process to estimate future actuarially determined contributions assuming an analogous future plan member growth rate.
- Estimated transfers of dollars into the HCTF representing a portion of purchase service agreements intended to cover the costs associated with OPEB benefits.
- Benefit payments and contributions were assumed to be made at the middle of the year.

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

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

	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Proportionate share of the net OPEB liability	\$ 74,192	\$ 63,998	\$ 55,278

PAGOSA PEAK OPEN SCHOOL
NOTES TO THE BASIC FINANCIAL STATEMENTS
June 30, 2023

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

PAGOSA PEAK OPEN SCHOOL

REQUIRED SUPPLEMENTARY INFORMATION

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

PAGOSA PEAK OPEN SCHOOL
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
For the Year Ended June 30, 2023

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
REVENUES				
Local Sources	\$ 393,742	\$ 595,769	\$ 405,187	\$ (190,582)
State Sources	85,840	61,724	435,334	373,610
Federal Sources	-	-	54,839	54,839
Other Sources	1,214,640	1,460,428	1,235,818	(224,610)
TOTAL REVENUES	<u>1,694,222</u>	<u>2,117,921</u>	<u>2,131,178</u>	<u>13,257</u>
EXPENDITURES				
Current Expenditures				
Instructional Program	805,433	845,433	824,961	20,472
General Administration Support Services	64,732	64,732	63,128	1,604
School Administration Support Services	207,340	207,340	200,621	6,719
Business Support Services	134,009	534,009	462,005	72,004
Operations and Maintenance of Plant Services	190,461	486,194	638,920	(152,726)
Transportation	2,000	2,000	3,687	(1,687)
Central Support Services	73,720	73,720	43,620	30,100
Food Service Operations	168,956	168,956	168,185	771
TOTAL EXPENDITURES	<u>1,646,651</u>	<u>2,382,384</u>	<u>2,405,127</u>	<u>(22,743)</u>
Excess (Deficiency) of Revenue Over Expenditures	47,571	(264,463)	(273,949)	(9,486)
OTHER FINANCING SOURCES (USES)				
Transfers from Other Funds	-	-	120,000	120,000
Change in Fund Balance	47,571	(264,463)	(153,949)	110,514
FUND BALANCE, Beginning of Year	<u>232,286</u>	<u>265,000</u>	<u>529,658</u>	<u>264,658</u>
FUND BALANCE, End of Year	<u>\$ 279,857</u>	<u>\$ 537</u>	<u>\$ 375,709</u>	<u>\$ 375,172</u>

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, 2023

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
REVENUES				
Local Sources	\$ 2,287	\$ 39,604	\$ 14,750	\$ (24,854)
State Sources	182,035	195,980	193,198	(2,782)
Federal Sources	58,038	56,371	43,721	(12,650)
TOTAL REVENUES	<u>242,360</u>	<u>291,955</u>	<u>251,669</u>	<u>(40,286)</u>
EXPENDITURES				
Current Expenditures				
Instructional Program	106,781	223,633	210,750	12,883
Student Support Services	30,000	30,000	30,000	-
General Administration Support Services	105,579	38,322	3,330	34,992
Operations and Maintenance of Plant Services	-	-	7,589	(7,589)
TOTAL EXPENDITURES	<u>242,360</u>	<u>291,955</u>	<u>251,669</u>	<u>40,286</u>
Change in Fund Balance	-	-	-	-
FUND BALANCE, Beginning of Year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCE, End of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
School's proportion of the net pension liability	0.0103189221%	0.0119247020%	0.0117532782%	0.0094456867%	0.0063180524%	0.0064921324%
School's proportionate share of the net pension liability (asset)	\$ 1,879,021	\$ 1,387,722	\$ 1,776,859	\$ 1,411,165	\$ 1,118,741	\$ 2,099,325
State's proportionate share of the net pension liability (asset) associated with the School	<u>547,565</u>	<u>159,085</u>	<u>-</u>	<u>178,988</u>	<u>134,572</u>	<u>-</u>
Total	<u>\$ 2,426,586</u>	<u>\$ 1,546,807</u>	<u>\$ 1,776,859</u>	<u>\$ 1,590,153</u>	<u>\$ 1,253,313</u>	<u>\$ 2,099,325</u>
School's covered payroll	\$ 794,597	\$ 745,253	\$ 628,281	\$ 482,149	\$ 348,182	\$ 299,474
School's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	236.47%	186.21%	282.81%	292.68%	321.31%	701.00%
Plan fiduciary net position as a percentage of the total pension liability	61.79%	74.86%	66.99%	64.52%	57.01%	43.96%

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

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

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

	2023	2022	2021	2020	2019	2018
Contractually required contribution	\$ 191,089	\$ 149,947	\$ 133,358	\$ 119,097	\$ 87,446	\$ 58,233
Contributions in relation to the contractually required contribution	(191,089)	(149,947)	(133,358)	(119,097)	(87,446)	(58,233)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered payroll	937,625	754,262	670,894	614,538	457,113	312,575
Contributions as a percentage of covered payroll	20.38%	19.88%	19.88%	19.38%	19.13%	18.63%

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

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

	2023	2022	2021	2020	2019	2018
School's proportion of the net OPEB liability	0.0078382386%	0.0077859027%	0.0067995455%	0.0061712947%	0.0041067568%	0.0036888063%
School's proportionate share of the net OPEB liability (asset)	\$ 63,998	\$ 67,138	\$ 64,611	\$ 69,365	\$ 55,874	\$ 47,940
School's covered payroll	\$ 794,597	\$ 745,253	\$ 628,281	\$ 482,149	\$ 348,182	\$ 299,474
School's proportionate share of the net OPEB liability as a percentage of its covered payroll	8.05%	9.01%	10.28%	14.39%	16.05%	16.01%
Plan fiduciary net position as a percentage of the total OPEB liability	38.57%	39.40%	32.78%	24.49%	17.03%	17.53%

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

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

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

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Contractually required contribution	\$ 9,564	\$ 7,693	\$ 6,843	\$ 6,268	\$ 4,663	\$ 3,188
Contributions in relation to the contractually required contribution	<u>(9,564)</u>	<u>(7,693)</u>	<u>(6,843)</u>	<u>(6,268)</u>	<u>(4,663)</u>	<u>(3,188)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
School's covered payroll	\$ 937,625	\$ 754,262	\$ 670,894	\$ 614,538	\$ 457,113	\$ 312,575
Contributions as a percentage of covered payroll	1.02%	1.02%	1.02%	1.02%	1.02%	1.02%

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

PAGOSA PEAK OPEN SCHOOL
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
CHANGES IN BENEFIT TERMS AND ACTUARIAL ASSUMPTIONS
For the Year Ended June 30, 2023

NOTE 1 NET PENSION LIABILITY

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

2022

- Required contribution increased from 10.50% to 11.00% for eligible employees.

2021

- Required contribution increased from 10.00% to 10.50% for eligible employees.
- AI cap decreased from 1.25% to 1.00%

2020

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

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

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

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

2016

- The price inflation assumption was lowered from 2.80% to 2.40%.
- The long-term expected rate of return assumption was lowered from 7.50% to 7.25% per year.
- The wage inflation assumption was lowered from 3.90% to 3.50%.

PAGOSA PEAK OPEN SCHOOL
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
CHANGES IN BENEFIT TERMS AND ACTUARIAL ASSUMPTIONS
For the Year Ended June 30, 2023

- The mortality tables were changed from RP-2000 Combined Mortality Table for Males and Females, as appropriate, with adjustments for mortality improvements based on a projection scale of Scale AA to 2020 to RP-2014 White Collar Employee Mortality for actively working people, RP-2014 Healthy Annuitant Mortality Table projected to 2020 using the MP-2015 projection scale for retirees, or RP-2014 Disabled Retiree Mortality Table for disabled retirees.
- The discount rate was lowered from 7.50% to 5.26%.

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

NOTE 2 OTHER POSTEMPLOYMENT BENEFITS LIABILITY

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

2022

- The Medicare Part A premium increased from \$471 to \$499 per month.
- The per capita health care costs are developed by plan option; based on 2022 premium rates for the UnitedHealthcare Medicare Advantage Prescription Drug (MAPD) PPO plan #1, the UnitedHealthcare MAPD PPO plan #2, and the Kaiser Permanente MAPD HMO plan. Actuarial morbidity factors are then applied to estimate individual retiree and spouse costs by age, gender, and health care cost trend. This approach applies for all members and is adjusted accordingly for those not eligible for premium-free Medicare Part A for the PERA benefit structure.
- Effective for the December 31, 2022, measurement date, the timing of the retirement decrement was adjusted to middle-of-year within the valuation programming used to determine the total OPEB liability.

2021

- The Medicare Part A premium increased from \$458 to \$471 per month.
- The health care cost trend rates from 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.

2020

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2020 plan year.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.
- Price inflation assumption decreased from 2.40 percent per year to 2.30 percent per year.
- Real wage growth assumption decreased from 1.10 percent per year to 0.70 percent per year.
- Real rate of investment return assumption increased from 4.85 percent per year, net of investment expenses to 4.95 percent per year, net of investment expenses.
- Wage inflation assumption decreased from 3.50 percent per year to 3.00 percent per year.
- Salary scale assumptions were revised to align with revised economic assumptions and to more closely reflect actual experience.
- Rates of termination/withdrawal, retirement, and disability were revised to more closely reflect actual experience.
- The pre-retirement mortality assumptions for the School Division were changed to the PubT-2010 Employee Table with generational projection using scale MP-2019.
- Post-retirement non-disabled mortality assumptions for the School Division were changed to the PubT-2010 Healthy Retiree Table, adjusted as follows:

PAGOSA PEAK OPEN SCHOOL
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
CHANGES IN BENEFIT TERMS AND ACTUARIAL ASSUMPTIONS
For the Year Ended June 30, 2023

- Males: 112 percent of the rates prior to age 80 and 94 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Females: 83 percent of the rates prior to age 80 and 106 percent of the rates for ages 80 and older, with generational projection using scale MP-2019.
- Post-retirement non-disabled beneficiary mortality assumptions were changed to the Pub-2010 Contingent Survivor Table, adjusted as follows:
 - Males: 97 percent of the rates for all ages, with generational projection using scale MP-2019.
 - Females: 105 percent of the rates for all ages, with generational projection using scale MP-2019.
- Disabled mortality assumptions were changed to the PubNS-2010 Disabled Retiree Table using 99 percent of the rates for all ages with generational projection using scale MP-2019.
- The mortality tables described above are generational mortality tables on a benefit-weighted basis.

2019

- Initial per capita health care costs for those PERACare enrollees under the PERA benefit structure who are expected to attain age 65 and older ages and are not eligible for premium-free Medicare Part A benefits were updated to reflect the change in costs for the 2019 plan year.
- The morbidity assumptions were updated to reflect the assumed standard aging factors.
- The health care cost trend rates for Medicare Part A premiums were revised to reflect the then current expectation of future increases in rates of inflation applicable to Medicare Part A premiums.

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

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

PAGOSA PEAK OPEN SCHOOL
SUPPLEMENTARY INFORMATION

PAGOSA PEAK OPEN SCHOOL
SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN
FUND BALANCE - BUDGET AND ACTUAL
ACTIVITY FUND
For the Year Ended June 30, 2023

	<u>BUDGETED AMOUNTS</u>		<u>ACTUAL</u>	<u>VARIANCE WITH</u>
	<u>ORIGINAL</u>	<u>FINAL</u>		<u>FINAL BUDGET</u>
				<u>POSITIVE</u>
				<u>(NEGATIVE)</u>
REVENUES				
Local Sources	\$ 22,000	\$ 30,000	\$ 33,114	\$ 3,114
TOTAL REVENUES	<u>22,000</u>	<u>30,000</u>	<u>33,114</u>	<u>3,114</u>
EXPENDITURES				
Current Expenditures				
Instructional Program	4,812	50,000	50,321	(321)
TOTAL EXPENDITURES	<u>4,812</u>	<u>50,000</u>	<u>50,321</u>	<u>(321)</u>
Change in Fund Balance	17,188	(20,000)	(17,207)	2,793
FUND BALANCE, Beginning of Year		<u>20,000</u>	<u>62,070</u>	<u>42,070</u>
FUND BALANCE, End of Year	<u>\$ 17,188</u>	<u>\$ -</u>	<u>\$ 44,863</u>	<u>\$ 44,863</u>